CODE OF CONDUCT

CANADIAN COMPANIES IN SOUTH AFRICA

THE ADMINISTRATION AND OBSERVANCE OF THE CODE OF CONDUCT CONCERNING THE EMPLOYMENT PRACTICES OF CANADIAN COMPANIES OPERATING IN SOUTH AFRICA

SECOND ANNUAL REPORT

FOR THE YEAR 1986

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I PREFACE

Since 1978 there has been a Canadian Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa. Implementation of the Code was, and remains, voluntary. Before 1985 those companies that complied with it were the exception rather than the rule. In 1985, the Canadian Government strengthened the observance and administration of the Code by appointing an independant and impartial Administrator; by introducing a Standard Reporting Format; and by making the Code applicable to all Canadian companies, including those with minority interests in South Africa.

In September 1985, Mr. Albert F. Hart, a former Canadian Ambassador, assumed the Administrator's responsibilities and set to work under the Terms of Reference found in Annex A of this report. His first annual Administrator's report was submitted to the Secretary of State for External Affairs, the Right Honourable Joe Clark, on 29 May, 1986. Mr. Clark tabled the report the following month in the House of Commons. I succeeded Mr. Hart in December 1986.

Since then the list of Canadian companies with operations in South Africa has been updated. In the process, all the relevant Canadian firms and a selection of private-sector commercial, non-governmental, trade union, Church and academic organizations in Canada with an interest in South Africa have been contacted. In addition, I travelled to South Africa to consult the affiliates of Canadian companies and to seek a cross-section of opinion represented by Churches, trade unions, academic and other non-governmental individuals and institutions, as well as the South African Ministry of Foreign Affairs. Others personally contacted included the Reverend Leon Sullivan who originated the set of principles that bear his name and guide United States companies conducting business in South Africa; representatives in United States and in South Africa of Arthur D. Little, Inc. which evaluates compliance with the Sullivan principles; the Commonwealth Secretary-General and his senior colleagues; the United States State Department and British counterparts of the Canadian Code Administrator; officers of the UN Centre for Transnational Corporations and the UN Centre Against Apartheid; and a variety of individuals, both private and diplomatic, with a knowledge of South Africa and of commercial or industrial enterprise in that country.

In the interests of continuity and comparability with the Administrator's first annual report, the report which follows, closely resembles its

predecessor in form and content. Where it differs, the changes have been made to reflect the 1986 revision of the Code of Conduct and to include an assessment of the performance of Canadian companies and their South African affiliates. Another departure is the use of the term "affiliate" in place of "subsidiary" for the South African partner of Canadian companies. In many cases, "subsidiary" suggests a subordinate relationship which does not exist. Most Canadian companies with South African interests are simply minority shareholders without, in some instances, representation on the Board of the South African firm. This is a fact to bear in mind when considering the degree of influence the Canadian partner can bring to bear on its South African associate.

I am deeply indebted to my predecessor, Mr. Hart, who pioneered the Administrator's job and set the course which I have followed. His experience went into the 1986 revision of the Code of Conduct and the Standard Reporting Format, both of which clarified and broadened the scope of the Canadian Government's objectives and increased the value of the end product.

I am grateful, also, to the many company executives in Canada and South Africa who were the object of my badgering and cajoling and who, in the end, provided the bulk of the information on which this report is based. Many others, too numerous to mention, contributed to my understanding of South Africa and the environment which both attracts and repels business relationships between that country and Canada. To these, I am equally grateful.

John Small

Ottawa
29 May, 1987

II BACKGROUND

This report covers the calendar year 1986 and, like its predecessor, is based upon information provided by Canadian companies with commercial or industrial interests in the Republic of South Africa. The primary sources of information have again been the annual submissions of the relevant Canadian firms, supplemented by details derived from personal contact with senior management, both in Canada and in South Africa. Additional background information has come from academic, commercial and other non-governmental organizations.

