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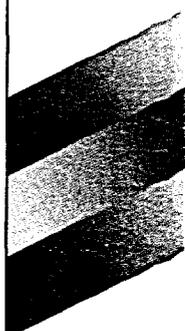
CODE OF CONDUCT

CANADIAN COMPANIES

IN SOUTH AFRICA

DECEMBER 1991

External Affairs and
International Trade Canada



Canada

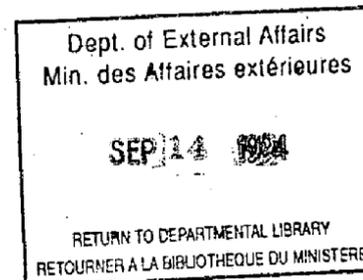
Code of Conduct
Concerning the Employment Practices
of Canadian Companies Operating in
South Africa

Code d'éthique
touchant les conditions d'emploi
des sociétés canadiennes opérant
en Afrique du Sud

Victoria, 1 December 1991

NON CIRCULATING ?
CONSULTER SUR PLACE

The Honourable Barbara McDougall
Secretary of State for External Affairs
Lester B. Pearson Building
10th Floor - Tower "A"
125 Sussex Drive
OTTAWA, Ontario
K1A 0G2



Dear Mrs. McDougall:

I have the honour to submit herewith the 1990-91 and sixth *Report on the Administration and Observance of the Code of Conduct Concerning Employment Practices of Canadian Companies Operating in South Africa*.

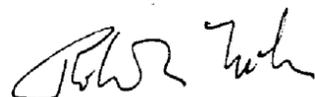
As required by my Terms of Reference, I have updated the list of Canadian companies to which the Code of Conduct applies; drawn their attention to the Code and its standard reporting questionnaire; collated those reports which have been submitted; and consulted, in addition to the companies in Canada and their South African affiliates, a wide range of relevant governmental and non-governmental organizations and individuals. My report, based upon these consultations and company documentation, is presented for your consideration. Interested parties who wish copies of the individual submissions are invited to apply directly to the company concerned.

The number of Canadian companies still involved in South Africa and included in this report is five -- one less than in the last report. This results from the disinvestment of one company, the dormancy of one, and the addition of another whose presence in South Africa is as a consequence of the acquisition of a U.K. firm which had minority holdings and is the object of a current disinvestment exercise. The equity holdings of two of the Canadian companies have declined in the past year and the numbers of non-White employees of companies reporting under the Canadian Code has dwindled; one company chose not to submit a report.

.../2

In the circumstances outlined above -- that is, in comparison to the 1980s, a now much lower participation rate of Canadian companies in South Africa and the consequent diminished non-White labour force, coupled with the fact that actual Canadian management in or control of the business entities concerned is virtually non-existent -- Canada's real capacity to influence the issues in this area is now significantly diminished. This suggests a re-evaluation of the necessity to continue monitoring the performance of Canadian-related companies through an independent administrator and, indeed, raises the issue of the future value of the Code as it is presently constituted, particularly in the changing political circumstances of South Africa.

Yours sincerely,



Robert W. McLaren
Administrator

Enclosure

CODE OF CONDUCT

CANADIAN COMPANIES IN SOUTH AFRICA

1990-1991

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PREFACE

This is the sixth Administrator's Report under the Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa and covers the 18-month period to 30th June 1991. The Code was issued originally in 1978 under the authority of the Secretary of State for External Affairs and was revised and tightened in 1986. Adherence to the Code is now, and always has been, voluntary. Initially, the Code was regarded as a guideline and companies normally did not submit reports on their South African operations. Since the appointment of an Administrator in 1985, most of the Canadian enterprises with South African affiliates have reported, heretofore, on an annual basis. The number of companies involved continued to decline and, including one contingent investment, has now reached six, with five on which there are reports.

It is not Canadian policy to either encourage or discourage disposal of Canadian investments in South Africa. Disinvestment has been and remains a decision for companies alone. The disposal of assets in South Africa by Canadian and other foreign firms reflects, primarily, economic and commercial considerations including double taxation arrangements, frequently reinforced by pressures generated by anti-apartheid and other forces in Canada and elsewhere, including U.S. state and local government purchasing requirements.

The Code of Conduct is one of a variety of measures adopted by the Canadian Government to demonstrate opposition to apartheid and to encourage the South African Government to undertake fundamental reforms and enter into negotiations with non-White leaders toward the establishment of non-racial democratic, representative government. The Code aims to combat racial discrimination through the encouragement of company policies and employment practices which respect human rights and advance equality. Such policies and practices should encompass:

- equality of working conditions
- equality of pay for equal or comparable work
- equality of opportunity with respect to employment and training
- freedom of association and the right to organize and bargain collectively
- promotion of social justice and peaceful achievement of economic, political, and social reforms by positive, constructive, and legal means
- support to projects which enhance the quality of life of the non-White communities from which their work force is drawn

These principles and rights apply to all races but have special relevance to Black, Coloured, and Asian employees¹ and to the quality of life which they and their dependents enjoy.

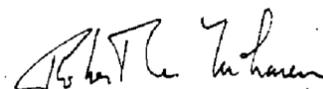
The methodology employed in preparing this report and its organizational pattern remain unchanged from that of 1989 with the exception of the approach to rating company performance. Its basic data have been drawn from the Standard Reporting Questionnaire completed by Canadian companies in collaboration with their South African affiliates and from reports by affiliates of Canadian Companies under EC requirements. Additional information has been provided by a wide range of individuals and organizations with an interest in and knowledge of South Africa. Visits to South Africa and Britain yielded valuable background information. The American, Australian, and U.K. Code authorities have again been consulted, as well as the Commonwealth Secretariat in London and the Investor Responsibility Research Centre in Washington, D.C. Significant information was supplied by the Commonwealth-financed L.S.E. Centre for the Study of the South African Economy. Views were exchanged with South African officials in Ottawa and Pretoria and with other government representatives in South Africa having Code requirements. In South Africa, discussions also involved representatives of management, business and industry associations, research institutes, liberation groups, and many other groups and individuals.

The Background section of this report is offered as a framework against which continuing changes can be assessed as the situation there is in flux. An attempt, therefore, has been made to present the highlights of the economic and political situation which had, and continue to have, a bearing on the environment in which industrial and commercial enterprises are obliged to operate in South Africa.

My predecessor as Administrator noted in his 1989 report that, for the first time since undertaking this task, "South Africans of all races and occupations expressed their belief that reform is under way and that apartheid, while still in place, is on the way out. At the same time, all South Africans are not pleased with this prospect and threats to the process exist both from the extreme left and extreme right of the political spectrum." By mid-1991, the legal pillars of apartheid had been dismantled, but the legacy continues. The hopes and expectations of the disadvantaged will take exemplary commitment and dedication on the part of any future government to meet. The capacity to meet these challenges and solve these problems will be related not only to the progress achieved in the substantive negotiations between the Government of South Africa and non-White leaders, but also will have a high correlation with economic growth and diversification. I am indebted to all those consulted who, despite their preoccupation with the rapidly changing political environment and the accompanying economic and social ferment, gave

generously of their time and information; to the Canadian companies and their South African affiliates for their friendly cooperation despite reservations by some as to the value of this exercise; and to the Department of External Affairs in Ottawa and the Canadian Embassy in South Africa for their helpful logistical support.

