Labour/Le Travailleur

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Volume 60, Fall 2007

URI: https://id.erudit.org/iderudit/llt60art04

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Publisher(s)

Canadian Committee on Labour History

ISSN

0700-3862 (print)
1911-4842 (digital)

Explore this journal

Cite this article

Lewchuk, W. & Wells, D. (2007). Transforming Worker Representation: The Magna Model in Canada and Mexico. *Labour/Le Travailleur*, *60*, 107–136.

Article abstract

The emergence of internationalized production in the context of weakening state regulation of labour rights and of increasing employer dominance in industrial relations systems raises significant questions about the nature and future of worker representation. A crucial issue is the transferability of company-specific models of worker voice across national boundaries. This issue is the focus of this case study of Magna International, a leading member of a small group of transnational automotive parts manufacturing firms that are central to the contemporary restructuring of the international automotive industry. The paper compares the transformation of worker representation at Magna in Canada and Mexico. In crossing international borders, the Magna industrial relations model has taken on national and local features of the host country. However, the underlying industrial relations structure is one which has elicited a successful reconfiguration and containment of much, although by no means all, of the adversarialism inherent in labour-management relations. This reconfiguration has aligned worker representation to an essentially unitarist project oriented to management's productivity goals. More than merely suppressing independent unions, Magna has constructed a coherent, management-dominated model of worker representation in both Canada and Mexico. The paper concludes with an assessment of the implications of this model for independent unionism.

ARTICLE

Transforming Worker Representation: The Magna Model in Canada and Mexico

Wayne Lewchuk and Don Wells

A small group of large transnational automotive parts manufacturers have enjoyed significant growth since the early 1980s, in important part as a result of the liberalization of global trading rules and the restructuring of the automobile industry.[1] Over the same period many states have retreated from the labour market regulations and social welfare provisions that underpinned the post-World War II Fordist systems of production and union-based models of worker representation. This retreat by the state has created a space for these rapidly expanding parts manufacturers to experiment with new models of work organization and non-union forms of worker representation. While unions are in decline, and some companies are reverting to the pre-World War II unitarist model of human resources based on market power, this is an incomplete analysis of the changes taking place. Katz and Darbishire have shown how the decline of unions is related to patterns of workplace practices that to varying degrees diverge from national models of industrial relations.[2] Others have analysed the non-deterministic dialectic between transnational corporate regulation of labour and local regulatory systems.[3] Far from convergence to a single work organization or human resources model as suggested by Womack,

1. Firms such as Lear, Johnson Controls, TRW, Tower, Magna, Delphi, and Visteon have become important suppliers of components to vehicle assemblers anxious to contract out more of the production process.

2. Harry Katz and Owen Darbishire, *Converging Differences: Worldwide Changes in Employment Systems* (Ithaca 2000).

3. Jacques Belanger *et al.*, eds., *Being Local Worldwide: ABB and the Challenge of Global Management* (Ithaca 1999); Wayne Lewchuk, Charlotte Yates and Paul Stewart, "Quality of Working Life in the Automobile Industry: A Canada-UK Comparative Study", New Technology Work & Employment, 16 (September 2001), 72–87.

Wayne Lewchuk and Don Wells , "Transforming Worker Representation: The Magna Model in Canada and Mexico," *Labour/Le Travail,* 60 (Fall 2007), 107–136.

Jones and Ross,[4] these works indicate a rich diversity of outcomes shaped as much by the differing strategies of individual companies as the constraints imposed by different systems of national state regulation. Our analysis rests on a variety of sources. Particularly important, however, are interviews with Magna personnel. The nature of these interviews, and details on the methodology that guided them, are outlined in the Appendix.

The emergence of these new firms as global manufacturers operating in a context of weakened state regulation raise important questions about the nature of worker representation being adopted and the exportability of company-specific models of worker representation across national boundaries. To what extent are these models of worker representation a challenge to traditional forms of worker representation based on independent unions? To what extent are these corporate models "path dependent" expressions of home country industrial relations and to what extent are they modified by the institutional and cultural milieux of host countries? These questions will be explored through a case study of one of these emerging parts manufacturers, Magna International.

Elsewhere we have discussed how the organization of work at Magna's Canadian operations has been built on and reinforced the fragmentation and weakening of the remaining vestiges of class-oriented industrial action and politics.[5] In what follows we compare the transformation of worker representation under Magna's model of labour-management relations in Canada and Mexico. The first section of the paper focusses on Magna's Canadian operations. The second half of the paper examines the transfer of this model to one of Magna's production facilities in Mexico. Based on this comparative analysis of the Magna model of worker representation in the two countries, the paper concludes with an assessment of the implications of the Magna model for independent unions.

Changing Models of Worker Representation in Canada

Within the highly competitive automotive parts manufacturing industry, Magna International is a Canadian success story. Magna began as a small tool and die shop just outside of Toronto in 1957. It was typical of many small Canadian job shops supplying local assembly plants. But unlike other Canadian small job shops it grew. In 2005, it was the third largest auto parts supplier in the world behind only the Bosch Group and the Denso Corporation. It is

4. James P. Womack, Daniel T. Jones & Daniel Ross, *The Machine that Changed the World: The Story of Lean Production* (New York 1990), 48–69 & 256–75.

5. Wayne Lewchuk and Don Wells, "When Corporations Substitute for Adversarial Unions: Labour Markets and Human Resource Management at Magna," *Relations Industrielles/ Industrial Relations,* 61 (September 2006), 639–65; Wayne Lewchuk and Don Wells, "Workplace Cohesion and the Fragmentation of Society: The Magna Model in Canada," Robert O'Brien ed., *Solidarity First: Canadian Workers and Social Cohesion* (Vancouver 2008).

now the largest employer of automobile workers in Canada. It operates over 200 plants worldwide with over 84,000 employees. Annual sales exceeded $22 billion in 2006. Magna expects sales to reach $50 billion within the next ten years. In 1999, Magna was named the world's top auto parts company by Forbes magazine.[6]

Magna's success is based on two sets of factors. The first was the changing production strategy of major auto assemblers in the early 1980s and the shift to contracting out large components of the vehicle production process to independent parts manufacturers. By diversifying its production and design capacities Magna was able to capture a significant portion of this business and join the ranks of large tier-one suppliers.[7] The second factor was the erosion of the Fordist model of labour market regulation in Canada during the 1970s and 1980s. This allowed Magna to employ labour at a much lower cost than was the case for established vehicle assemblers and to reorganize work on an almost exclusively non-union basis.[8]

In Canada after World War II, particularly in manufacturing, many large companies moved to models of worker representation based on unions selected by workers in secret ballots administered by the state. This was especially true in the vehicle assembly and automotive parts sectors. This approach to worker representation was one component of the postwar compromise with segments of the working class. In exchange for union recognition, major wage and benefit increases, due process in grievance and arbitration procedures, and seniority-based rights, workers conceded management's right to organize production and accepted fundamental limits on their ability to mobilize and resist while collective agreements were in effect.[9] Strikes during contracts were banned and compulsory binding arbitration became the norm for resolving disputes over contract interpretation. The 'management's rights' sections of collective agreements and the legal limits on strike action generally made it more difficult for workers to resist management around crucial labour process issues such as work loads and job design. Legally, unions were vested with collective bargaining rights and union leaders with obligations to act "responsibly" and manage dissent, substituting for workers' more direct collective control over bargaining.

6. Greg Keenan, "More restructuring ahead for Magna," *Globe & Mail,* 12 January 2007, B5; Intier, Employee Handbook, n.d., p. 2. (This is a company document provided to all new employees.)

7. Magna refers to itself as a "0.5 tier" supplier, a label it has copyrighted.

8. For an early study of Magna which follows a similar line of argument see Malcolm Anderson and John Holmes, "High-skill, Low-wage Manufacturing in North America: A Case Study from the Automotive Parts Industry," *Regional Studies,* 29 (November 1995), 655–71. See also Alex Stewart, *Team Entrepreneurship* (London 1989).

9. Donald Wells, "Origins of Canada's Wagner Model of Industrial Relations," *Canadian Journal of Sociology,* 20 (Spring 1995), 193–255; Donald Wells, "The Impact of the Postwar Compromise on Canadian Unionism: The Formation of an Autoworker Local in the 1950s," *Labour/Le Travail,* 36 (Fall 1995), 147–173.