Following publication of the Administrator's 1985 report, both the Code of Conduct and the Standard Reporting Format were revised substantially to reflect his first year of experience and to take account of the practice of the European Community countries and the Sullivan System with their Codes. Both the revised Canadian Code and the Standard Reporting Format have been broadened in the light of developments in South Africa, the need to improve the Code's administration and to provide clearer, detailed guidance to Canadian companies. The Code itself now includes expanded articles on Collective Bargaining, Wage and Pay Structures, Training and Promotion, Fringe Benefits, Race Relations and Desegregation, together with new articles on Migrant Labour, Encouragement of Black Businesses and Social Justice. A new preamble, an Appendix on Administrative Procedures and Guidance and a more substantial conclusion round out the changes. The new Standard Reporting Format, with its extended requirements, reflects the above changes in the Code. It also takes account of suggestions submitted by involved Canadian firms and other interested organizations. To facilitate comparison between 1985 and 1986, this report for the most part follows the organizational pattern of its predecessor.

The principles, conditions and objectives which the Canadian Government believes should characterize the policies and employment practices of Canadian companies operating in South Africa remain unchanged. These include the basic human rights and the elimination of all forms of discrimination. They are expected to be reflected in equality of opportunity with respect to employment and training; equality in terms of working conditions and, in particular, equal pay for equal or comparable work; in the freedom of association and the rights to organize and bargain collectively. While these are expected to apply to all employees, regardless of race, they have particular relevance to the employment conditions of Black African workers, to a considerable extent to other non-White employees, and to the quality of life they and their dependants enjoy.

The factors affecting decisions by Canadian companies concerning their involvement in South Africa continued through 1986 to point toward disinvestment. On the positive side, the South African economy registered a modest upturn with GDP growth in real terms of over 1%, following two years of recession and negative growth. Led by strong export performance, both the trade and current account balances were in substantial surplus. The price of gold rose and the value of the Rand appreciated. Timely rains in the second half of the year put new life into agriculture after four

years of adverse growing conditions. As a consequence of these gains business confidence improved.

Against these favourable trends there were others operating in the opposite direction. Inflation remained in the 18%-20% range, contributing to the persistent erosion of incomes and low consumer spending. Growing Black and White unemployment was paralleled by emigration of an increasing number of professionals. Capital continued to leave the country, though at a slower pace, while fixed investment declined in favour of investment in stocks. A slowdown in political reform was accompanied by a rising tide of disinvestment by foreign firms. All these factors, along with unremitting social unrest and the spectre of international sactions combined to discount any incipient short term optimism and to encourage uncertainty and pessimism concerning economic and political prospects over the long haul.

At the same time, pressure by anti-apartheid forces continued to grow in North America, the primary source of income for most of the Canadian firms with South African affiliates. Senior management found themselves devoting a growing portion of their time to dealing with such forces, to a degree unwarranted in terms of the return obtainable from their South African interests. Consequently, the combination of the "hassle" factor, the growing threat to income from major North American interests, two years of low returns from South Africa and uncertain future prospects convinced a growing number of Canadian companies to disinvest in 1986 and early in 1987.

III CANADIAN COMPANIES IN SOUTH AFRICA

The profile of Canadian companies with affiliates in South Africa has changed radically in the past year. In 1986 four firms sold their South African interests and a fifth suspended operations. In the first four months of 1987 six Canadian firms disinvested and several more are considering doing so in the near future. Table I reflects this situation.

TABLE I

DISINVESTMENT OF SOUTH AFRICAN INTERESTS BY CANADIAN COMPANIES

1986	1987
1. Alcan Aluminium Ltd. (Mar.)	1. Cominco Limited (Apr.)
2. Bata Ltd. (Nov.)	2. DeLCan Ltd. (Apr.)
3. Dominion Textile Inc. (Oct.)	3. Falconbridge Ltd. (Mar.)
4. Jarvis Clark Co. (CIL)(Aug.)	4. International Thomson Organization Ltd. (Mar.)
5. Menora Resources Inc. Suspended operations (Nov.)	5. Joseph E. Seagram & Sons Ltd.(Mar.)
	6. Moore Corporation (Mar.)

N.B. The dates of disinvestment noted above are approximate but generally refer to the public announcement of intention to disinvest. Conclusion of legal formalities and final transfer of ownership usually has been a month or two later.

The reasons generally stated by Canadian companies for disposal of their interests in South Africa are fourfold:

(1) The "hassle" factor: Senior management has had to spend too much time dealing with anti-apartheid forces in Canada and with the public relations exercises needed to counter them. Annual shareholder meetings have frequently attracted opposition to company policy on South Africa.