The responsibility for the content of this report is mine alone, despite the substantial help from those mentioned above.



Robert W. McLaren
Code Administrator

¹ Racial classifications used in this report are based on categories set forth under earlier South African law and do not constitute endorsement of these classifications by the Government of Canada.

I. BACKGROUND

POLITICAL AND ECONOMIC DEVELOPMENTS - 1990-1991

The election of Mr. F.W. de Klerk to the State Presidency in late 1989 ushered in a period in which dramatic political changes have taken place. In the recent words of the Canadian Secretary of State for External Affairs: "the past two years have indeed taken us a long way down the path toward democratization in South Africa, but we are not there yet -- apartheid is still alive and well."

These changes, which began with the unbanning in early 1990 of 36 organizations including the ANC -- the most powerful of the Black liberation movements -- PAC, AZAPO, and the South African Communist Party, saw the release from prison of Nelson Mandela followed by that of more than a thousand other political prisoners. The process of consultation and dialogue on a new South Africa was now made possible by these acts and the ending of the State of Emergency. The ANC and the Government reached an accord in September of that year in which the former agreed to suspend the armed struggle.

In 1991, the Government abolished the legal and legislative pillars of apartheid -- the Separate Amenities Act, the Group Areas Act, the Development of Black Communities Act, and the Population Registration Act -- and articulated a Manifesto for the new South Africa in which it committed itself to a free and democratic political system. Some 3,000 of the estimated 40,000 exiles were repatriated with a subsequent agreement on modalities for the remainder negotiated between the UNHCR and the Government. Although there has been important progress on the release of political prisoners, further elements of this issue need to be addressed, including that of those held in the "Homelands."

Violence based, in part at least, on socio-economic factors has erupted in the wake of these political changes and is a serious threat to the negotiating process, as is the right-wing terrorism aimed at derailing the reform process and the recent revelations of lack of Government even-handedness in support of Black groups. A national peace initiative taken by church and business leaders, bringing together representatives of Government, the unbanned organizations noted above, the Inkatha Freedom Movement, and others, resulted in the signature of a National Peace Accord on September 14 of this year. Many astute observers see this accord as a persuasive model for a multi-party conference to develop first-stage and transitional arrangements toward constitutional negotiations.

The months ahead can be expected to see a process as dramatic as that during these past 18 months and, even with a realized dream of a non-racial democratic South Africa, much commitment on the part of all South Africans and on the part of friends of her people will be needed to expunge the legacy of apartheid.

The South African economy has been in recession since mid-1989 with little evidence that the end is in sight, although some analysts predict an upswing in early 1992. Real growth in domestic product (GDP) declined by 0.9% in 1990 and per capita GDP by 3.2%. While figures are not yet available for 1991 to date, estimates are for low or no growth with the culprits, again, lower than expected prices for gold and other minerals and, due to drought, a decline in agricultural output. With population growth at 2.3%, this projection would result in another year of decline in per capita living standards for a significant proportion of the 40 million South Africans.

This contraction has also had an understandably serious impact on employment which, with a labour force expanding by 1,000 per day, can be expected to have significant political implications in both the short and longer term. The formal sector has historically provided jobs for about 12% of new labour force entrants; on that projection, unemployment is growing at a rate of 300,000 per year and some estimates suggest 40% of the Black work force may now be unemployed. Of the current estimated labour force of 12 million, only 8 million are in the formal sector with the remainder in the informal or subsistence sectors. Despite the slower growth in employment, and massive unemployment, nominal wages and salaries continue to rise at unexpectedly high rates. In many cases, these real wage gains, particularly for unionized labour groups, continue at the same time as income disparities widen.

The current account surplus for 1990 was nearly 6 billion rand, achieved through a significant rise of non-gold exports which allowed the Reserve Bank to repay more than R 2 billion of short-term borrowings from other central banks and R 3 billion in other foreign debt. The Government is predicting a surplus of at least R 3 billion for 1991 which, if achieved (and it was running at a rate of 4.6 million by mid-year), will allow repayment of further obligations. Inflation fell early in 1990, but due to the pressure on oil prices associated with the Gulf War, fluctuated at around 15.3% through to the first quarter of 1991 and finished the year at about 14%. Both the Governor of the Bank and the Finance Minister are forecasting inflation rates for 1991 in the range of 12-12.5%. Foreign reserves increased by R 3 billion in the period due to an increase in short-term capital inflows, the financial rand facility, and high interest rates; but this represents only about two months import cover.

The 1991-92 Budget announced this March has been criticized for allocating little real increase to social spending and for being both regressive and for shifting the tax burden from business to individuals, as well as from capital investment to labour. One observer suggests that it "showed unwillingness to promote the interests of the poor at the

expense of the better-off" and commented on the small increase in the deficit (from 2.8% in 1990-91 to 3.4% of GDP in 1991-92) suggesting it, or revenues, projected at 25% of GDP, might be increased to provide a larger base for social spending as is the case in many other industrialized economies. This argument is unlikely to attract Government support when it is so clearly committed to fighting inflation and bringing down interest rates. Government strategy is made absolutely clear in its lowering of the tax burden on investments, introduction of a VAT on most food items (but not on capital or intermediate goods), and reduction in import surcharge and corporate taxes. Whether this strategy will encourage desperately-needed foreign investment and technology in current world conditions remains to be seen. Regardless of its future composition, a major dilemma of any future Government -- and the internal debate -- will be over finding the appropriate balance between incremental social spending and the commitment of resources to investment and industrialization.

II. CANADIAN COMPANIES WITH INTERESTS IN SOUTH AFRICA

The trend towards disinvestment of South African interests by Canadian firms, noted in previous years, stabilized in the period 1988-89 and the experience of those years was mirrored in this reporting period when one company, **Varity**, disinvested. On the other hand, one company, **Northern Telecom Ltd.**, had by virtue of its 1987 acquisition of an interest in S.T.C. of the U.K., acquired a small participation in a cable company and a group of computer-related companies. With the acquisition in early 1991 of the remaining outstanding shares in S.T.C., Northern Telecom now has a greater -- if minority -- interest in these South African entities and is being listed in this report for the first time. It is understood Northern Telecom is expecting to divest itself of some of these interests shortly. One Canadian company, **Menora Resources**, reported a decrease in their interest in Ocean Diamond Mines; the latter company is now dormant and it is understood that when it again becomes an operating entity, it will be based in Namibia. **Sternson Ltd.** is discussing a full disinvestment of its South African interests at the time of writing.

Table I below lists the disinvestments occurring from 1986 and Table II (next page) shows the current enterprises with holdings in South Africa.