At the heart of this model of worker representation was the collective agreement, a set of codified rights negotiated by unions on behalf of their membership. Within the automobile industry the collective agreements negotiated by the UAW in the 1950s, and by the CAW since 1985, are generally viewed as the gold standard in terms of wages, benefits and security provisions. This model of labour representation spread from the vehicle assembly operations to a number of key automotive parts suppliers during the 1960s. However, by the 1980s, this model was under attack as new entrants and increased global competition eroded the market power of unionized companies and changing state policies legitimated more aggressive strategies by employers. Management at unionized vehicle assembly companies began pursuing alternatives to the workplace compromise that had generated sustained profits and relatively high wages for nearly three decades. Management experimented with team based production and alternative models of human resource management.[10] Many of these changes, introduced under the guise of following the Japanese, including teams, Total Quality Management, *kaizen,* and just-in-time production, became the vehicles for effort intensification.[11] Companies such as General Motors, Ford and Chrysler sought to soften the adversarial nature of labour relations by offering limited forms of joint decision making with the goal of engaging unions and labour in the corporate mission. In this they had at best limited success.[12] A more successful strategy for reducing costs was to contract out work to independent parts firms with a freer hand in how work was organized and better access to low cost labour. It was this strategy that led to the rapid growth of Magna.

In designing its workplaces, Magna looked not to the unionized firms that dominated the automobile industry in the 1970s, but rather to nineteenth-century models of paternalism and earlier twentieth-century models of welfare capitalism. The latter emerged as an alternative to the growing popularity of union models of worker representation in the US at the beginning of the twentieth-century. Inherently anti-state, individualistic, defensive of managerial rights, and opposed to unions and collective bargaining, welfare capitalism elicited consent by offering workers some protection from the insecurity of urban-industrial society through progressive employment and compensation programs. These benefits were available as long as workers remained employed by the firm. The effect was to loosen worker attachment to collectivist and class

10. Katz and Darbishire, *Converging Differences;* James Rinehart, Christopher Huxley and David Robertson, *Just Another Car Factory? Lean Production and its Discontents* (Ithaca 1997).

11. Wayne Lewchuk and David Robertson, "Production without Empowerment: Work Reorganization from the Perspective of Motor Vehicle Workers," *Capital and Class,* 63 (Autumn 1997), 37-64; Laurie Graham, *On the Line at Subaru-Isuzu: The Japanese Model and the American Worker* (Ithaca 1995); Laurie Graham, "The Myth of Egalitarianism" in William Green and Ernest Yanarella, eds., *North American Auto Unions in Crisis* (Albany 1996), 65–80.

12. Rinehart *et al., Just Another Car Factory?.*

forms of social cohesion and replace them with cross-class cohesion at the level of the firm – what Jacoby calls "modern manors." Within these "modern manors" social relations were paternalistic and labour representation underdeveloped. Where mechanisms were introduced to give workers a voice in how their workplaces operated they were relatively powerless and largely symbolic. The result was a model of work organization that "was controlling yet consensual, coldly efficient yet cozily humane."[13] Welfare capitalism went largely underground between the 1930s and the 1950s, but it has since reemerged and been transformed through modern human resource management policies. It remains anti-union but now relies more heavily on worker consent compared to the earlier control versions.[14]

If at Magna nineteenth-century paternalism and early twentieth-century welfare capitalism are the foundation of how work is organized, a sophisticated model of worker representation is what sustains the approach in the context of early twenty-first century social relations. The Magna model of work organization is clearly distinguished from the adversarialism of postwar labour-management relations in most unionized industrial workplaces and from the traditional paternalism of welfare capitalist labour-management relations in such firms as Dofasco[15] and Imperial Oil in Canada, and Eastman Kodak and Sears in the US.[16] A key difference is that in these more traditional forms of managerial paternalism and welfarism there was not a deeply significant ethos of labour and management as partners, in the sense that management depended on workers as much as workers depended on management. For example, the success of Dofasco has rested as much on its willingness to match the wages and benefits won by USWA Local 1005 at nearby Stelco as on any transformation of the labour and management relationship. At Magna, in contrast, worker-manager interdependence is portrayed as a central basis of firm and workplace competitiveness. In the more traditional form of paternalistic welfare capitalism, management paternalism was guided by a certain sense of *noblesse oblige,* the obligatory benevolence of management. This is largely absent from the Magna model, which is based more on pragmatic than on ethical reciprocal obligations between labour and management. Also largely absent at Magna is a traditional culture of the class-based superiority of management in the shopfloor hierarchy of status. In its place is a seemingly "egalitarian ethos" in day-to-day encounters and relations between managers and workers.

At Magna, worker representation at the workplace has been transformed with a strong emphasis on corporate culture, extensive communication with

13. Sanford Jacoby, *Modern Manors: Welfare Capitalism Since the New Deal* (Princeton 1997), 6.

14. Jacoby, *Modern Manors;* Katz and Darbishire, *Converging Differences.*

15. Robert Storey, "Unionization vs. Corporate Welfare: The Dofasco Way," *Labour/Le Travail,* 12 (Fall 1983), 7–42.

16. Jacoby, *Modern Manors.*

employees, management-directed work teams, contingent pay and benefits, individualized career development and union-substituting industrial relations mechanisms. Under the Canadian Fordist regimes, workers in unionized workplaces generally looked for security in more union collectivist terms: the ability of unions to negotiate contractual rights and protection from managerial arbitrariness through the due process of grievance and arbitration procedures. At Magna, increased dependence on relatively small plants, limited codified labour rights, and new forms of deferred payments promote deeper forms of non-union labour-management cohesion. At Magna, workers have exchanged security based on unions and formal contractual rights for an implicit contract with management where security is based almost exclusively on the firm "being successful" in the game of competitive markets and on management delivering on its implicit promises. The firm and management, not unions, now provide security for workers. Such models of worker representation contribute to a market-defined citizenship where the social integration of workers rests on their abilities to respond effectively to competitive market requirements.

Defusing Conflict: Worker Management Reciprocity and Worker Representation

The Canadian "campus" of one of the largest automobile parts suppliers in the world, located just north of Toronto, does not look like a manufacturing site. The carefully landscaped brick structures are surrounded by a large upscale housing estate. Inside one of these structures, over 400 people manufacture automotive latches, opening devices, and even entire door modules. The facility is composed of a stamping plant producing small metal parts, a large assembly hall, and a tool and die shop. The assembly hall is divided into dozens of self-contained work areas, each set up to make one of the dozens of small components the plant supplies to the major vehicle assemblers. The typical work area employs eight to ten people. Half or more of the workers in production departments are women. There are no women in the skilled trades, although a number of the engineers and middle level managers interviewed were women. The workforce is relatively evenly divided between older European immigrants, more recent Asian immigrants, and native born Canadians. Tooling technology is creative but not cutting edge, and there are no robots. Most workers are employed loading, assembling and unloading components on jigs and fixtures. The work is fast and repetitive and the assembly jobs require little skill. Cycle times are short: typically less than a minute. At about $16.00 an hour, wages for most production workers are modest: well above the minimum wage found in some shops in the auto sector, but about 40 percent less than pay for comparable work in nearby vehicle assembly plants.

This plant is part of Magna International. In contrast to big factory Fordism, with its mass, centralized workforces, Magna employs its tens of thousands

of workers in hundreds of plants, many located on the fringes of larger urban areas, each with only a few hundred workers. Each of these plants is semi-autonomous. Each is more directly exposed to market discipline than is the case in most production units integrated into large companies. The corporate centre provides financial resources, brings managers together to exchange ideas and develop best practices, and shapes company philosophy, including the organization of workplace culture. Individual plants or small networks of plants are responsible for winning enough contracts to keep their operations going. This combination of central coordination and decentralized responsibilities is structured to capture the synergies of networks of small firms.[17] The company could be characterized as a privatized industrial district as described by Piore and Sable.[18]

Inside the plants there is an ethos of corporate and plant competitiveness based on significant labour-management cooperation and reciprocity, and on individual responsibility. The Canadian workers we interviewed reported extraordinary levels of work satisfaction and commitment to Magna's corporate goals, often to the point of regularly exceeding required effort norms. This represents a qualitative shift away from the worker resistance and labour-management adversarialism associated with Taylorized, unionized mass production during and after World War II, in North America. In contrast to workplaces with collective agreements, workers at Magna have limited contractual rights. Most worker entitlements, including those related to seniority, are customary and subject to management discretion.

Magna represents an emerging model of worker representation that opens a window onto essentially unitarist industrial relations cultures in small to medium-sized, mostly non-union, plants. In place of the union-focussed models of worker representation that were so fundamental to social democratic class compromises defining welfare state politics in Canada and other Fordist regimes since World War II, this is a non-union model of worker representation resulting in a workplace and corporate-centred model of cohesion in which workers look to management rather than to class-based organizations such as unions and political parties – or to society more generally - to provide a "haven in a heartless world."

Magna's labour relations strategy shapes a workplace ethos in which the harder edges of management control are softened by a culture of worker-manager reciprocity. From job advertisements that promote Magna as a "Fair Enterprise Employer" to the widely displayed "Magna Employee Charter," the company brands itself as an organization that cares about its workers. This

17. Some of the benefits of auto-related clusters can be found in John Holmes, *et al.*, "Innovation in the Automotive Parts Industry: A Case Study of the Windsor Essex Region," unpublished 2004.