(2) Income from South African affiliates is a small proportion, generally 1% or 2%, of total company income and is not worth salvaging when the main sources of income in Canada and/or the United States are threatened by the retention of South African assets. Especially in the United States, but increasingly in Canada, institutional, municipal, state/provincial and other local or governmental authorities are governed by resolutions forbidding the award of contracts to firms involved in South Africa.

(3) Several years of economic recession and socio-political turmoil in South Africa have made that country unattractive for investment purposes. Some Canadian affiliates have been unprofitable in recent years. Others, while moderately profitable, have not been sufficently attractive to warrent their retention in in the light of larger corporate strategic interests.

(4) Most Canadian universities, with endowment and pension funds to invest, have been forced, under pressure of student and general public opinion, to divest their shares in companies with South African interests. Alternatively, some are only required to do so if the relevant company submits reports under the Code of Conduct and generally meets its standards. As substantial sums are involved, companies affected by such policies receive unfavourable publicity and, in some cases, see the effects in lower share prices.

In short, for most companies, the South African game is no longer worth the candle. At the same time, most of those that have withdrawn from South Africa have done so with reluctance. Apart from the recent recession, South Africa is generally regarded as a rewarding field for investment. Past associations there have been fruitful and the future, once the political situation becomes stable, looks promising. The South Africans need and welcome foreign capital and the technology that normally accompanies it. Further, the Canadian and other foreign affiliates, on the whole have been and continue to be a beneficial influence with respect to their employment and social responsibility practices. Amongst them there is a consensus that disinvestment, instead of contributing to economic and social change has the opposite effect. There is considerable evidence to support this contention, particularly when disinvestment results in South African ownership. The new managers tend to have different objectives which seek to maximize profits for the new shareholders. In the process of acheiving these aims, some of the gains promoted by the various Codes of Conduct tend to erode or disappear. Similarly, the loss of external capital and technology in the long run can only affect the disinvested companies adversely and, in the process, the welfare of its employees of whatever race.

Although ten of the eighteen Canadian companies listed (and one not previously listed) in the Code Administrator's first annual report have ceased operating in South Africa, there remain thirteen, of which the Canadian Embassy and four others were not listed last year. Table II reflects this situation.

TABLE II

CANADIAN COMPANIES/INSTITUTIONS WITH SOUTH AFRICAN AFFILIATES

1. AMCA International Ltd., Toronto, Ontario
2. Bauer & Crosby Inc., Kingston, Ontario
3. Bayer Foreign Investments Ltd., Toronto, Ontario
4. Dept. of External Affairs - Canadian Embassy, Pretoria
5. Champion Road Machinery Ltd., Goderich, Ontario
6. Cobra Metals & Minerals Inc., Toronto, Ontario
7. Ford Motor Company of Canada Ltd., Oakville, Ontario
8. JKS Boyles International Inc., Toronto, Ontario
9. Massey-Ferguson Ltd. (Varity Corp), Toronto, Ontario
10. Menora Resources Inc., Toronto, Ontario (Resumed Ops. early in 1987)
11. National Business Systems Inc., Mississauga, Ontario
12. QIT-Fer et Titane Inc., Montreal, Quebec
13. Sternson Ltd., Brantford, Ontario

* Cobra Metals & Minerals Inc. was formerly known as Cobra Emerald Mines Ltd.

Of the above firms, AMCA International Ltd. has publicly declared its intention to dispose of its South African subsidiary, Bomag (South Africa), and Cobra Metals & Minerals Inc. is currently taking steps toward divestment of its equity in its two affiliates, Springs Dagga Gold Mines Ltd. and Gravelotte Emeralds (Pty) Ltd. Bauer & Crosby Inc. has a consultant relationship with its South african namesake, Bauer & Crosby (Pty) Ltd. The majority equity in the South African firm is held by the management of the Canadian company on an individual basis rather than as a corporate entity. There are no Black employees in the South African company which comprises a total of five staff members. Bayer Foreign Investments Ltd., with five South African affiliates, for the second year running, declined to report under the Canadian Code of Conduct on the grounds that:

(a) While its five South African affiliates are legally subsidiaries of the Toronto firm, operational and financial control rest with the parent firm, Bayer A.G. of Leverkusen, West Germany; and

(b) Bayer A.G. of West Germany reports on all Bayer subsidiaries in South Africa under the European Community Code of Conduct.