Table I

DISINVESTMENT OF SOUTH AFRICAN INTERESTS BY CANADIAN COMPANIES

<u>1986</u>	<u>1988</u>
1. Alcan Aluminium Ltd.	1. JKS Boyles International Inc.
2. Beta Ltd.	2. National Business Systems Inc., Jarvic Clark Co.
3. Dominion Textile Inc.	
4. Jarvic Clark Co. (CIL)	
<u>1987</u>	<u>1989</u>
1. AMCA International Ltd.	1. Qit-Fer et Titane Inc.
2. Champion Road Machinery Ltd.	
3. Chempharm Ltd.	
4. Cobra Metals & Minerals Inc.	
5. Cominco Ltd.	<u>1990</u>
6. DelCan Ltd.	
7. Falconbridge Ltd.	
8. International Thomson Org. Ltd.	
9. Joseph E. Seagram & Sons Ltd.	<u>1991</u>
10. Moore Corporation	1. Varity Corporation
11. Ford Motor Co. of Canada Ltd. (completed in 1988)	

Table II

CANADIAN ENTERPRISES WITH SOUTH AFRICAN AFFILIATES (at 30 June 1991)

1. Bayer Foreign Investments Ltd. (Toronto, Ontario)
2. Bocknek Ltd. (Rexdale, Ontario)
3. Government of Canada, Dept. of External Affairs (Ottawa, Ontario)
4. Northern Telecom Ltd. (Mississauga, Ontario)
5. Sternson Ltd. (Brantford, Ontario)
6. Unican Security Systems Ltd. (Montreal, Quebec)
7. Menora Resources Inc. (Toronto, Ontario) - **DORMANT INTERESTS**

The number of active Canadian firms appears to have stabilized at five or six from 1988. The decrease in holdings by interests of other Western nations on which we have information has not been comparable, with the U.K. firms declining from 111 to 107 in the past year; those of the U.S. from 84 to 78, and Australia from 7 to 6. The low water mark of disinvestment by enterprises of these three representative countries was reached in the period 1987-89 and the momentum has now decreased with the likelihood that future disinvestments will be fewer in number. In Canada's case, however, further disinvestment is now under discussion which, if completed, will see no reporting affiliate left with more than 12 non-White employees.

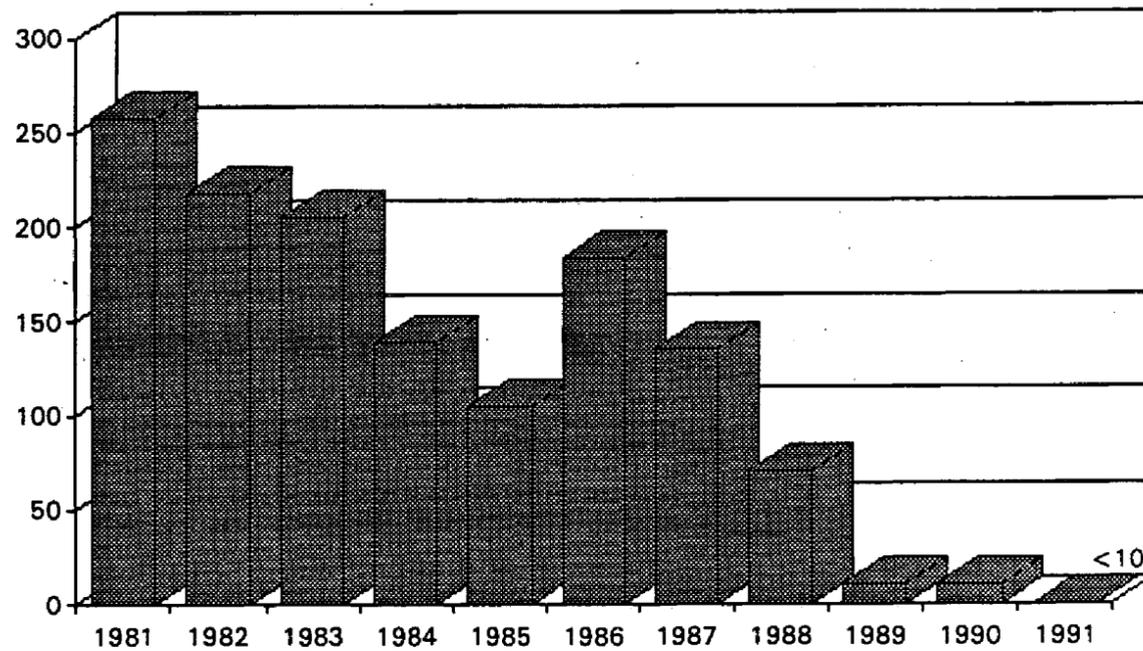
The decline in the number of Canadian companies involved in South Africa has reduced the value of direct Canadian investment there to a nominal figure estimated at less than \$10 million. The exact current figure is not available because Statistics Canada will not publish it in view of the small number of enterprises now involved.

The significant fall in Canadian commercial investment in South Africa, particularly since 1987, is given in Figure 1 (next page).

Figure 1

**DIRECT CANADIAN INVESTMENT
IN SOUTH AFRICA, 1981 - 1991**

In Millions of Canadian Dollars



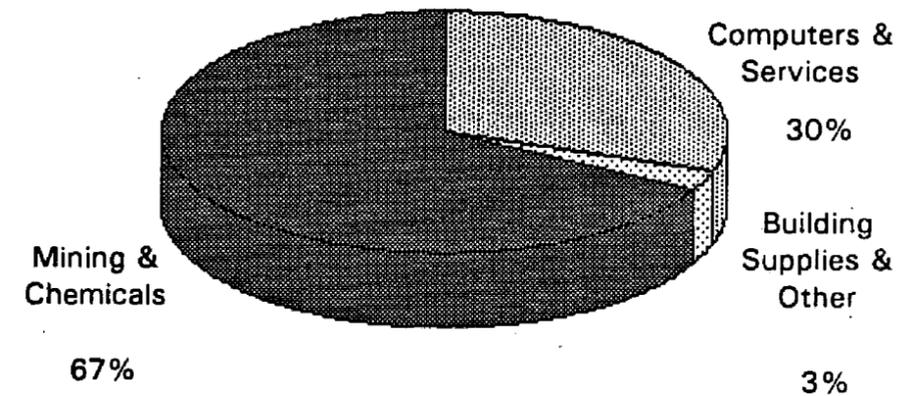
* Does not include contingent investment through acquisition of non-South African Assets

The composition of Canadian investment in South African industry has changed with the Northern Telecom acquisition referred to earlier. While, in the preceding years, mining, chemicals, and agricultural equipment activities represented something over 80% of the employment (and this sector still predominates), the computers and services sector has

now grown to almost a third of the holdings. The distribution of investment by employment is given in Figure 2 below.

Figure 2

**CANADIAN INVESTMENT IN SOUTH AFRICA
1990 - 1991**



All Canadian companies with direct investment in South African affiliates are asked to comply with the Canadian Code of Conduct, regardless of the level of investment or the number of personnel involved. The percentage of equity held by Canadian companies ranges down from 100% in the case of some of the Bayer International affiliates to less than 10% in the case of Northern Telecom and the now-dormant interests of Menora Resources. In almost all cases, where equity participation is less than 50%, Canadian management reports no involvement in the management or operation of the affiliate and suggests little or no influence over the issues at stake. The equity participation of these

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Canadian companies, and their reporting compliance with the Code, is given in Table III below.