18. Michael Piore and Charles Sable, *The Second Industrial Divide: Possibilities for Prosperity* (New York 1984), 28–32 & 286–95.

culture is fostered by an air of egalitarian informality in day-to-day shopfloor relations between managers and workers and is further supported by a culture of mutual dependency between local management and workers and a common cross-class workplace identity. The culture also acts to erode some of the gender and racial divisions characteristic of many Canadian workplaces. At Magna, men and women, Asian and Caucasian, have a common sense of identity as Magna workers. This sense of common identity is fuelled by the small size of most Magna workplaces and a corporate structure that makes individual workplaces, or small networks of workplaces, responsible for achieving productivity and quality goals and winning new contracts, thereby providing job security for all.

Worker "consent" is fostered by worker voice mechanisms and problem-solving arrangements. Worker voice is channelled through a management-dominated grievance system in lieu of the kind of formal "due process" normally found in unionized workplaces. Through its Open Door Policy, Magna encourages workers to articulate concerns not as collective grievances requiring worker resistance and negotiation but rather as individual problems to be solved informally on the shop floor, among line leaders, supervisors and workers. In rare cases where this is inadequate, Magna's policy is to have a Human Resource Manager intervene within 48 hours.

Magna's Open Door Policy also includes more formal mechanisms. For example, any worker may raise concerns with the Employee Advocate, an hourly employee selected by management. (This selection is periodically ratified by majority vote of the workforce.) The Advocate seeks out workers' concerns, listens to them, provides management-sanctioned options, and sometimes accompanies workers to meetings with management. As a manager clarified, the Advocate is "not to represent" or "take on the lawyer role" but rather to "guide and assist where needed." Workers may also take unresolved concerns to Magna's Fairness Committee, which is composed of managers and employees elected by their peers. Like the Employee Advocate, Fairness Committee members may accompany workers to meetings with management, but do not speak for them. If still not satisfied, the worker can appeal to corporate-level management through a "Hotline," but this is rarely used, largely because workers usually resolve job issues informally on the shop floor.

The key to workers resolving most job issues lies in Magna's work group organization. Varying in size from three or four to eighteen or more, work groups are generally smaller than supervisory zones in most North American assembly plants. Their small size contributes to a more direct, personal kind of relation between line leaders and workers, and between front line supervisors and workers. For the most part, the work groups solve narrow problems, often related to productivity within their areas, and then make recommendations to management. Line leaders and supervisors help to work out problems through rough work group consensus. Consistent with the culture of *active* worker consent, supervisors "supervise like a friend" and are "easy to talk to,"

an assembler points out. The line leader, who has a direct, day-to-day relation to the workers, is a communicator and mediator, not an order-giver. Through leaders, management inserts supervisory roles into the work groups, blurs and confuses the line between management and worker, and provides a significant buffer to potential worker resistance.

In the absence of rights codified in collective agreements, workers use their personal relations with supervisors to make individual gains, such as better access to training and job postings, preferred vacation schedules, and hiring of friends and family members. To be successful, workers need to adhere to an unwritten code of conduct regarding their work ethic and acceptance of corporate goals. The kind of people supervisors and line leaders favour are "people with positive attitudes," reported a line leader. In this context, workers who want to get ahead have potential advantages. This paternalistic employee relations system is an important basis of informal reciprocal obligations between managers and workers. For workers, these rights remain contingent, dependent on management's willingness to hold up its end of the informal bargain.

In this context, management has had considerable success in mobilizing workers' desire to produce good work. Pride in quality and productivity are central to a corporate culture that emphasizes interdependence between worker and customer, wages and profits, job security and competitiveness. The lack of codified rights also acts as a check on workers pursuing too vigorously objectives incompatible with company competitiveness. Evidence of both the depth and limits of this culture of mutual interests, reciprocal obligations and worker dependency can be found in the treatment of injured Magna workers. Workers unable to fulfill their part of the implicit bargain due to an injury come to be viewed as a burden by both local management and their co-workers. Rather than receiving the support of co-workers, they are more likely to be viewed as faking injuries and violating the implicit bargain of high effort norms. Injured workers report a sense of isolation at the workplace and rejection by management and co-workers. Co-workers, dependent on management honouring the implicit non-contractual labour bargain, fear associating too closely with workers who have fallen out of management favour and who have become a drag on overall company success and profits.

At Magna, mechanisms of worker representation overlap with internal corporate communication. Throughout the plants there are Communication Centres that include employee suggestion boxes and information about job postings, company stock values, plant performance, company events and other activities. At weekly Department Meetings and daily Line Meetings, line leaders and supervisors report on how well Magna and the plant are competing and on production changes. On the basis of these discussions, line leaders make reports that workers read before they go to management.

Sometimes, when business is going less well, management's message to the workers is negative. Usually, however, the message is one of competitive success in which everyone has played an important role. There are raffles at the

meetings and workers with perfect attendance get chances to go on weekend retreats. Each month, management invites production employees with birthdays that month to Coffee Chats where managers provide information about current business activities, such as new contracts. The Plant Meetings and Birth Month Meetings bring together a cross section of employees including production, skilled trades, supervision, technical workers and managers, thereby reinforcing plant-wide identities. No less important, management uses training as a mechanism of internal corporate communication. Much of this training centres on production quality and "soft skills" designed to teach workers how to achieve management's quality and productivity goals in cooperation with others.

Seniority Rights and Job Security

An important element of labour relations in most unionized plants in Canada and the US is the recognition of seniority rights as a criterion for promotions, job transfers and layoffs. At Magna, seniority is less significant. For promotions, seniority is a factor only where managers deem candidates to be equally qualified. Promotion normally requires good work records and cooperative attitudes. According to Magna's employee handbook, "promotion means giving a broader service and a greater commitment." Seniority also has little bearing on job transfers to other Magna plants. Finding a new job within the Magna system largely depends on managerial discretion. Seniority also appears to play a limited role in access to training.

This limited role for seniority, and the absence of a collective agreement provides managers with far more flexibility than they would enjoy in most unionized plants. Nevertheless, the permanent employees we interviewed felt not only considerable job security but also a sense of due process and protection from discrimination. This sense of job security has been reinforced for the past ten years or so by growing employment at these plants and at Magna as a whole. For permanent workers, job security is also partly based on the buffer provided by the large cohort of temporary workers who comprise up to a quarter of the workforce. This sense of job security for "permanent" employees underpins the cooperation many give to management, particularly in promoting job-eliminating improvements. Especially for many immigrant and female workers who face disproportionate inequalities in external labour markets, this level of job security can be a powerful factor shaping their active cooperation with management.

Thus Magna provides some of the traditional job security advantages of a large firm[19] and combines them with the paternalistic labour relations that

19. Indeed, overall job security at Magna may well exceed that of Big Three auto firms: in 1992 GM was "minutes away from declaring bankruptcy" and a strike in 1998 "seemed to set a seal on its demise" ["Special Report: General Motors," *The Economist,* 24 January 2004, 62.] Recently,

are possible in smaller plants. Voice, communication, problem solving, and individual job security promote a sense of individual success that masks the underlying collective inequalities of labour-management relations.

Contingent Compensation, Profit Sharing, and Deferred Earnings

Communication, worker voice, and consultation policies help defuse labour-management conflicts while encouraging workers to consider themselves to be key players in the company's success. The construction of financial rewards for workers reinforces this sense of collective responsibility for the firm's success. Consistent with a managerial strategy of aligning worker and corporate interests, the pay system is strongly weighted toward contingent components that reflect a combination of individual worker cooperation and the vagaries of financial markets. Annual pay increases, annual profit shares, the future value of deferred profit shares, and even the level of benefit coverage are all tightly tied to firm performance. Annual pay increases and benefit entitlements are unilaterally set by management. All are eligible for annual across-the-board pay increases but actual amounts under Magna's "pay-for-performance system"depend on supervisors' performance reviews of each worker. Performance criteria centre not only on productivity, quality of work, attendance, safety and housekeeping, job knowledge and reliability, but also on "adaptability," "communication," "decision making," and other criteria that highlight worker cooperation. Workers who do not meet management's expectations receive only half the annual pay increase. They are eligible to receive the rest only if their performance improves. Meeting performance criteria in any year triggers a return to the full wage level. Moreover, the provision of significant individual incentives for workers whose skills are especially needed, or whose efforts are exemplary, signal to everyone that management rewards particularly good workers.

Workers with perfect attendance participate in monthly draws to win financial bonuses or additional time off. At some Magna plants, local management gives each full-time permanent worker an annual bonus based on meeting local production targets. In addition, Magna presents workers with Service Awards to recognize their "long service and loyalty."[20] Finally, workers can earn "reward points" and prizes if management accepts their suggestions for workplace improvements. Although the scale of most workers' suggestions limit their value for cost cutting and productivity improvements, such participation is consistent with the goal of encouraging workers to internalize management's "continuous improvement" goals.