National Business System's status in South Africa became known too late to obtain a report on its 1986 operations. Menora Resources Inc. suspended operations in 1986 but resumed small scale activity early in 1987.

Table III reflects the status of Canadian firms with respect to reporting under the Code of Conduct over the past two years. Those that failed to submit reports on their affiliates' employment practices in 1986 did so on the ground that, having disinvested, they were unbable to obtain the necessary information from their erstwhile partners. The desire to avoid further publicity and to obtain maximum credit from their action to disinvest seem to have been additional contributing factors. Nevertheless, half of the companies that disposed of their South African assets in 1987 were able to submit reports on the 1986 operations of their affiliates.

TABLE III

STATUS OF CANADIAN COMPANIES WITH RESPECT TO:
(A) REPORT SUBMISSION (B) DISINVESTMENT

(Figures in brackets indicate no. of affiliates)

		(A) Reported		(B) Disinvested	
Disinvested in 1986		1985	1986	1986	1987
1. Alcan Aluminium Ltd.	(1)	Yes	No	x	
2. Bata Limited	(3)	Yes	No	x	
3. Dominion Textile Inc.	(1)	Yes	No	x	
4. Jarvis Clark Co. (CIL)	(1)	Yes	No	x	
5. Menora Resources Inc.*	(1)	No	Yes	x	
Disinvested in 1987					
1. Cominco Limited	(2)	Yes	Yes		x
2. DeLCan Limited	(1)	Yes	No		x
3. Falconbridge Limited	(2)	Yes	No		x
4. International Thomson Organization Ltd.	(1)	Yes	Yes		x
5. Joseph E. Seagram & Sons Ltd.	(1)	Yes	Yes		x
6. Moore Corporation	(2)	Yes	No		x
Retain Affiliates in South Africa at 31/5/87					Intend to Disinvest
1. AMCA International Ltd	(1)	Yes	Yes		x
2. Bauer & Crosby Inc.	(1)	No	Yes		
3. Bayer Foreign Investments Ltd.	(5)	No	No		
4. Dept. of External Affairs - Canadian Embassy, Pretoria	(1)	No	Yes		
5. Champion Road Machinery Ltd.	(1)	Yes	Yes		
6. Cobra Metals & Minerals Inc.	(2)	No	No		x
7. Ford Motor Company of Canada Ltd.	(1)	Yes	Yes		
8. JKS Boyles International Inc.	(1)	No	Yes		
9. Massey-Ferguson Ltd. (Varity Corp.)	(2)	Yes	Yes		
10. Menora Resources Inc.*	(1)	No	Yes		
11. National Business Systems Inc.	(1)	No	No		
12. QIT-Fer et Titane Inc.	(1)	Yes	Yes		
13. Sternson Ltd.	(1)	Yes	Yes		

* Minora Resources Inc. ceased operations late in 1986 but resumed small scale activity early in 1987.

The Canadian Code of Conduct applies to all Canadian companies with operations in South Africa, regardless of the size of investment or number of personnel involved. Thus, a company with only five employees, one of whom was Black, reported on both its 1985 and 1986 operations. That company has now withdrawn from SouthAfrica but another firm of the same size, with no Black employees, Bauer & Crosby Inc., has reported this year.

The percent equity in South African firms held by Canadian companies is shown in Table IV. There it can be seen that, apart from the Canadian Embassy, only five Canadian companies hold more than 50% equity in their South African affiliates. The holdings of the remaining seven range from 49% down to 0.001%.

Given the minority shareholder status of more than half the remaining Canadian companies with affiliates in South Africa, along with their remoteness from the scene of operations, their ability to influence their South African partners is limited. This problem relates both to employment practices and to provision of the information required to complete the Standard Reporting questionnaire. Another inhibiting factor has been the South African legal requirement to clear with the Ministry of Trade and Industry all commercial information which is to be transmitted abroad. Notwithstanding these obstacles, the Canadian companies, with one or two exceptions, have readily cooperated in providing the information requested under the Code of Conduct. An exception has been Bayer Foreign Investments which, in the light of the circumstances described earlier, has chosen to report by way of its parent, Bayer AG of Leverkusen, to the West German authorities under the European Community Code of Conduct. The same considerations, however, have not prevented reporting under the Canadian Code by other Canadian companies, such as the Ford Motor Company of Canada and QIT-Fer et Titane which also report under the U.S. Sullivan System and, previously, Falconbridge under the European Code via its former partner, Lonrho.