Table III

PER CENT EQUITY HELD BY CANADIAN COMPANIES IN THEIR SOUTH AFRICAN AFFILIATES
AND REPORT SUBMISSION
(As at 30 June 1991)

	<u>% Equity</u>	<u>Reported</u>
1. <u>Bayer Foreign Investments Ltd. (Toronto, Ont.)</u>		
a) Bayer South Africa (Pty) Ltd.	74	•
b) Bayer Miles (Pty) Ltd.	100	•
c) Chrome Chemicals S.A. (Pty) Ltd.	100	•
d) Haarmann & Reimber S.A. (Pty) Ltd.	50	•
e) Vergenoeg Mining Co. (Pty) Ltd.	100	•
2. <u>Northern Telecom (Mississauga, Ont.)</u>		
a) International Computers S.A. (Pty) Ltd. (see note 1)	9	•
b) ATC (Pty) Ltd. (see note 2)	25	No
3. <u>Bocknek Ltd. (Rexdale, Ont.)</u>		
Bocknek (Pty) Ltd.	75	Yes
4. <u>Department of External Affairs (Ottawa, Ont.)</u>		
Canadian Embassy (Pretoria/Cape Town)		Yes
5. <u>Sternson Ltd. (Brantford, Ont.)</u>		
Sternson S.A. (Pty) Ltd.	19.2	Yes
6. <u>Unican Security Systems Ltd. (Montreal, Que.)</u>		
ILCO Unican S.A. (Pty) Ltd.	33.3	No
7. <u>Menora Resources Inc. (Toronto, Ont.)</u>		
Ocean Diamond Mines Ltd. - DORMANT	8.2	No

N.B.

- Copies of reports provided under EC Reporting Code were made available to the Administrator
- 1) ICL (S.A.) in turn holds active and dormant firms, including Linnet and Psion
- 2) There is no information available on ATC.

The number of non-White employees reflected in reporting under the Canadian Code has decreased significantly with disinvestment. For the period from 1986 to the present, the drop has been of the order of 17,000 employees -- this without having regard to the contraction in work force that has occurred in currently active affiliates as a result of the

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recession. Table IV, showing the effects of disinvestment on employment for the period 1986-1991, and Table V, showing a record of current employment, are given below.

Table IV

TOTAL EMPLOYMENT IN AFFILIATES OF CANADIAN FIRMS THAT HAVE
DISINVESTED*

	<u>Employment</u>	<u>Non-White Employment</u>
1986 Disinvestors	7,218	6,095
1987 Disinvestors	11,312	8,757
1988 Disinvestors	179	57
1989 Disinvestors	2,058	1,463
1991 Disinvestor	375	214
Total 1986-91	21,142	16,586

N.B. *In most cases, there is a lag effect; for instance, the statistics for a given year often represent the number of employees for the preceding year's reporting period.

Table V

TOTAL AND NON-WHITE EMPLOYMENT AT CANADIAN AFFILIATES AS AT 30 JUNE 1991

<u>Canadian Company</u>	<u>Total</u>	<u>Non-White</u>
A. Reporting to EC Code Authorities		
1) Bayer (5 affiliates)	1,879	862 ¹
2) Northern Telecom (1 of 2 affiliates)	813	169
	<u>2,692</u>	<u>1,031</u>
B. Reporting under the Canadian Code		
1) Bocknek	8	3
2) Canadian Embassy	23	12 ²
3) Sternson Ltd.	68	52
4) Unican Security Systems Ltd.	4	2 ³
	<u>103</u>	<u>69</u>

N.B. 1 at 30 June 1990
2 not including Canada-based staff
3 estimated

The employment impact of this disinvestment is dramatic and the following statement in the Administrator's Report for 1988 both bears repeating and is germane to the present situation:

"While it could be said as recently as 1985 that the numbers employed by Canadian affiliates and their contributions to the South African economy were significant, with a few exceptions, this is no longer so. Where once their collective voice was heard on economic, political, and social questions; today, their combined influence is inconsequential. The loss is particularly regrettable with respect to social responsibility programs specifically designed to benefit non-White employees, their families and, in some cases, whole communities. While the remaining Canadian affiliates, for the most part, are continuing their exemplary efforts, their impact is limited by their slender number."

This does not, of course, apply to the Canadian Embassy whose programs are exemplary; one positive element that can be drawn from the situation described above is that the base established by the Canadian program has been built on, at least in some cases, by the successor entities.

III. OBSERVANCE OF THE CODE

The few remaining Canadian companies and their South African partners generally comply with the basic requirements of the Code of Conduct. The two larger firms with their six subsidiaries and the Embassy, by virtue of size and substantial resources, are able and do devote some resources to programs and practices which exceed this and support the Code's further objectives. The smaller firms, without comparable resources, are, nonetheless working within their means to ensure fair practices and advances in the desired directions. Given the facts that the South African economy has been in recession for three years and the combination of factors contributing to this -- a shrinking world economy, the effects in particular of international financial sanctions, shortages of external investment capital and technology, high inflation and interest rates, and stiff competition -- commercial and industrial enterprises claim to have little leeway for more rapid progress. Within these constraints, however, improvements are clearly there, if at a rate that is slower than desirable.

1. General Working Conditions

All South African affiliates of Canadian companies provide safe, and otherwise acceptable, working conditions for all of their employees.

2. Collective Bargaining

By far the most significant event in industrial relations during this reporting period was the agreement reached in early 1990 between the two trade union federations and the Employees Consultative Committee on Labour Affairs. It establishes a basis for labour legislation and will encourage future industrial relations in South Africa to follow an international standard. Recent developments have allowed the trade union movement to concentrate more on their primary objective, the advancement and well-being of their members. At the time of writing, labour is restive about some elements in the 1991-92 budget and, in particular, over the imposition of the Value Added Tax (VAT).

Trade unionism and collective bargaining are accepted features of the South African scene and undoubtedly will be an area of intense activity; the extent to which this activity will have a positive outcome is only somewhat constrained by the current recessionary period when job generation is lagging significantly behind population growth.

With respect to Canadian affiliates, the larger ones are either unionized or, in some cases, are in negotiation or discussion with relevant unions, and generally meet Code of Conduct requirements. The smaller firms all report having an "open-door" policy with direct access to management when issues arise or they otherwise work through a spokesperson. The option to unionize is there, but apparently is a non-issue where only a few employees are involved.

The Canadian Embassy, in lieu of a trade union with full bargaining rights, has an active staff association which meets regularly and consults management when need arises. The Canadian Public Service Staff Relations Act (PSSRA) specifically excludes locally engaged Embassy staff from collective bargaining, but the staff association has been found on all sides to provide a comparable mechanism. The elected representatives of the staff association are permitted to meet individually or collectively with staff on Embassy premises and are accorded reasonable time-off to do so. They met with the Code Administrator recently and confirmed the usefulness of this arrangement. With respect to household staff engaged on a personal basis by Canadians serving with the Embassy, there are written guidelines recommended by the South African Domestic Workers Union which are in general consonance with the Code of Conduct. Their implementation is monitored by the Embassy.

3. Migrant Labour

No migrant labour is employed by the current group of Canadian company affiliates; in one case, a company reports that it could not afford the cost of a settlement program and, therefore, refuses to employ migrants.

While not migratory labour in a technical sense, the Canadian Embassy does have a group of three locally-engaged employees who travel regularly with the Ambassador to Cape Town for the annual Parliamentary session. They are provided with housing in both Pretoria and Cape Town. They receive a special family allowance while in Cape Town and are granted a family reunification visit when the Parliamentary session is extended beyond six months.

4. Wages

The Canadian Government's Code of Conduct stipulates equal pay for equal work; all companies meet this requirement. Additionally, it urges companies to pay their employees' wages which guarantee a standard of living that allows them to live with dignity. This requirement has particular relevance to the minimum wage, that is, the wage of the lowest-paid employee in the company.