Perhaps the most effective mechanism encouraging workers to accept management goals is the Deferred Profit Sharing Plan. Magna annually distributes

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Ford and GM corporate debt ratings have fallen to "junk bond" status.

20. Intier, Employee Handbook, 20.

ten percent of its pretax profits to employees. Much of this is invested in company shares and held in trust in individual employee accounts. Most employees are not allowed to make withdrawals from these accounts for at least ten years. Tying a portion of wages directly to profits orients workers to corporate profitability and, according to management, reinforces their "sense of ownership and of being an integral member of a real team."[21] Magna's Employee Handbook informs employees that they can "help the profit sharing plan by being aware of how you affect the profit of your Company" in such areas as quality, health and safety, productivity, assisting team members, being at work on time, and contributing suggestions for continuous improvement. "Teamwork makes it happen!" Moreover, since the share values of Magna and its divisions have historically been volatile, profit sharing is a constant reminder of the competitive world in which the company operates. The deferred aspect of the profit sharing plan means the ultimate value of each year's profits depend on the firm's long term performance, thereby encouraging workers to concern themselves more with the company's long-term success. At a time when employer contributions to defined benefit pension plans are viewed as a net drain on corporate access to capital for growth, Magna has reversed the impact. At Magna, employee pensions, in the form of deferred profits, are invested in Magna shares and are thus a source of capital for company growth.

About 60 percent of employees also participate in a Group Registered Retirement Savings Program (GRRSP), an optional program which allows employees to allocate a small percentage of their pre-tax earnings to the plan. Magna partially matches the earnings allocated to this program. However, many employees rely on profit-sharing as their main source of retirement income. Until recently, Magna offered an optional defined benefit pension plan, but only a small minority of employees opted into this plan.[22] Some have voluntarily purchased thousands of dollars of the firm's shares, over and above the shares they already hold through the deferred profit sharing plan, thereby increasing their financial dependence on Magna's long-term success. There is evidence that, as a technique to align workers' efforts to corporate profitability, these worker investments in company equity are succeeding. Whereas engineers and managers tended not to see a strong link between their work and company profits, production workers often felt there was some link between how well they worked and the value of the stock.

Finally, this reciprocal workplace culture is held together to an important degree by a complex web of functional interdependency. Management control centres on specialized roles: engineers, quality control, human resources, plant managers, assemblers, tool and die makers, and supervisors. Corporate communications remind all that if these plants are to continue to be successful in the increasingly difficult competition for contracts, these roles need to function

21. www.intier.com/WorkingIntier/Working_Intier.html.

22. As of 2006 the defined benefit option was closed to new hires.

smoothly together. This interdependence does not signify equality or complete unity. Workers have a sense of themselves as assemblers, for example – an "us" in contrast to a management "them." However, the differences constitute an organic solidarity within an essentially unitarist labour-management system in which almost everyone is strongly oriented toward common productivity and profit goals. Moreover, there appears to be a universal sense among permanent production workers that plant management is, with some exceptions, "fair," and that the reciprocal obligations in the Magna Charter are being fulfilled, more or less. In this context traditional forms of worker representation based on unions and codified rights are viewed by workers as unnecessary and in some cases incompatible with how one succeeds in a context of contingent rights and exposure to competitive market forces.

External Factors Shaping Worker Representation

In Canada, Magna's success in constructing a model of non-union worker representation is conditional on external factors, especially the work path employees follow in becoming Magna employees and the options they see themselves having should they leave Magna. Many of those interviewed came to the plant after working in more peripheral, precarious labour markets in Canada or in low labour standard areas in Southern and Eastern Europe and Asia. Most had no experience of collective gains made through labour militancy and solidarity in unionized workplaces. When workers talk about wages and benefits at Magna, they often compare them to *worse* wages and benefits at their previous jobs.

Magna wages and benefits are modest compared to larger parts firms and unionized assembly plants. Despite these compensation inequalities, there is a general sense that Magna wages are "good … for what I do." In a broader labour market context where many workers receive few if any benefits, Magna workers value their benefits. The relevant comparison for most is not the wage levels enjoyed by workers in core labour markets, such as those employed by GM, but the wages earned by workers in peripheral labour markets working for non-union auto suppliers, in the service sector, or in short-term or temporary employment. Compared to what those workers earn, Magna wages are high. Acceptance of modest wages is also explained by comparison with the plant's temporary workers. New hires start as temporary workers at a lower wage level and have no access to profit-sharing or the pension plan. This large second tier of workers is a constant reminder of how fortunate permanent workers are, not least because many permanent workers were once temporary workers.

Internal and external labour markets operate as carrot and stick. Magna's carrot is that, based on two incomes, many of its permanent workers earn a "family wage" and could reasonably expect to own a home in the small town and semi-rural areas where the plants are located. They also have a reasonable level of job security. The stick lies outside the plants. While wages for

assembly workers in these plants are much lower than those in core labour markets, such as auto assembly, they are high relative to wages for jobs in peripheral labour markets. Trends in the Canadian economy, including the growing proportion of the lower paid and precarious workers have reinforced the disciplinary effect of external labour markets.[23] The world in which Magna workers operate has become more "heartless"; hence having a "haven" has become more important.

Worker Representation in Magna's Canadian Workplaces

In the Canadian case, Magna's success in constructing a non-union model of worker representation centres on a management strategy of "unite and rule." At plant and firm levels, explanatory emphasis has been placed on a multi-faceted strategy that combines soft management techniques, and an ethos of labour-management reciprocity and interdependence of interests, with a range of material rewards that are contingent on both worker cooperation and company success. Magna's Open Door Policy is built around a grievance system that integrates elements of worker voice and representation, and provides a strong sense of fairness. Yet the best indicator of management success is the fact that most issues are resolved by work groups and supervisors as "problems" before being articulated as "grievances."

Both internal and external labour markets have been highly supportive of this human resource management strategy. The main internal factor is the large tier of temporary labour in the plant which provides management with numerical flexibility and permanent workers with a buffer against layoffs. The key external factors are the disciplining effects of the vulnerability small plants face in this highly competitive sector, combined with many workers' experience of more precarious, lower paid, jobs in external labour markets, both foreign and domestic. To an important degree, this external labour market coercion is a substitute for management coercion in eliciting worker cooperation.

The overall result has been the creation of work-group and plant-level identities that are strongly congruent with management productivity objectives. This allows managers to exercise control, to a significant degree, by linking of management and worker goals together in ways that workers internalize. Management profitability goals and worker remuneration and working conditions objectives do not appear as a zero-sum contest. Active worker cooperation is seen as a "common sense" condition of mutual economic survival, rather than an antagonistic, mutable power relation. Workers who, to varying degrees, internalize this work ethos expect to receive what they see as "fair" treatment

23. Leah Vosko, "Precariousness in the Canadian Labour Market: Towards Improved Indicators of Labour Market Insecurity", in Leah Vosko, ed., *Precarious Employment: Understanding Labour Market Insecurity in Canada* (Montreal 2006), 3–39.

and a degree of respect from management. Many believe this reciprocal relation has been honoured by management. Magna's competitive success has lent legitimacy not only to particular managers but also to the cooperation norms that define its workplace culture. Profitability has sustained Magna's ability to distribute the material and security benefits underlying this pact of reciprocal obligations between hard working managers and hard working workers.

To what extent do workers themselves view this system as an alternative to union-based models of worker representation? It would be false to suggest that workers naively think that they enjoy the same sort of union-based protections from arbitrary management decisions. In fact there was a clear recognition of the limits of their rights. In the words of a skilled worker with previous experience at a major vehicle assembler, "you don't really have that much protection … if they [management] decide to get you on your attendance, that's it, you don't got no fighting chance…. You're out the door." Another recognized that at a unionized plant workers have some support if they have a disagreement with management. At Magna support from co-workers cannot be taken as a given.

However, in the context of Magna's model, a union is not necessarily viewed as a desirable alternative, despite these limitations. The absence of a union and a formal collective agreement gives management flexibility in dealing with its employees. Workers reported their belief that if they delivered on their end of the bargain and adhered to effort norms, management would respond by granting special treatment. It is also believed that the Magna model facilitates more personal and direct resolution of grievances. As a worker with experience at a unionized vehicle assembly shop argued, at a unionized shop "you go through your Committeeman and every other process. Here … if my foreman has a problem with me or my supervisor does, I can go in that office and talk to him one on one, and I don't need a third party involved. And we can fix it up pretty quickly." Some view unions as a potential impediment to the implicit contract between labour and management that ensures employment for all. One worker interviewed argued: "A lot of people hide behind the union. That's their safety barrier. In here you can't get away with that…. Basically if you don't want to do the job, okay, guess what? You're fired." Even accepting that workers who have lost their jobs at Magna might be more critical of the company as an employer, and the possible reluctance of current Magna workers to criticize management, the interviews suggest that Magna has gone far in convincing some of their employees that their interests are better served by a non-union model of work organization.