The contribution to the South African economy, particularly to employment, made by Canadian affiliates has diminished more than the number of 1986 Canadian withdrawals would suggest. If the 1987 disinvestors are included, the figures become even more significant. Thus, in 1986 the affiliates of the five Canadian firms that ended their South African ventures employed approximately 7,250 people, of whom 5,500 were Black. The affiliates of the six Canadian companies that disinvested early in 1987 employed over 5,600, of whom nearly 4,800 were Black. Taken together, these figures demonstrate that some 50% of the affiliates' total employment of about 26,000 and 55% of their Black, Asian or Coloured employment of 20,000 have been lost to the Canadian connection. Table V reflects this situation.

The number of employees of Canadian affiliates remaining in South Africa on 31 March 1987, totalled about 11,000 (of which approximately 7,600 were Black, Asian or Coloured). In one or two cases affiliates did not differentiate between employees designated under South African rules as Asian, Black or Coloured. Also, if totals provided above and

TABLE IV

PERCENT EQUITY HELD BY CANADIAN COMPANIES IN THEIR SOUTH AFRICAN AFFILIATES

	Affiliates	% Equity
1. AMCA International Ltd.	Bomag South Africa (Pty) Ltd.	100
2. Bauer & Crosby Inc.	Bauer & Crosby (Pty) Ltd.	50+
3. Bayer Foreign Investments	(1) Bayer South Africa (Pty) Ltd.	74
	(2) Bayer-Miles (Pty) Ltd.	100
	(3) Vergenoeg Mining Co. (Pty)	100
	(4) Chrome Chemicals (South Africa) (Pty) Ltd	100
	(5) Haarman & Reimer (South Africa) (Pty) Ltd.	50
4. Dept. of External Affairs	Canadian Embassy, Pretoria	100
5. Champion Road Machinery Ltd.	Champion Road Machinery (SA) (Pty) Ltd.	49
6. Cobra Metals & Minerals Inc	(1) Gravelotte Emeralds (Pty) Ltd.	100
	(2) Springs Dagga Gold Mines Ltd.	51
7. Ford Motor Co. of Canada Ltd.	SAMCOR (Pty) Ltd.	42
8. JKS Boyes International Inc.	JKS Boyles (Pty) Ltd.	70
9. Massey-Ferguson Ltd. (Varity Corp)	(1) Fedmech Holdings Ltd.	9.25
	(2) Atlantis Diesel Engines (Pty) Ltd.	0.001
10. Menora Resources Inc.	Ocean Diamond Mining Ltd.	18.3
11. National Business Systems Inc.	ABS Computers (Pty) Ltd.	24
12. QIT-Fer et Titane Inc.	Richards Bay Minerals	42.6
13. Sternson Ltd.	Sternson (South Africa) (Pty) Ltd.	24

TABLE V

TOTAL AND BLACK EMPLOYMENT IN AFFILIATES
OF CANADIAN FIRMS THAT HAVE DISINVESTED

1986 Disinvestors	Total Employment	Black Employment
1. Alcan Aluminium Ltd.	3,606	2,848
2. Bata Limited (3 plants)	3,253	2,496
3. Dominion Textile Inc.	270	129
4. Jarvis Clark Co. (CIL)	89	23
5. Menora Resources Inc.	30(est)	20(est)
Total	7,248	5,516
1987 Disinvestors		
1. Cominco Ltd. (2Cos)	130	111
2. Delcan Ltd.	110	10
3. Falconbridge Ltd. (2Cos)	4,757	4,426
4. International Thomson Org. Ltd.	128	23
5. Jos. E. Seagram & Sons Ltd.	5	1
6. Moore Corporation (2 Cos)	529	270
Total	5,659	4,841
Total 1986 & 1987 Disinvestors	12,907	10,357

N.B. These figures have been taken from the 1986 reports and, therefore, reflect the situation in 1985. 1986 figures would not differ significantly.

in Tables V and VI are compared there are some apparent discrepancies. This can be accounted for largely because one affiliate still in South Africa reduced its complement of workers substantially between 1985 and 1986 and one company in its 1986 report refused to differentiate between workers of different ethnic origins on the ground that doing so would be discriminatory. The numbers quoted, therefore, should not be taken as exact but, instead, as approximations of the existing situation. Where percentages have been calculated, rounded numbers have been used. With these provisos, the following Table represents the employment situation at the end of March 1987.