The living standards of non-Whites, against which the pay performance of the companies is gauged, are calculated by the University of South Africa (UNISA); similar standards are calculated by the University of Port Elizabeth (UPE) but not used in this year's study. UNISA's standards are based on semi-annual surveys carried out in 26 urban areas throughout South Africa and take into account the household size, age structure, and sex composition in the populations groups and areas under study. For the Minimum Living Level (MLL), UNISA includes in its calculations 11 items: food, clothing, fuel and light, other services, washing and cleaning materials, transport, medical and dental services, education, household equipment replacement, taxes, and support of relatives. MLL, as defined by UNISA, reflects: "The minimum financial requirements of members of a household if they are to maintain their health and have acceptable standards of hygiene and sufficient clothing for their needs. The MLL is the lowest possible sum on which a specific size of household can live in our existing social setup."

The Supplemented Living Level (SLL) of UNISA makes provision for the inclusion of additional items. These include: recreation and entertainment, extra food, additional household equipment, extra transport, additional support, taxes and rent, and contributions to pension (unemployment, medical, and burial) funds. In UNISA's words: "By present standards, some of these items may be regarded as necessities and others as desirable amenities of life. The SLL is not a subsistence budget, nor is it a luxury budget. Perhaps, it can best be described as an attempt at determining a modest low-level standard of living." Depending on the area involved, the SLL is approximately 25% to 30% higher than the MLL. Given that the latter represents bare subsistence standards of living, foreign firms are encouraged to take as their guideline the SLL.

The Canadian Code suggests the SLL, and the comparable University of Port Elizabeth (Household Subsistence Level (HSLI), as an absolute minimum and urges companies to exceed it and to strive for a minimum rate of pay at least 20% higher, or 50% in excess of MLL. This has not been an easy matter for any but the major enterprises. Table VI (next page) indicates the degree of success and progress achieved by Canadian affiliates in meeting the Code of Conduct wage guidelines in the period from the last report to 1991.

Table VI

REPORTED WAGES OF LOWEST PAID EMPLOYEES RELATED TO MINIMUM LIVING LEVEL (MLL)

% By Which Wage Exceeds MLL	Number of Companies	
	Last Report	1991
0 - less	-	-
1 - 9	-	-
10 - 19	3	-
20 - 29	-	1
30 - 39	-	1
40 - 49	1	1
50 and over	4	5
	<u>8</u>	<u>8</u>

Four affiliates (and the Canadian Embassy) were the only ones meeting or exceeding the higher target of 50% or more of MLL, and all but two affiliates which chose to report met the minimum rate set by the Canadian Code of Conduct. For the most part, there has been a steady improvement at the lowest level and all companies except one reported salary increases for their lowest-paid non-White employees to be in excess of the inflation rate -- at least for 1991.

With respect to the average wage of all non-White personnel, the picture is better, with all but one reporting company exceeding SLL and the suggested level of at least 50% above MLL. For the affiliates in the computer and services sector, the average wage for non-Whites exceeded the MLL by amounts in the range of 218% - 303%. There has been little reported progress in promoting non-White personnel, although all companies support and implement the principle of equal pay for equal work.

In most cases, an effort was made to close the gap between White and non-White wages by giving somewhat larger annual increase to non-White, in particular Black, employees. Table VII (next page) illustrates this point.

Where trade-unions exist, wages are generally negotiated annually. Non-unionized affiliates provide annual or semi-annual pay amendments. These customarily reflect the cost of living and, where relevant, increases in productivity. Qualifications rather than race are increasingly used as a basis for staffing of and remuneration for positions; in one case, positions are related to a qualitative job evaluation process (the Hay system).

While progress has been made in improving the pay and promotion prospects of non-White personnel, it remains a fact that few of them attain other than the lower and middle levels of management or high-technology positions. For this reason, the average wages paid White workers remain substantially higher.

Table VII

AVERAGE REPORTED PERCENTAGE PAY INCREASES IN 1990 AND 1991

	Black Employees	Coloured/Asian Employees	White Employees
1990	23.0%	9.5%	16.0%
1991	19.2%	15.9%	16.5%

5. Training and Promotion

The Code of Conduct suggests, as a preliminary objective *en route* to a fair and balanced racial composition of the work force, the filling of 50 per cent of all supervisory and management positions with non-White employees, within a specified period of time. While some progress has been reported toward this goal, it has been minimal to date and must be considered, in part, a legacy of the bias in the educational system which places non-Whites at a disadvantage. The Government has made significant new capital investment in Black educational facilities an objective, but there is a startling differential in educational opportunities, which will remain for some time.

6. Fringe Benefits

Companies are encouraged by the Code of Conduct to concern themselves with the living conditions of their non-White employees and their families. To this end, they are expected to provide benefits beyond those required by South African legislation, notably with respect to social protection schemes (e.g. health, accident, pensions, unemployment insurance), education for family members, housing, transportation, legal, and recreational needs.

The major companies -- given their substantial resources -- have more scope to, and do, provide more fringe benefits than the smaller ones. Nevertheless, all, both large and small, provide basic benefits.

Social Benefits. The large enterprises provide basic medical, accident, unemployment (state scheme), and pension schemes in a variety of forms. Some are contributory; others operate on an *ad hoc* basis, assisting when need arises but lacking the formal schemes of the larger companies.

Vacations. All affiliates provide vacation leave on a non-discriminatory basis.

Housing. Six of the larger affiliates and the Canadian Embassy offer assistance in one form or another, such as subsidized housing or loans for home improvement or acquisition. Generally, where assistance has not been provided, it is because affordable housing is available within commuting distance of the work place. There is reportedly, however, a structural problem in financing housing, particularly in township areas with legal issues and tenure complicating the capacity to help employees with mortgages.

Transportation. All affiliates recognize the difficulties for staff in the existing transportation and housing mosaic, and attempt to alleviate commuting difficulties where they impinge on attendance at work. Some affiliates indicate they take the extra costs involved into account in wages, others pay subsidies to the local authority transportation fund, and others help with vehicle and repair costs. All, who have employees working overtime or outside normal work periods, provide transport to or from home where needed.

Education, Recreation, and Health. The larger companies provide a range of educational, recreational, and health assistance to their employees and their families. Classrooms and, in some cases schools themselves, have been adopted, or subsidized, in respect to equipment, clean water, teaching aids, and other facilities. Additionally, there have been company-financed or company-assisted teacher upgrading programs as well as bursaries and scholarships. One affiliate, in conjunction with neighbouring firms in its business park, arranges and pays for employees who wish to pursue secondary school subjects -- partly during working hours. Other projects supported by these affiliates include youth and women's activities, housing, sanitation, water supplies, improved medical facilities, and and business counselling. Most firms, in principle, consider legal aid as a responsibility, and one firm arranges and subsidizes it or, in some cases, allows repayment in instalments.

7. Race Relations

Desegregation in the work place, including related amenities and recreational facilities, is a non-issue with Canadian affiliates. This has been the case for a number of years.

8. Encouragement of Black Businesses

Without exception, Canadian affiliates have indicated readiness to conduct business with enterprises of any racial background; however, the practice has been slow and, in one reported case, unrewarding in implementation. CABBSA, the Canadian Association for Black Business in South Africa (a Canadian Exporters Association initiative with CIDA funding) and other Black entrepreneurship programs have support from one or two subsidiaries. The initiatives these large and small affiliates have been able to take are greatly overshadowed by those of the Embassy which has promoted a well-funded program in this area, including a small Business Advice Center with a varied extension program.