"Magna Lite" and the Transformation of Worker Representation in Mexico

In the following section we compare the foregoing analysis of worker representation in Magna's Canadian plants with worker representation at a Magna plant in Mexico. Magna has fourteen auto parts plants in Mexico which

employ about 10,000 people, somewhat less than half of Magna's employment levels in Canada. One of these parts plants, Autotek, a stamping and assembly plant, employs about 800 workers. A greenfield plant set up in 1992, Autotek is located in Puebla, Mexico's fourth largest city and an important industrial centre in the south-central part of the country.[24] Puebla's auto industry, both assembly and parts, is its most important, and accounts for over 40 percent of its manufacturing employment.[25] Volkswagen, the anchor to Puebla's automotive industry, has an assembly plant employing about 12,000 people. Together with its 85 supply plants, VW employs about 100,000 in Puebla.[26]

Like its counterpart in Canada, Magna's auto parts production in Puebla is housed in a modern building, with green, well manicured lawns in front, a rare "northern" landscape in this arid region. The main external difference between the Canadian and Mexican plants is the high security fences surrounding the plant. Inside, the plant is clean and well lighted. Most of the work in the plant centres around stamping operations and the painting and assembly of metal auto parts, such as floor panels and side panels, in a wide range of sizes. Most of the machinery is older but there are some robots. In contrast to the Canadian plant, the workforce is ethnically homogeneous; all but a few are mestizo Mexicans. The workforce is largely male and young. However, women do represent about one-third of the workforce. On the surface, Magna appears to have transferred its Canadian model of work organization and worker representation to its Mexican plants. However, a closer inspection reveals important differences in the organization of the Canadian and Mexican operations.

Suppressing Conflict: Supervisory Power and Collaborative Unionism

As we have shown, in Canada Magna has successfully shaped a widespread perception among workers of a strong set of common interests with management at both the level of the workplace and the level of the firm. Labour-management conflict is defused and transformed to an important degree through conflict resolution mechanisms that afford workers a measure of "due process" and through the creation of a sense of reciprocity and egalitarianism in worker-

24. For an interview with the then general manager of Autotek, see Sonja Sinclair, "Thriving Amid Chaos," *Canadian Business,* 68 (June 1995), 43–51.

25. TeamNAFTA, a commercial online research database for manufacturing in Mexico (www.teamnafta.com). The database is the creation of CB Ellis, a large international industrial real estate firm providing industrial cost information and other services to manufacturing firms (e.g. Siemens, General Electric, Dana, Zenith, Motorola, etc.). The authors are grateful to Erich Rangel, Mexico Market Analyst with CB Ellis, for providing important labour market data used in this article free of charge.

26. TeamNAFTA.com database, online Mexican manufacturing database, accessed www.teamnafta.com.

manager relations. At Autotek, labour-management conflict is also defused, but in different ways. Management power is exercised more overtly and there is more suppression of conflict. Much worker cooperation stems from a sense of common purpose in the pursuit of profits, wages, and job security. At the same time, much cooperation is also elicited through workers' calculation of rewards and punishment. This is a stronger factor in the equation of cooperation at Autotek than at Magna in Canada.

As in Canada, the main arena of labour-management conflict resolution is within work teams and in the workers' relations to team leaders and, especially, front line supervisors. As one worker stated, "if the relation with the supervisor is good, the supervisor will help you get a better job and better pay." By comparison with their often more conciliatory approach to worker grievances at Magna in Canada, supervisors' dominance at Autotek is less disguised. Some of the workers who were interviewed felt that their supervisors were reasonably fair, and in some cases, they reported, supervisors consulted with workers about decisions. However, some felt that this consultation was to protect the supervisor: if a decision turned out to have bad consequences, the supervisor could blame the team. Several of those interviewed reported that their supervisors were often punitive, disrespectful to them, and inclined to favouritism, particularly in awarding promotions. As one worker reported, supervisors are often arrogant to workers and some treat them as if they were their inferiors. "They don't even shake your hand." Another compared the treatment he received from his supervisor to "slavery." Some reported that foreign managers, mostly from Canada, treated workers better than did the Mexican supervisors. This more transparent domination by supervisors does not appear to cause widespread resistance. Instead, many workers who were interviewed reported that they did not complain because they were afraid to lose what they considered to be jobs that were better paid than most alternative jobs they were likely to have.

Similar to the Magna model in Canada, work teams are central to worker voice and to conflict resolution. In contrast to Canada, team leaders are normally elected by the workers on the team (although on occasion they are appointed by supervisors). Since the team leaders often represent workers' views with management, workers try to elect team leaders who have a lot of experience in the plant and "who are not afraid to talk." As one worker explained: "When [the workers in the team] have problems, the team leader goes to the supervisor to try to sort them out. If they cannot solve [the problems] at this level, they go to [the next level of management]." Together, team leaders and teams play an active role in conflict resolution and in more general problem-solving on the job. Team leaders and many workers tend to have a managerialist orientation to productivity improvements. As one team leader put it, being concerned about productivity is "part of being responsible." A team leader "has to teach others to be responsible" so that to an important extent teams can be self supervising: "We don't need to rely on a quality

control supervisor. Workers make the decisions. For example, sometimes a piece is bad but we may decide to use it so we don't lose [production] time," the team leader explained.

A major difference between the Magna models of worker voice in Canada and Mexico is that in Canada there are *additional* mechanisms of worker voice, whereas in Mexico such alternatives are underdeveloped. At Magna in Canada there are several conflict resolution mechanisms above the level of supervisor-worker and supervisor-team relations, in the event conflict with supervisors cannot be resolved. In Mexico, by contrast, there is no Fairness Committee or Worker Advocate. As in Magna's Canadian plants, there is a Hotline, Open Door Policy, and annual surveys of worker opinions, but they are not significant mechanisms of worker voice in Mexico. Except for the annual surveys which, according to some workers, may lead to marginal improvements in working conditions, there are no mechanisms of worker voice for workers in the plant as a whole. While it is formally possible for workers to take grievances to Autotek's human resources manager, workers report this would not likely be efficacious, except for minor issues or exceptional circumstances. One worker explained that most workers at Autotek, and in Mexico generally, are normally afraid to complain to management because they fear they will be punished. Thus, for the most part, the main mechanisms of worker voice at Autotek centre around work teams, team leaders, and supervisors.

A crucial difference between worker voice at Magna in Canada and Mexico is that most production workers at Autotek belong to a union. The union at Autotek is a "corporatist" union affiliated with the political party in power at the local municipal and state levels. Closely aligned with businesses such as Autotek, these governments make a priority of attracting and keeping foreign investment in the area. The functions of corporatist unions are primarily political and lie, for the most part, outside the workplace. Their main goals are to increase the numbers of their members and the number of collective bargaining agreements, as a basis for exercising greater political and economic power.[27] Except for some three to four percent of the workforce who are temporary workers hired through temporary work agencies, Autotek workers are required to belong to the corporatist union as a condition of employment. Under Mexico's Federal Labour Law, closed shops are created through collective bargaining agreements. "Exclusionary clauses" in these collective agreements require employers to hire members of the union, and workers must remain union members in order to retain their jobs. Union leaders are thus empowered to veto the hiring of particular workers and to force the dismissal of workers who are expelled from membership in the union. The union's primary function is less about representing workers in the workplace and more as a labour market institution outside the workplace. Most notably,

27. By contrast, independent unions in Mexico are often not linked to governments and are usually more closely tied to their members' interests in the workplace.

this includes a union hiring hall or *bolsa de trabajo.* Members of the union use this hiring hall to find jobs in other workplaces represented by the union.

Corporate welfarism is less developed at Autotek than at Magna's plants in Canada. In this sense, Autotek is less an example of the "private manor" described by Jacoby in his analysis of corporate welfarism. This is partly compensated for by the union's welfare role outside the plant. In cooperation with Autotek and the local Mexican state, this corporatist union plays a welfarist role, promoting worker-oriented social policies outside the workplace, including policies to provide assistance for the elderly and handicapped, and scholarships for workers' children. Autotek pays one percent of its payroll as a tax to support these programs, and the state provides additional monies.[28] The union also has a consultative role in management decisions about which workers will be laid off during layoffs.[29] The hiring function in particular gives the union considerable control over workers; so does the union's role in helping workers to find jobs in other plants where it has representation rights. However, the union's control over its members tends to be translated into management control: the union is dominated by Autotek, and the boundaries between Autotek, the union, and the local state are often quite blurred.