The decline in direct Canadian investment in South Africa noted in the Administrator's first annual report has continued and seems likely to persist, given the trend among Canadian companies toward disinvestment, the recent South African recession and the continuing socio-political unrest. Over the past five years direct Canadian investment in South Africa has fallen by over 50% as Table VII shows.

TABLE VI

TOTAL AND BLACK/ASIAN/COLOURED EMPLOYMENT
AT CANADIAN AFFILIATES ON 31/3/87

	Total	Black/Asian coloured
AMCA International Ltd.	35	
Bauer & Crosby Inc.	5	0
Bayer Foreign Investments Ltd. (5 affiliates)	500(Est)	400(Est)*
Canadian Embassy	46	13
Champion Road Machinery Limited	53	14
Cobra Metals & Minerals Inc. (2 affiliates)	521	424
Ford Motor Company of Canada Ltd.	4,853	3,303
JKS Boyles International Inc.	10	3
Menora Resources Inc.	9	5
Massey-Ferguson Ltd. (Varity Corp) (2 affiliates)	3,163	1,900**
National Business Systems Inc.	94	***
QIT-Fer et Titane Inc.	1,594	1,124
Sternson Limited	47	34
Total	10,940	7,242

* The figure for Bayer represents a nominal estimate since Bayer chose not to report under the Canadian Code of Conduct but instead under the European Community Code.

** This figure includes 469 Black/Asian/Coloured employees of Fedmech and an estimated 1,431 Asian and Coloured employees of ADE. As ADE is in a designated coloured development area most of its employees are Coloured. ADE did not differentiate its employees on the ground that doing so would counter its policy of non-discrimination.

*** This figure is not known because the company was not able to report this year.

TABLE VII

DIRECT CANADIAN INVESTMENT IN SOUTH AFRICA 1981-85

Year	Canadian Dollars (millions)
1981	239
1982	221
1983	213
1984	145
1985	116

As the number of Canadian affiliates in South Africa has declined, so has the variety of commercial/industrial activity they represent. At present four are engaged in the mining industry, two in construction and one each in chemicals, road and industrial equipment, employment and diplomacy (Canadian Embassy). All are good at what they do. They are particularly valued in South Africa as purveyors of modern technology. Discussions with the managers of the South African affiliates revealed in all cases the desire for a continuing relationship with their Canadian partners. This wish was invariably reciprocated on the Canadian side. With a single exception, due almost entirley to the recent recession in South Africa, affiliates of Canadian firms are prospering despite difficult times and stiff competition.

IV OBSERVANCE OF THE CODE

1. General Working Conditions

Within the limits dictated by the various environments and types of enterprise involved, the affiliates of Canadian companies in South Africa generally provide safe and otherwise acceptable physical working conditions for their employees. While there remains a long way to go in terms of upward mobility for Black and other non-White employees, the working standards and conditions adopted by most companies apply equally to all workers, regardless of race or colour, in the same job categories.

Generally, the companies place no obstacles in the way of trade union membership and, without exception, the larger enterprises are unionized. The smaller ones have accepted the principle of trade unionization of their workforce and areprepared for it if it is sought by their employees. However, the smaller the enterprise the more likely it is to have a system which involves a worker spokesperson, an employee committee or simply a direct approach to management when grievances or complaints are involved. Where grievance procedures are in force these are invariably outlined in writing and publicized within the workplace.

2. Collective Bargaining

As indicated above, the reports of all the Canadian affiliates indicate a readiness to accept trade unions and to bargain with them on wages and working conditions. Trade unions, whether Black, White, Asian, Coloured, or non-racial, are now accepted as part of the labour relations scene in South Africa. Where they do not exist in Canadian affiliates, it is a reflection of the small number of employees involved and not a matter of principle. Employees are free to organize collective bargaining units and trade union officials are free to carry out their union duties on company premises with reasonable time off to do so.