Nevertheless, affiliates indicated the intention to persevere in the encouragement of Black businesses and one of the smaller ones reported that it is in the process of developing a joint undertaking with Black entrepreneurs.

9. Social Justice

Canadian companies and their South African affiliates are urged in the Code of Conduct to use their influence by positive, constructive, and legal means to promote the cause of social and political reforms.

It is not possible to establish from their EC reports whether the six Canadian affiliates, reporting to other than the Canadian Government, are pro-active in this area, but interview information suggests some of them are. Canada is committed to the achievement of common Canadian values in post-apartheid South Africa and, with this mandate, the Embassy's progress in this area continues to be exemplary.

It is of interest to note that the two smaller affiliates reporting under the Canadian Code make the point that any moderate progress they could make in this area is demonstrably overshadowed by recent events and the progress the Government of President deKlerk has made and is making.

IV. COMPANY PERFORMANCE

The Code of Conduct Administrator's terms of reference, *inter alia*, require an annual 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 for the current period, the Administrator felt the number of companies reporting under the Canadian Code (3 this year including the Canadian Embassy) and the small number of non-White employees affected (only 64 on which complete 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 is 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 employee groups have more bargaining power, and productivity is seen as a vital issue, it may be that the minimum wage issue -- while important and affecting only a very small percentage of non-White employees -- is secondary to other tangible employee benefits. If a future rating system is developed, it should perhaps be on the "fail/pass" basis with respect to wages, and basic requirements with other factors adduced to indicate acceptable progress. In any case, it is not a useful exercise in present circumstances and will not, therefore, form part of this analysis. Having said that, note should be taken of the progress of Sternson Ltd. which improved perceptibly in this reporting period with respect to minimum wages and average wage increases. In 1991, the latter exceeded inflation and, on a percentage basis, wage increases were higher for non-Whites than for Whites.

V. NOTE ON IMPACT OF CODES

The Employment Practices Codes for South Africa of Australia, Canada, the EC countries, and the U.S. have been in effect for a number of years, but public reporting on compliance with them has only been a feature since the mid-1980s, with the exception of the Sullivan Principles which were defined in 1977 and which set the pace for other codes, including internal ones. The principles underlying these have been similar while emphasis may have differed, as has the voluntary nature of the Code and the arrangements for making individual company reports available to the public. The criteria for applying the requirements of the Code to companies also vary among the reporting authorities. For instance, because of minority ownership in their affiliates or in some cases low numbers of employees, most of the current Canadian companies reporting directly to the Administrator would be absolved of this obligation -- this on the quite understandable premise that the Canadian company has no apparent management role in their associated South African enterprises. Sanctions against firms which fail to report, or to make appropriate progress under the Codes are, for the most part, those of moral suasion and public approbation; but one country's Code is quite stringent, with criminal and civil penalties for refusing to register and report, as well as the denial of Government trade support to firms that fail to meet an acceptable standard. Surprisingly, Canada appears to be the only country that requires its own operation in South Africa, the Canadian Embassy, to comply with and report formally under a Code.

As stated, while the principles underlying the codes are broadly similar -- indeed even in some cases reflect the same language -- the emphases have, over time, come to differ. The Canadian Code is published in Annex B of this report and its stated aim, as is that of others, is to make a contribution towards abolishing apartheid through "employment practices which are based on the principle of equal treatment for all its employees, are consistent with the general economic welfare of all people in South Africa and will help bring about the conditions necessary for acceptance of the well-established standards of human rights." While the objectives of the Canadian Code are applicable to all employees, they have particular relevance to the employment conditions of Black workers and to the urgency which should be attached to the improvement of their working conditions and quality of life generally. One Code, at least, fixes its objectives in terms of mirroring, to the extent legally possible, its own domestic employment conditions. In rating performance, some countries -- as in the case of Canada -- give slightly more weight to salary and wage factors. Others treat this, along with basic principles, on a fail/pass basis -- that is, if the basic requirement in respect of minimum wages, benefits, freedom of association, review of report with employees, etc., are not met, the company earns a failure. This latter approach tends to emphasize progress in terms of other principles such as education for non-employees, community development, training, and advancement of non-Whites. Not only is the scope for this refinement and emphasis appropriate to a

situation where wages are seen as less of an issue, but also to the operations of the larger firms with significant numbers of employees and healthy profits.

All governments who have these Codes recognize that their imposition could have negative implications for employment generation, particularly in the current recessionary phase of the South African economy, and have attempted to compensate in a general way by increasing their support to the victims of apartheid through programs that are directed at education, community development, literacy, and economic development including the areas of business and agriculture. Canada has been an active and positive participant in this area with a budget of some \$16.0 million this year. While not all related to compensatory support, it is interesting that the comparable, if larger, EC aid program to South Africans is characterized by its beneficiaries as the obverse side of the Sanctions and Code coin.

While it is difficult, from the small sample of Canadian companies reporting since the rating system was initiated in 1987, to say unequivocally that there has been a "lock step" among them towards improvement, there has been significant improvement identified on an individual company basis. More representative and quantifiable evidence of this progress is the recent report of the Signatory Association (under the former Sullivan Principles) where the ratings of some 50 companies are given for a three-year period, and in which of those having less than a Category I standing, the number improving their status over those backsliding was almost double. Similarly, an analysis, provided by a country reporting under the EC Code, shows steady progress of an increasing percentage of companies from 1984 to 1990 that had specific non-White employment and promotion policies (70% to 91%); gave assistance with home purchase (61% to 71%), extended help for local communities (doubled); and provided insurance and medical schemes (89% to 96%). One statistic that remained flat in percentage terms was that of companies having apprenticeships open to employees of all races -- but this could, of course, be an anomaly explainable if the aggregate number of companies within the sample which actually had apprenticeship programs decline with disinvestment. One country, in its official report on compliance, decries the amount of disinvestment that has occurred since the mid-1980s and is specific in stating its policy of encouraging its nationals to invest in South Africa.

The Canadian Code, and compliance with it by the current three or so companies, must be seen within the broader context of something like 600 foreign firms operating in South Africa under various Codes and their ethical context. Of that number, there are something like 10%, including the Canadian, where the degree of foreign management involved is low and, therefore, probably insignificant.

It might be suggested that compliance with our Code, or at least the administrative procedures related thereto, encouraged some of the Canadian companies to divest, but there is no evidence for this -- statistical or anecdotal. While the Canadian Government

is neutral on the issue of "to disinvest or not", had the Code been a factor in disinvestment, it would clearly be a contradiction since their positive demonstration effects and the influence on the non-White employees so affected would have been lost.

In fact, in some limited cases, the existence of Codes and compliance with them allowed companies to continue operating in the Republic of South Africa, without losing the capacity to maintain markets in other geographic and political areas.

On balance, it is arguable that, within themselves, the Codes have been a positive factor in a human rights sense in the South African mosaic as it has developed over the last decade or so. They have clearly had an important demonstration effect within the business and industrial community and have moved to reinforce, if not lead the way to, local reforms. Canada began this exercise when some 32 of its firms were in South Africa. When formal reporting began in 1985, 18 remained. By this latter period, there was something over 18,000 non-White employees; there are now three companies reporting directly with fewer than 70 non-White employees. Given this decline, current discussions on further disinvestment which will bring the non-White employee number down to around 17, as well as the low degree of actual Canadian management control of these activities (except of course for the Canadian Embassy in Pretoria/Cape Town), it is for consideration whether formal reporting under the Canadian Code and the associated administrative arrangements and costs continue to have a rationale.