Although the union has a collective bargaining function, this is normally done in close collaboration with management and is fundamentally shaped by the union's commitment to maintain the firm's competitiveness. The first collective agreement was signed before the workers were hired, and workers have not played a significant role in subsequent collective bargaining with Autotek. For the duration of collective agreements, it is illegal to strike over conditions in the agreement. According to a senior local union leader, the union works with management so that the firm can gain more production contracts. This is "good for everyone" and "allows workers to have better things." More generally, union leaders are "trying to create a new relationship between the union and the company," the union leader explains, "because workers understand globalization and the need to compete." In this relationship, workers are, in his view, collective entrepreneurs.[30] Accoring to Autotek's Assistant General Manager, the union and management "work together."[31]

The union maintains a system of elected delegates (union stewards) and committee members in the plant but they normally do not play a central role in conflict resolution between workers and managers. Some workers believe

28. Interview, Julio Cesar Sanchez Juarez, Secretary of International Relations, FROC-CROC, 18 May 2005.

29. Interview, Alejandro Vincente, Assistant General Manager, Autotek, 20 May 2005. According to some of the workers who were interviewed, whether or not workers are unionized plays no role in whether they are laid off or fired.

30. Interview, Julio Cesar Sanchez Juarez, Secretary of International Relations, FROC-CROC, Puebla, 18 May 2005.

31. Interview, Alejandro Vincente, Autotek, 20 May 2005.

that the union could be helpful in certain instances, particularly if its delegates involved more skilled workers, but most of those interviewed contend there is usually no way to resolve problems except through the supervisor or by taking the problem to higher levels of management. According to workers who were interviewed, in most cases union delegates think they will be the first to be laid off and are reluctant to intervene to solve problems. Occasionally delegates have tried to resolve worker grievances but, as a result, in some cases management fired the delegates. Some delegates have promised to help workers, but workers have warned them to be careful or they will be fired. One worker reported that many workers did not want to become delegates because they felt, "why should I risk my job after many years working here?" Another worker reported taking a promotion grievance to a union delegate. When the delegate did not help resolve the grievance, she went to the human resources manager. However, the manager was unhappy that she had gone to the union and he also refused to help her. Thus, because the union is weak and dependent on management most workers do not go to the union to help resolve their conflicts with management. A mechanic working at Autotek explained:

> The union does not support workers. There is not much sense going to the union delegate as he has his own job and cannot get off the job to help you. Therefore there is no way to solve grievances…. You need to solve your own problems with your own supervisor, which is where fear and favouritism come in.

Most workers say that workers generally do not complain because they are afraid of retaliation by supervisors and managers.

Thus, in neither Canada nor Mexico is there an independent union at the centre of the Magna model of worker representation. Instead, at its heart, the Magna model is an independent-union-avoidance strategy. This central feature of the Magna model of worker representation has crossed international borders, albeit with differences. At most of Magna's Canadian plants there is no union representation but there are viable, management-controlled mechanisms of worker voice that provide most workers with a sense of due process and "fairness" in their relations with management. In Mexico, there is formal union representation in the plant but alternative mechanisms of worker voice are absent or ineffectual. Most workers we interviewed at Autotek did not have a sense of due process or fairness in their relations with management, particularly above the level of their own work groups.

High Wages and Contingent Compensation: Profit Sharing and Productivity Competitions

In contrast to Canada, where Magna pays what workers generally regard as "reasonable" wages for the auto parts sector, at Autotek Magna has a high wage policy relative to local wages. According to union leaders, Autotek wages and benefits for semi-skilled production workers are the third highest among

manufacturing firms in the area, and much higher than wages paid by other auto parts manufacturers. At Autotek base wages (exclusive of benefits and bonuses) for operators are about $13–17 US per day (approximately 150–190 pesos). Autotek wages are even higher when workers work overtime: under Mexican labour law, workers are paid double time after base weekly hours[32] and triple time after nine hours of overtime in a week. Autotek also subsidizes worker transportation and meals.

Autotek's policy of high wages and benefits and high job security ensures it a stable, disciplined, highly motivated, and flexible workforce. As in Canada, Magna wages are a family wage. However, whereas in Canada it often takes two Magna wages to support a nuclear family, in Mexico one Magna wage is often sufficient. This is a sharp contrast to the wages of most Mexican workers whose jobs are precarious, whose wages are very low, and for whom social services, including unemployment insurance, are largely unavailable. Autotek wages provide a consumption level that is simply unattainable for most Mexican industrial workers: many own small homes and a car, and most own consumer electronics such as TVs, stereos, and CD players.

In Canada, Magna's own profit sharing program is a key factor behind the firm's unitarist, union-substituting labour-management relations system at plant and corporate levels. In Mexico, profit sharing is a legally regulated feature of the national industrial relations system. Under Mexico's labour law, firms are required to distribute ten percent of their pre-tax earnings each fiscal year. (Coincidentally, this is the same proportion of its earnings that Magna distributes as profit-sharing in its Canadian plants.) In contrast to Magna policy in Canada, in Mexico employees' shares of profits are disbursed annually in cash, not as company shares. Profit-sharing at Autotek is thus an annual bonus, not a pension plan. It does not constitute a long term deferred wage that, in Canada, reinforces workers' financial dependency on Magna and its fortunes. Nevertheless, Autotek's profit sharing is also a major component of the material basis of management control over the workforce. In part this is because Autotek compares very favourably to the profit levels of other local firms. Autotek profit shares are a sizeable component of annual wages. At Autotek in 2004 a press operator, for example, received a bonus of 4000 pesos (about $360 US), which is equivalent to three or more weeks' pay. The higher the worker's pay rate, the higher the profit share earned. Since the inter-firm profit variations are significant and the annual profit sharing can provide such a large component of workers' overall wages, workers have a strong interest in the profit levels of their "own" firm. Many workers who were interviewed stated that by working hard, using the equipment well and being careful on

32. Normal work weeks at Autotek are six days. Weekly base hours are 48 on day shifts, 45 on afternoons, and 42 on night shifts. Work shift duration is specified under Mexican labour law.

the job they felt they were contributing to Autotek's profitability and hence their own incomes.

In addition to profit-sharing, workers also receive deferred wages from a Savings Box, typically ranging from about eight to sixteen percent of their annual salaries. These are wages that workers have chosen to have withheld from their pay during the year. Management matches these contributions, up to a maximum. Autotek distributes these savings annually before Christmas celebrations. Based on what they have contributed to the Savings Box, workers may also borrow money from Autotek. Since most workers don't have access to bank accounts or to bank loans, management can play an important part as an employee's banker.

Autotek uses a team-based productivity reward system. Management awards teams of workers points that are based on their productivity levels (normally measured in terms of pieces per hour), quality, punctuality, attendance, and other productivity-related factors. The points translate into vouchers that workers can use to buy consumer items such as food, shampoo, clothes, etc. For periods of two to three months at a time, teams of six to twelve workers across the plant compete for the points in projects that are part of Autotek's Continuous Improvement system. Winning teams might receive bonuses of 200–1500 pesos ($18–135 US) worth of vouchers per worker, although more recently 200–400 pesos has been a more typical bonus. For many, this is a large incentive. Some workers report that their teams meet every day to discuss how they can work together more effectively and how they can win the bonus. Under this system, the workers have broken a number of production records, and management continues to ask for more. At plant meetings, managers congratulate winning teams and those in attendance applaud. Management also displays pictures of winning teams at plant meetings and in front of the plant building. Because points are awarded to teams rather than to individual workers, they help to mobilize team pressures behind management's productivity goals. Some workers report they feel that it is unfair for workers who do not work as hard as others on the team to benefit from the team points. In addition to these productivity bonuses, management provides an attendance bonus of an extra day's pay to individual workers with perfect attendance over a period of a month.

Ties that Bind: Harnessing the Power of External Labour Markets

As has been indicated, segmented internal labour markets are an important feature of the Magna model in Canada. In Mexico, Magna has no equivalent of a large, second tier, temporary labour force of production workers to act as a buffer protecting core workers against layoffs. Although there are temporary workers at Autotek, management estimates these are less than five percent of the workforce. In Canada, external labour markets are a strong conditioning framework for worker allegiance to management: in Mexico this conditioning

framework is far more powerful. Although Mexico's official rate of unemployment was under four percent in 2004, this figure vastly underestimates unemployment levels. For example, a person is counted as employed if that person has worked a least an hour in the week preceding the government unemployment survey. Furthermore, most Mexicans have few incentives to report their unemployment status, not least because there is no unemployment insurance in the country. According to Mexico's office of statistics, 28 percent of the workforce is in the informal sector. Indicative of significant employment instability, an estimated 62 percent of salaried jobs created in 2000–2004 did not have social benefits, 49 percent of the salaried jobs created in this period were based on oral contracts, and 72 percent of the jobs created were in businesses with five or fewer employees. Over 300,000 manufacturing jobs were lost in this period,[33] and real wages in the manufacturing sector were decidedly flat in 2002–2004.[34]

Relative to most local employers, Autotek provides a high level of job stability for most of its workforce. At Autotek there is a prevailing sense of longer term job security punctuated by short layoffs. As at Magna in Canada, there is a widespread feeling among workers that if they work hard they will likely be able to keep their jobs. Since Autotek supplies several major auto assemblers and parts makers, including Volkswagen, General Motors, Nissan, Lear, and Daimler-Chrysler, the volatility of employment in the plant is reduced by variations in product demand spread out among a range of corporate customers. Overall job security at Autotek is also strengthened for most workers most of the time, in part because layoffs are generally by area of the plant. Often layoffs are related to single contracts relevant to one area of production. To varying degrees, workers are able to protect themselves against at least some of the income instability by using a system of "Accumulated Hours:" workers can ask management to accumulate their overtime pay and then to disburse it to them during a layoff. In addition, often workers receive half pay during layoffs.

