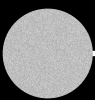




Source: BMW Group PressClub Deutschland

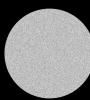
Skill Premiums in the German Auto Industry - Convergence Big Time?

1955



1. Immigration Agreement

1961

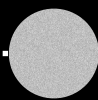


Approx. 700k immigrants



Boom years and labour shortages

1973

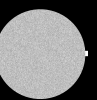


Immigration agreements abandoned



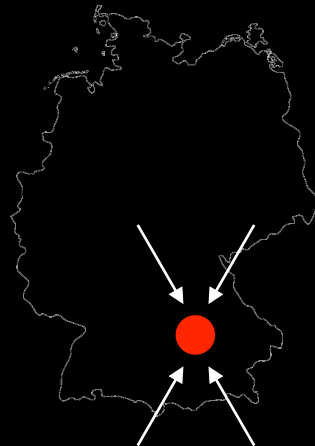
Oil shocks and downturn years

1981



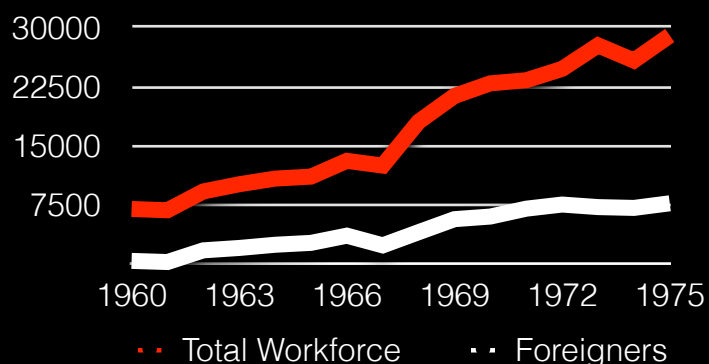
> 4.5 mio immigrants

Foreign labour played a mayor role in West Germany's post-war economic miracle. The paper investigates blue-collar wage developments in the German auto industry using a case study of the Bayerische Motoren Werke AG (BMW) for the period from 1955-1975.



The analysis of BMW's experience sheds a positive light on foreign labour. Moderate wage increases for unskilled workers and stable skill premiums helped BMW and the German manufacturing sector grow throughout times of labour scarcity, even though the precise impact is hard to estimate quantitatively.

BMW Workforce



“cheap labor fed economic growth by holding down wages”

Kindleberger, 1965

Wage Tables from the BMW Archive Munich

Grade	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
1	172	155	138	121	104	87	70	53	36	19	2	179	161	143	126	109	92	75	58	41	24
2	185	167	148	130	113	96	79	62	45	28	3	199	179	159	139	119	99	79	59	39	19
3	205	185	164	144	124	104	84	64	44	24	4	205	185	164	144	124	104	84	64	44	24
4	226	204	180	158	136	114	92	70	48	26	5	226	204	180	158	136	114	92	70	48	26
5	246	222	197	173	149	125	101	77	53	29	6	246	222	197	173	149	125	101	77	53	29
6	273	249	224	199	174	149	124	99	74	49	7	273	249	224	199	174	149	124	99	74	49
7	300	276	251	226	201	176	151	126	101	76	8	300	276	251	226	201	176	151	126	101	76
8	328	304	279	254	229	204	179	154	129	104	9	328	304	279	254	229	204	179	154	129	104
9	363	339	314	289	264	239	214	189	164	139	10	363	339	314	289	264	239	214	189	164	139

For BMW the supply of foreign labour was vital in alleviating the impact of labour shortages. During the period from 1962-1975 the share of foreign workers employed at BMW rose sharply. Skill premiums evolved unevenly up until the early 1960s and remained constant thereafter.



BMW's experience is likely to be similar to that of other manufacturing firms in Western Germany. The importance of wage moderation has been highlighted by many scholars who emphasised that the foreign “industrial reserve army” did indeed help large corporations overcome labour scarcity.