ANNEX A

CODE ADMINISTRATOR

TERMS OF REFERENCE

Under the authority of the Secretary of State for External Affairs and in liaison with the Southern African Task Force (GGBS) of the Department of External Affairs:

1. To maintain lists of those companies to which the Code of Conduct concerning the Employment Practices of Canadian Companies Operating in South Africa applies or may apply; in this respect, consult as necessary such private-sector organizations as the Canadian Business and Industry Advisory Council, other private commercial non-governmental or academic organizations or individuals likely to be of assistance, and appropriate departments of the Government of Canada.
2. To maintain and, as necessary, update the standard format for reports under the Code, in consultation with interested companies, non-government organizations, and appropriate departments of the Government of Canada.
3. To draw the Code to the attention of the companies to which it does or may apply, make them aware of the standard reporting format, and solicit annual public reports from those companies with respect to their compliance with the Code.
4. To collate the reports received from the companies concerned, maintain complete and accurate records of official consultations, correspondence, and transactions undertaken in the execution of the project.
5. To prepare a report on the administration and observation of the Code for the Minister.
6. To make recommendations to the Minister regarding the content and administration of the Code and related matters as the Administrator deems appropriate.

Code of Conduct
Concerning the Practices
of Canadian Companies Operating
in South Africa

Code d'éthique
touchant les conditions d'emploi
des sociétés canadiennes opérant
en Afrique du Sud

ANNEX B

**CODE OF CONDUCT CONCERNING THE
EMPLOYMENT PRACTICES OF CANADIAN COMPANIES
OPERATING IN SOUTH AFRICA**

This Code of Conduct is addressed to all Canadian companies which have subsidiaries, affiliates, or representative establishments in South Africa. Its aim, as one of a number of Canadian Government measures, is to make a contribution towards abolishing apartheid.

There are now numerous Codes of Conduct for businesses operating in South Africa. They have been promulgated by domestic South African organizations, by individual South African and foreign companies, by a number of countries (the European Community), and by individual countries on government initiative (Canada, and recently, Australia and the United States), or on a non-governmental basis (the Sullivan System in the U.S.A.). The text of the Canadian Code of Conduct, which was first issued in April 1978, has been substantially revised in the light of developments in South Africa and of the need to improve the Code's administration and provide more adequate guidance to Canadian companies. The revised text has, in particular, taken into account the experience of the European Community countries and of the Sullivan System with their Codes and the importance of demonstrating the solidarity of international opposition to the apartheid system.

With the aim of combatting racial discrimination in mind, the Canadian Government strongly hopes that every Canadian company active in South Africa will implement employment practices which are based on the principle of equal treatment for all its employees, are consistent with the general economic welfare of all people in South Africa, and will help bring about the conditions necessary for acceptance of the well-established standards of human rights approved by the International Labour Organization and by the International Organization of Employers. While these objectives are applicable to all employees, they have particular relevance to the employment conditions of Black workers and to the urgency which should be attached to the improvement of their working conditions and quality of life generally.

Accordingly, it is the view of the Canadian Government that employment practices and policies related to the improvement of the quality of life of Black employees and their families should be guided by the following conditions, principles, and objectives:

1. General Working Conditions

In general, companies should regard the constant improvement of the overall work situation of Black employees as an objective having a high priority. They should ensure that employment practices applicable to any group of workers are equally applicable to all workers.

2. Collective Bargaining

- a) Companies should ensure that their employees are free to organize collective bargaining units of their own choosing that can effectively represent them, and should undertake to engage in collective bargaining with such units in accordance with internationally-accepted principles.
- b) Companies, recognizing that the South African Labour Relations Act and Labour Law is now free of provisions that discriminate on the basis of race, should pay particular attention to Black trade unions and ensure that Black employees are free to form or join the trade union of their choice. They should be prepared to sign recognition agreements with representative Black trade unions within the company and allow collective agreements. Employers should regularly and unequivocally inform their employees that consultations and collective bargaining with organizations which are freely elected and representative of employees are part of company policy.
- c) Companies should, as a matter of course, allow trade union officials to explain to employees the aims of trade unions and the advantages of membership; to disseminate trade union information material and display trade union notices on the company's premises; to have reasonable time-off to carry out their union duties without loss of pay; and to organize meetings.
- d) In companies where workers or liaison committees already operate, trade union officials should have representative status on these bodies if employees so wish. The existence of these types of committees should not prejudice the development or status of trade unions or of their representatives.
- e) Companies should do everything possible to establish a climate of confidence in their relations with their employees. In this connection, it is important that each company ensure that its employees be familiar with the Canadian Code of Conduct and that, at regular intervals, they can see or have the text of the Code read to them in a language they understand. The company should be prepared to inform its employees what it is doing to implement the Code and should review and discuss with them or their representatives its annual report on the implementation of the Code.

3. Migrant Labour

- a) The policy of apartheid leads to the use of migrant labour, which robs the individual of the basic freedom to seek and obtain the job of his choice. It also causes grave social and family problems.
- b) Employers have the social responsibility to contribute towards ensuring freedom of movement for Black workers and giving them the opportunity to lead a family life.
- c) Employers should endeavour to alleviate the effects of existing regulations, in particular, by facilitating the regular renewal of contracts of employment and making it easier for the families of employees to settle near their work place.

4. Wage and Pay Structures

- a) Companies should formulate specific guidelines aimed at improving their terms of employment and at implementing the principle of "equal pay for equal work." The staffing of, and remuneration for, a position should be based on the qualifications of an individual and not on his/her racial origin. The same pay scales should be applied to the same job.
- b) Companies should also provide remuneration sufficient to assist their Black employees, in particular, to achieve a standard of living significantly above the minimum level required to meet their basic needs. In this context, they should refer to the data on living costs regularly collected and analyzed by the University of South Africa (UNISA) and the University of Port Elizabeth (UPE). (See appendix for further details.) Pay based on the "Supplemented Living Level" for an average-sized family must be considered as the absolute minimum necessary and the Canadian Government strongly urges companies, taking into account the value of work performed -- in particular industries -- to introduce minimum wages which substantially exceed this level at an early stage of their programs for improving the terms of employment of their Black employees.
- c) In their continuing review of pay and wage structures, companies should take particular note of the impact of inflation. Annual wage increases should offset the impact of this factor; but, if the desired improvement in real wages is to be achieved, it cannot be the only factor to be reflected in the determination of wage increases.

5. Training and Promotion

- a) The principle of equal pay for equal work would not mean much if Black employees were kept in inferior jobs. Implementing the principle of equality of opportunity must also be given a high priority. Employers should, therefore, draw up an appropriate range of training schemes of a suitable standard to provide training for their Black employees.
- b) Companies should ensure that supervisory and management jobs and those requiring high technical qualifications are open to their Black employees.

The aim should be, as a preliminary objective only, towards the ultimate goal of a fair and balanced racial composition of the work force: to fill 50 per cent of all supervisory and management positions with employees other than those designated as White persons within a period of time which companies should clearly specify in their employment plans and development programs.