The relatively high levels of job and income security at Autotek are all the more significant in a labour market where stable employment relations are atypical. For example, payment of social security tax by employers generally signifies more stable employment relations. According to the Mexican Institute for Social Security, in 2003, only 17.4 percent of the "economically active" population in the state of Puebla had a social security number.[35]

In the context of these external labour market characteristics, the level of job security and income security, together with its high wage policy, enable Autotek to recruit highly disciplined and motivated workers. As in Canada,

33. Carlos Salas, "Report for Global Policy Network," in *Employment and Income in Mexico 2004 and 2005,* (Mexico City 2005), accessed http://www.gpn.org.

34. Ministry of Foreign Affairs, Mexico *The Mexican Economy: Recent Developments and Prospects,* 2 November 2004.

35. TeamNAFTA.com

skilled workers often do not need formal qualifications to be hired. In-house training provides such workers with skills that are often not easily portable, thereby enhancing their dependence on Autotek. The firm has also harnessed the power of external labour markets by hiring significant numbers of female workers – approximately one-third of the workforce – who would normally not have access to these "male" jobs in Mexico's highly gender-segmented labour markets. In Puebla, over 72 percent of men, but less than 38 percent of women, are "economically active."[36] In maquilas in Puebla, where most workers are women, the wage rates are generally less than half the wages at Autotek.

Management also enhances the loyalty of female workers by not discriminating against them on the basis of their gender. None of the female workers who were interviewed reported having experienced discrimination by management on account of their gender, either in terms of hiring or promotion, and none reported any sexual harassment. Female workers were not seen to be concentrated in low wage jobs or lower wage areas of the plant.

Corporate Communications, Instrumentalism, and the Realignment of Worker Interests

The strength of this reconfiguration of worker interests and representation at Autotek is especially reflected in the depth of workers' productivity commitments. Thus, for example, even after management significantly reduced the value of the points awarded to workers in Autotek's "Continuous Improvement" productivity projects, workers reported they continued to work very hard and to have a strong desire to resolve productivity problems in their areas. This worker commitment to productivity goals can be explained in large measure by the way Magna aligns worker interests to its own profitability goals. Like Magna's Canadian plants, Autotek is a stand-alone plant in the sense that it is responsible for obtaining its own contracts and must survive as a business unit on its own. Management emphasizes this situation in its communications with its employees. As at Magna in Canada, Autotek convenes hour-long monthly and weekly plant meetings at which workers share their job related problems and are exhorted to "beat the competition." Management provides information about Autotek's competitive position, accident rates, quality of production, and other productivity-related factors. Continuous improvement is a major theme. The most important goal is to obtain new contracts by meeting or exceeding corporate customers' quality standards. Workers report they feel good coming out of the meetings if Autotek is doing well, but bad if they are doing poorly. A skilled trades worker stated that these meetings help workers learn "about company goals and how they have to work to reach these goals…. You always need to know what the company needs."

In addition, there are monthly training sessions in which workers are taught

36. TeamNAFTA.com

how to work more efficiently, including team work, quality improvement, and how to do "Five S," a visually oriented system that emphasizes workplace cleanliness and the rational organization of jobs. "Five S" promotes higher productivity and quality as well as workplace safety. In some areas of the plant, signs show how well workers in the area have been doing in relation to "Five S" goals. Autotek also provides training in English and computers, offering instruction in various soft skills such as problem-solving and working harmoniously with others. This latter training is about "making workers better people," as an assistant press operator put it. Consistent with these corporate messages, workers say the company and the workers are "a team" because everyone wants to increase quality and health and safety in the plant, and because everyone in the firm is dependent on each other.

Much of this is similar to the corporate culture of Magna's Canadian plants. However, at Autotek workers' commitment to management's productivity goals stems from a different balance of motivations. A skilled worker explained that workers and managers at Autotek are "part of a big family," but he also added that there are some "rebel sons," noting that "some managers are aggressive." More prominently than at Magna in Canada, alongside the ideology of the-firm-as-family there is more extensive and visible coercion at Autotek: the dominance of supervisors and managers is more transparent. The power relations underlying labour-management relations are much more to the fore. Thus, Autotek workers reported that sometimes managers and supervisors do not treat workers fairly. For example, some may be forced to work overtime against their will, even though often this is against Mexican labour law. As a result, as one worker articulated it, the plant is not so much a family as an alliance between workers and managers. Workers and managers do not have the same interests, he believes, but their interests coincide around different material rewards. At Autotek, the instrumental material basis of this alliance has greater weight than at Magna plants in Canada. As an illustration, he says that he is motivated to work hard at Autotek mainly because he is building a house and wants to buy a car. This is not, of course, to argue that the instrumental basis of worker commitment is not also important in Canada, but that instrumentalism is more prominent at Autotek and the ethos of egalitarianism is much less a trait of the plant culture.

Compared to Magna's Canadian plants, there is less emphasis at Autotek on corporate communications to encourage workers to internalize corporate competitiveness goals, and less emphasis on corporate paternalism and mutual partnership. For example, the Magna Charter is not prominently posted on the plant walls and there are no signs encouraging workers to think of themselves as entrepreneurs. There is also no information posted around the plant about Magna share prices. Partially replacing a more unifying overall ideology of the firm as family, Autotek relies to a greater degree on more pragmatic motivations: workers' desires to keep their jobs and their pay cheques. Thus, workers stated they wanted to improve productivity and quality in order to get more contracts

so that they could enhance their job security and wages. As a worker put it bluntly, continuous improvement is important because it is about job security.

The main pressures shaping this more instrumental orientation to labour management relations at Autotek are not difficult to identify. As in Canada, workers are strongly conditioned to respond to market competitiveness for the products they produce. However, at Autotek job insecurity plays a more immediate and compelling role in motivating workers' commitment to productivity. In contrast to Canada where layoffs of core workers are infrequent, at Autotek core workers are less protected and employment is more numerically flexible. Moreover, managers lay off workers by area, depending on the length of contracts for products in particular sections of the plant. As a consequence, there is more unevenness of job security across the plant than in Canada. Some workers reported that in their areas seniority was a criterion in deciding which workers to lay off, largely because higher seniority workers have usually accumulated more vacation days which can be used instead of being laid off. Other criteria are normally operative, a worker explained: supervisors decide whom to lay off by choosing "who is good and who is bad; who cooperates, who is part of the team, who does the things management asks." Another explained that "those with bad attitudes are more likely to be selected [to lay off]. Favouritism is a factor." The discipline of the external market, combined with the elements of the Magna model transferred to Mexico, help to produce a cooperative and productive workforce. The past general manager noted that over one-third of his workforce received awards for not being late or missing a single hour of work over an entire year. Absenteeism was claimed to be less than half that found in Canadian Magna plants. According to this manager, the reason for this was relatively simple. "In this country. . . if you don't work, you don't eat."[37]

National Contexts, Corporate Models of Worker Representation, and Unionism

The contrasts between the industrial relations regimes in the two countries are crucial to the differences in Magna's model of worker representation at the Canadian and Mexican plants. The Federal Labour Law and the Federal Social Security Law in Mexico are major factors promoting variations between the way the Magna model operates in Canada and in Mexico. To an important extent these federal laws substitute for the Magna Charter and for much of Magna's human resource management strategy in the firm's Canadian plants. The Federal Labour Law's most important impact has been on Magna's profit-sharing policy. As has been explained, the profit-sharing program at Autotek is a creation of Mexican national law and is structured differently from its Canadian counterpart. In Mexico profit shares are paid in cash annually; in Canada profit shares are paid mainly in Magna shares and are deferred payments avail-

37. Sinclair, "Thriving Amid Chaos," 46.

able to workers with a lag of ten years or more. Although the Canadian and Mexican profit sharing programs help to shift the zero-sum relation between wages and profits into a "win win" profitability alliance between workers and management, in Canada Magna's profit sharing policy lies at the heart of a unique and more developed set of corporate welfarist initiatives. The Federal Labour Law also requires that firms such as Autotek pay a Christmas bonus of at least two weeks' wages to all employees. In addition, the Mexican Federal Social Security system provides a state regulated substitute for many of the welfare provisions found in the Magna model in Canada. Under the Federal Social Security Law, employers such as Autotek are required to make contributions to provide for workers' health care, housing and retirement savings. These contributions are a sizeable proportion of wages, averaging more than a quarter of wage and salary costs. To the extent that Magna is engaged in welfarist initiatives in Mexico, much of these lie beyond the level of the plant in meso-level corporatist relations among Magna, the union and the local municipal and state governments.

