

#### IV. COMPANY PERFORMANCE

The Code of Conduct Administrator's terms of reference, require a report on the administration and observation of the Code, consistent with the purposes and intent of that Code.

In the past, and when there were as many as 20,000 employees affected, the Administrator was able to assess the degree to which enterprises complied with both the spirit and the letter of the Canadian Code of Conduct. In that exercise, companies were rated on the degree to which their subsidiaries fulfilled or exceeded (or in some cases failed to meet) the basic requirements of the Canadian Code. The 1989 report rated eight companies, of which two -- the Canadian Embassy and Qit-Fer et Titane Inc. -- received points which put them in the highest category of performance. Others fared less well but no company was in the bottom category by "failing to meet many basic requirements" of the Code. The rating exercise was considered useful in that it not only allowed comparison with peers, but also indicated in general where improvement was necessary and to what degree. It had parallels with the rating system used for U.S. firms under the Signatory Association and the State Department systems.

In approaching this issue, the Administrator felt the number of companies reporting under the Canadian Code (three [3] this year including the Canadian Embassy) and the small number of non-White employees affected (only 17 on which reports are given), the incompleteness of one report -- taken in conjunction with the impossibility of adequately categorizing Canadian affiliates reporting only under the EC system on the same basis as those reporting under the Canadian Code -- would make this a less than meaningful statistical exercise. Based on interviews and available data, it is clear that those entities which reported fully, including the Canadian Embassy, have not moved backwards; although, like other employers, the Embassy itself has been under constraints in the matter of wage increases.

Minimum wages related to rates in excess of MLL for the lowest-paid employees formed a major part of the assessment, accounting for 20% of the weighing. Now that unions and, in previous years, employee groups have more bargaining power, and productivity is seen as a vital issue, it may be that the minimum wage issue -- while important -- is secondary to other tangible employee benefits. In any case, it cannot be a useful criteria in present circumstances and will not, therefore, form part of this analysis.

Section 4c of the Code stipulates that companies in determining wages, should take particular note of the impact of inflation, and that annual increases should offset the impact of this factor. The period to the end of 1993 was described by one observer to encompass the "longest recession experienced in this century and the deepest since the Great Depression." In these circumstances of recession and low growth in employment, it would be perhaps understandable in the South Africa of the period that some companies would feel unable or it unnecessary to meet this suggestion. This was not, however, the general case and although the public sector lagged somewhat, the aggregate increase in remuneration exceeded inflation by 1.6% in 1991, by 2.6% in 1992 and for the first quarter of 1993, by 1.3%.<sup>12</sup> However, in the case of the Canadian Embassy there was a significant constraint on its capacity to meet this suggestion. While it has traditionally exceeded the requirements of the Code, it was unable, because of Canadian Treasury Board regulations, to do so for 1993.

This deficiency is worth perhaps a few words of explanation, if for no other reason than because of the importance the Code has assumed among the measures Canada has taken to mitigate the affects of apartheid. The Canadian Government, in an effort to limit growth in public expenditure, decreed a pay freeze for its employees that was extended to locally engaged staff at Posts abroad. Under current arrangements there will be no salary increments until at least 1996. The lack of a raise in 1993 must be seen in the context of the Embassy's policy of wage levels keyed to a high percentile within comparator Embassies in Pretoria; also, even for the lowest grade Embassy employee the salary level was still some 47% in excess of the MLL as established for the area for the year 1993 -- the first year in which the freeze applied. Whether the effects of the Treasury Board freeze should have been extended to local employees in the many dozens of Canadian Posts where inflation is high is of course a policy decision.

In the view of the Administrator the following companies which reported either directly under the Canadian Code, or through the EC system, met the spirit and intent of this voluntary Code, in respect to their South African entities, if unable, in some cases to meet all aspects of it:

- 1 Bockneck Ltd.
- 2 The Canadian Embassy in Pretoria
- 3 Northern Telecom

Additionally, Cott International, in the report of their preliminary arrangements for staffing, indicated that they would be conforming with the recommended labour practices. There is no information on which to base a judgment as to the compliance, or otherwise, of Unicom Security Systems Ltd. or Dundee Bancorp in respect to their South African interests.

<sup>12</sup>Inflation was: 15.3% in 1991, 13.9% in 1992, 9.7% in 1993