- c) Companies should, if possible, organize occupational training programs for their Black employees and help them to take advantage of other educational and occupational training programs outside their places of work. Where required, companies should set up or use educational facilities to enable their Black employees to benefit from more specialized training and, generally, should support them and the members of their families in their right of access to equal, integrated, and universal educational facilities and opportunities.
- d) In general, whether it is a matter of an imbalance in the racial composition of a company's work force and staff or of such an imbalance at any of the different levels of management and work force, companies should, in their forward planning, treat the need to correct this situation as a matter of some urgency.

6. Fringe Benefits

- a) In view of their social responsibilities, companies should concern themselves with the living conditions of their Black employees and their families.
- b) For this purpose, company funds could be set aside to provide benefits over and above those currently provided according to South African legislation:
 - providing complete social protection schemes for employees and their families (health, accident and unemployment insurance, and old-age pensions);

- ensuring that their employees and their families have the benefit of adequate medical care;
 - assisting in the education of members of their families;
 - helping them to buy their own housing or to obtain accommodation which enables all workers to live with their families near their work place;
 - providing transport from home to work and back with particular attention to alleviating the difficulties facing those employees who are obliged to commute some distance to the work place;
 - providing their employees with assistance in problems they encounter with the authorities over their movement from one place to another, their choice of residence, and other employment;
 - providing leisure facilities.
- c) Companies should support community projects which aim at improving the quality of life of the Black communities from which they draw their staff.

7. Race Relations and Desegregation

- a) Where this has not already been completely achieved, employers should do everything possible to abolish any practice of segregation, notably at the work place, in canteens, in education and training, and in sports activities. They should also ensure equal working conditions for all their staff.
- b) Along with the advancement of their Black employees, companies should directly support inter-staff contacts, and help employees from different racial groups to get to know each other better and integrate more fully.
- c) Companies should encourage sporting activities in which employees from different racial groups take part in mixed teams in mixed competitions.

8. Encouragement of Black Businesses

As far as they are able, companies should, in the framework of their activities, encourage the setting up and expansion of Black businesses by contributing their expertise, counselling, and advice; by sub-contracting; by providing assistance for their Black employees in setting up their own businesses; and by preferential, priority treatment in customer/supplier relations.

9. Social Justice

By positive, constructive, and legal means and approaches, and in cooperation with other foreign companies and with their South African partners, Canadian companies should use whatever channels of influence are available to them to promote the cause of social justice and the peaceful achievement of necessary social and political changes and reforms.

The revised procedure establishes a reporting system on the adherence of companies to the Code of Conduct which is reviewed on an annual basis by an impartial and independent Administrator. In conformity with a standard reporting format issued to them for this purpose, all Canadian companies should submit to the Administrator annual public reports in sufficient detail to permit assessment of their progress in realizing the objectives of the Code of Conduct. On the basis of his review and collation of the responses of the companies, the Administrator submits to the Secretary of State for External Affairs an annual report which is subsequently tabled in Parliament.

Although the Code of Conduct is addressed primarily to the employment practices of Canadian companies in South Africa, there may be other Canadian establishments, as is the case with the Canadian Embassy in Pretoria, which employ people locally in South Africa and whose employment practices should accordingly conform to the guidelines set out in the Code. The Canadian Government invites any Canadian public or private organization, temporarily or permanently located in South Africa and employing local labour there, to comply voluntarily with the Code of Conduct.

The Canadian Government will continue to follow closely developments in South Africa and the efforts of Canadian companies in regard to the Code of Conduct. Where the process of change and reform make them necessary and appropriate, further amendments to the provisions of the Code will be introduced.

ANNEX C

CODE OF CONDUCT

ADMINISTRATIVE PROCEDURES AND GUIDANCE - 1990/91

Reporting System

Companies are asked to provide their annual public reports relating to the Code of Conduct in the Standard reporting format which will be issued to them by the Administrator.

The annual report should state the facts as of 30 June 1991 and, in particular, should bring out clearly the progress achieved in the implementation of the various sections of the Code. Especially where they are considered to represent a significant contribution to the advancement and well-being of the Black employees and their families and to the communities in which they live, companies should feel free to describe their achievements in some detail citing, wherever relevant, the financial provision for them in company budgets.

Companies should submit this report to the Administrator by September 1991.

The Administrator will review and collate company reports and submit a report to the Secretary of State for External Affairs by 1 December 1991. It will, shortly thereafter, be tabled in Parliament.

Members of the public who may wish to obtain a copy of any company annual report relating to the Code of Conduct will be informed that they should apply directly to the company concerned.

Collective Bargaining

This section of the Code does not ask companies to promote, set up, or do the job of trade unions. It does, however, ask companies to "ensure that their employees are free to organize collective bargaining units of their own choosing." A feature of the labour relations scene in recent years has been the involvement of Black workers in the statutory industrial relations system and the emergence and growing influence of independent trade unions representing Black employees. The Code states that companies should pay particular

attention to such unions and be prepared to conclude recognition agreements with them. This should not, of course, be at the expense of the employees' freedom of choice.

Section 2(a) of the Code asks companies to allow collective bargaining "in accordance with internationally accepted principles." These are the well established standards in the field of human rights approved by the International Labour Organization. The Declaration, adopted unanimously in 1973 by the Executive Committee of the International Labour Organization of Employers, appeals "to all employers in South Africa to take urgent measures to promote the conditions necessary for acceptance" of these standards. The suggestions made in Section 2(b) and 2(d) of the Code are examples of action which employers can take to ensure that Black employees can exercise freedom of choice and of association. Other steps which employers can take include an understanding that employees will not be victimized on account of trade union membership or for participation in trade union affairs.

Minimum Wage

The improvement of the wages of Black employees is an important issue, especially in respect of the minimum wage, that is, the wage of the lowest-paid employee in the company. Employees should be guaranteed a standard of living that will allow them some dignity. Thus, companies are asked to report their minimum living levels.

The standards used based on a family of five or six as an average size of an African family are the monthly Minimum Living Level (MLL) established by the University of South Africa (UNISA), and the monthly Household Subsistence Level (HSL) established by the University of Port Elizabeth (UPE). These standards are calculated from statistical studies, periodically updated, carried out by the two universities at various locations, including separate surveys for rural areas. For example, as specified by UNISA in a 1985 study, *"The Minimum Living Level denotes the minimum financial requirements of members of a household if they are to maintain their health and have acceptable standards of hygiene and sufficient clothing for their needs."*

The MLL or HSL, representing purely a subsistence budget, cannot, however, be regarded as a satisfactory standard and companies should, instead, use the Supplemented Living Level (SLL) or the Household Effective Level (HEL) recommended, respectively, by UNISA and UPE as the minimum guideline. The SLL, as described by UNISA, is not a subsistence budget, nor is it a luxury level. At best, it is an attempt at determining a modest low-level standard of living. It should, as the Code stresses, be regarded as an absolute minimum, and not as a target.

Minimum pay conforming to the SLL would be roughly 30% higher than a rate based on MLL. The Canadian Government nevertheless strongly urges companies to strive for a minimum rate of pay at least 50% in excess of the MLL within the shortest possible time frame.

In view of the special circumstances encountered in such areas, companies operating in defined rural areas should pay at least the MLL or HSL and achieve the SLL or HEL within five years by regular annual pay increases. The company policy with respect to such a timetable should be submitted in writing to the Administrator and the results reviewed in the company's annual report.