External labour markets are also powerful in shaping variations in the Magna model in the two countries. While external labour markets discipline Magna's workers in both countries, they play a far more powerful role in Mexico due to the extent of precarious work, the much lower labour standards in Mexico, the weaker welfare state safety nets in Mexico, and the closer most Mexican workers are to bare survival for their families and themselves. The greater weight of instrumental compliance with Magna in Mexico reflects this increased harshness of external labour markets, and the greater contast to Autotek's relatively high wages and greater job and income security. In both countries, Magna recruits many workers who are discriminated against in external labour markets: Autotek hires more women, whereas in Canada a greater emphasis is placed on hiring recent immigrants.

The Magna model of work organization in Mexico is thus not a carbon copy of its model in Canada. In both countries there is a realignment of worker interests into an essentially integrated system of worker representation that is dominated by management. In Canada, worker voice is channelled for the most part through Magna's (independent) union substitution strategy. In Mexico, the corporatist union itself substitutes for independent unionism. At Autotek the union delegates and committees have little autonomy or power, and union leadership above the level of the plant is deeply allied with management in the pursuit of corporate competitiveness. Worker representation at Autotek is, for the most part, narrowly confined to a certain degree of worker participation in work teams, and this participation is focussed almost exclusively on productivity improvements. Both the Magna Charter and the Open Door Policy, with their affirmation of fair treatment for workers, are more symbolic than institutionalized. There is no Worker Advocate and Fairness Committee, and less of an air of egalitarianism and reciprocity in workers' daily relations with supervisors and managers. The arts of persuasion are less

evident in the exercise of managerial power, which is often more transparent, blunt and personal at Autotek. Much of the Magna model of worker representation that is retained at Autotek is essentially a labour process strategy to promote productivity. Worker representation through work teams and elected team leaders is strongly oriented to cost-cutting, quality improvements, productivity increases, and other cooperativist goals with management. This labour process strategy obtains in Canada as well. In Magna plants in both countries, labour process strategies help to shape workers' sense of participation in promoting management production goals and, in doing so, redefine workers' identities, making them more integral to a common quest to improve Magna's competitiveness. In practice, worker participation in productivity improvements is also about the representation of certain kinds of workers' interests, and the non-representation of other (more adversarial) interests. The main difference between Magna models in Canada and Mexico is that labour process strategies act in tandem with (independent) union-substituting forms of worker voice in Canada, but not in Mexico.

In Canada, worker allegiance to Magna is deeper because alternative forms of worker representation, such as independent unionism and social democratic politics, have been weakening to such an extent that they no longer provide a sufficiently viable alternative focus of allegiance. In Mexico, workers' allegiance is more ambivalent in a context where class cohesion is not as eroded and where worker attachment to Magna is more instrumental and less deeply embedded in corporate culture. Among the key manifestations of this more ambivalent worker allegiance to management is the greater incidence of worker discontent on the shop floor and the more overt exercise of coercion by management at Autotek than one finds at Magna in Canada.

In crossing international borders, the Magna industrial relations model has taken on national and local features but the underlying structure is one which elicits a successful reconfiguration of much, though by no means all, of the adversarialism inherent in labour-management relations. That reconfiguration is one which aligns worker representation to a far greater degree to an essentially unitarist project oriented to management's productivity goals. Magna is not merely suppressing independent unions as a form of worker representation. It is also constructing successful, management-dominated models of worker representation in both Canada and Mexico.

The success of the Magna model in promoting avoidance of independent unionism in both countries has been fundamentally contingent on the confluence of a range of specific supporting forces that lie beyond Magna's control. These include the outsourcing strategies of vehicle assemblers, its corporate customers' tolerance of Magna's relatively high profit margins, the disciplinary effects of external labour markets, the role of state social and labour policies in making Magna's workers more vulnerable to economic insecurity, and a limited number of viable auto parts firms that compete with Magna. These conditions have come together to support the effectiveness of Magna's worker representa-

tion model. Without these conditions, the Magna model could not have been created or sustained. Under contemporary conditions of increasing economic and political volatility in both Canada and Mexico, the future coherence and stability of this model of work representation in both countries cannot be guaranteed. Indicative of how quickly conditions change, starting sometime in the fall of 2006 Magna began closing plants and reducing its workforce in response to changes in the pattern of North American automobile demand.[38] Capital-labour relations are inherently dynamic and subject to unpredictable changes, as witnessed for example, by the unforeseen rapid emergence of mass production unions from the depths of the 1930s Depression.

The authors thank Mark Thomas for assisting with interviews; the McMaster Working Group on Workers and Social Cohesion for comments on an early draft of this paper; John McKinnon and Rebecca Lok, of Injured Workers Consultants in Toronto, for introducing us to injured workers from Magna; Erich Rangel, Mexico Market Analyst with CB Richard Ellis for labour market data in Puebla, Mexico; and the Magna employees for providing the information that is the core of this research. John Holmes assisted us with his thoughts and files on Magna. Huberto Juárez Núñez, Amellali Salgado and Aleida Martinez helped make the Mexican portion of this study possible. Stephen Lewchuk resolved computer problems at a critical point in the study. We also thank the Social Sciences and Humanities Research Council Social Cohesion granting program and Initiative on the New Economy program for funding this research.

Appendix 1: Interview Methodology

This paper is based on extensive direct observation of work relations, as well as on corporate documents and interviews with auto industry analysts, managers, and production workers. The authors observed work arrangements in three plants, two at the complex described above as well as another Magna plant in a different community in Southern Ontario. The authors did open-ended interviews with four government and private sector auto industry analysts, two corporate-level Magna managers, and five plant-level managers. Often we interviewed these informants several times. After several visits to the Magna plant in Canada that is the subject of this study, management agreed to provide us with access to their workforce. We provided criteria for selecting employees to be interviewed. Selection criteria included varied seniority, a cross section of jobs and skill levels, and both genders. We did not request interviews with temporary workers. Seventeen employees were interviewed. Six were women. Half had less than ten years of seniority and half had more than ten years. Three were immigrants from Asia and three were immigrants from Europe. We interviewed seven production workers, four line leaders, two skilled

38. Keenan, "More Restructuring."

trades and four engineers. Private space was provided by the company for the interviews. Employees were interviewed by one or both of the authors. There were no restrictions on what we talked about nor did management request an outline of what would be discussed. Participants were instructed that the project was an academic study independent of Magna and was being done through McMaster University. They were asked to sign a consent form which indicated all discussions were confidential. The interviews were semi-structured lasting approximately an hour in duration. It was not our sense that the company had selected workers with a particular bias. The workers we interviewed were critical of the company where they felt this was warranted, but also were relatively consistent in how they described Magna labour relations. Our concerns about sample bias were further eased as a result of interviews with four injured workers whose employment with Magna had been terminated. While they were extremely critical of how they had been treated by the company after their injury, they spoke much more positively about their treatment before being injured. They confirmed the broad tenor of our findings with currently employed Magna workers. In order to protect the anonymity of these workers we do not name them in our study.

The Mexican portion of the study was carried out with help from colleagues at the Benemérita Universidad Autónoma de Puebla. Preliminary research identifying Magna workers was done by two graduate students at the University. They followed the buses from the Magna plants to communities where Magna workers live. They spoke with Magna workers after they got off the bus and identified individuals willing to be interviewed. We did semi-structured interviews with 34 production workers. Twenty-six interviews were done during the fall of 2004 by our research associates from the University and the remaining eight were done by the authors during a visit to Puebla in the summer of 2005. Of the 34 Mexican interviews, five were with women and five were with skilled trades workers. The sample was relatively young, with over half being thirty or younger. This is indicative of both the nature of the Mexican labour market and that the plant had only been in operation for twelve years. Interviews with workers normally lasted about an hour and were conducted confidentially in their homes. All interviews were conducted in Spanish through translators provided by the University. In order to protect the anonymity of these workers we do not name them in our study. We also did open-ended interviews with two senior union leaders and four plant managers (including the human resources manager) and toured the plant in Puebla. Where interviews with such officials warranted, we have named them in direct citations of the interview.