The rapid growth of Black trade unions noted in the Administrator's first report has continued and membership is now close to the one million mark. The constraints of the Industrial Council system remain and mean that trade unions and employers are required to negotiate agreements which apply to their defined area of jurisdiction. The sole remaining legislative constraint to Black upward mobility is in the mining industry where the

job of blaster is reserved for Whites. This effectively limits the ability of Blacks and other non-Whites to move upward beyond that level. The Government of South Africa has left it to the industry to deal with this obstacle. Its removal is opposed strenuously by the White miners' union and it may be some time before this roadblock can be overcome.

3. Migrant labour

The primary Canadian affiliates employing migrant or contract labour were disposed of during the past year and are no longer the concern of this report. Only four still engage contract labour and two of those are expected to be disinvested shortly. Their Canadian parent neither reported last year nor this, and operates through a South African management firm. This means its ability to control employment practices is limited. The management firm, however, revealed that it followed generally acceptable employment practices and provided a range of fringe and social responsibility benefits of the type promoted by the Code. Its wages exceeded MLL but were below SLL (discussed below). Beyond these two units, only two other affiliates employ contract workers and their combined total is eight. Five of these had their families with them while the other three were housed in single hostels, away from their families.

4. Wages

All Canadian affiliates support and implement the principle of equal pay for equal or comparable work. The outstanding problem remains that Black and other non-White employees, with rare exceptions, continue to occuppy the lower end of the employment scale; and the pay gap between the upper and lower ends of the scale is substantial. Nevertheless, nearly all the reporting firms have recently provided higher percentage pay increases to Black employees than to White, with other non-Whites somewhere in between. This reflects, first, the policy adopted by most affiliates of reducing the pay gap, second, the outcome of trade union negotiations and, third, the influence of the Codes of Conduct. The percentage pay increases accorded by the twelve Canadian reporting affiliates are given in Table VIII.

TABLE VIII

AVERAGE PERCENTAGE PAY INCREASES IN 1986

	Black Employees	Coloured/Asian Employees	White Employees
1. 12 Affiliates	14.24	14.88	12.56
2. 11 Affiliates	14.27	12.11	11.24

N.B. Line 2 above provides a more accurate reflection of the true situation because a single firm among the 12 affiliates in line 1 awarded very substantial one-time pay increases to its skilled Coloured/Asian and White employees who moved from one location to another. This was to compensate for the difference in geographical remuneration levels and for property losses sustained in moving from a depressed to an economically healthy area. The 13th affiliate was omitted for lack of pay information.

All Canadian affiliates provide annual or semi-annual pay increases. For the most part, these take into account the current rate of inflation which fluctuated between 18 and 20% during 1986. For one company, a one-time recession-induced negotiated wage freeze in 1985 ended in 1986 and the normal pattern of negotiated annual pay increases resumed, though there remains some catching-up to do.

Canadian and most other foreign affiliates have made a conscious effort to raise the pay levels of Black and other non-White employees in line with the guidelines set by the various Codes of Conduct. The 1986 revision of the Canadian Code with its annexed Administrative Procedures and Guidance "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." Six of the reporting twelve affiliates achieved or exceeded this target in 1986. Those that failed to do so cited a combination of the recent recession and severe competitive conditions in their sectors of industry as the reasons for their inability to meet the proposed standard.

The living standards, against which the pay performance of the companies is guaged, are calculated by the University of South Africa (UNISA) and University of Port Elizabeth (UPE). UNISA's standards are based on semi-annual surveys carried out in 26 urban areas throughout South Africa and take account of the household size, age structure and sex composition in the population groups and areas under study. They include data concerning single and multiple households. For the Minimum Living Level (MLL), UNISA includes in its calculations eleven 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 set up". The UPE equivalent is known as the Household Subsistance Level (HSL) and is calculated in much the same manner as UNISA's MLL.

The Supplemented Living Level (SLL) of UNISA and the Household Effective Level (HEL) of UPE make provision for the inclusion of more items (recreation and entertainment; personal care; extra washing and cleaning materials; extra clothing; extra food; additional household equipment; extra transport; additional support, taxes and rent; and contributions to pension, unemployment, medica 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 subsistance 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, SLL and HEL are approximately 25% to 30% higher than MLL and HSL. Given that the latter represent bare subsistance standards of living, foreign firms are encouraged to take as their guideline the SLL or HEL.

The Canadian Government's Code suggests the SLL/HEL as an absolute minimum and urges companies to exceed it and strive for a minimum rate of pay at least 50% in excess of MLL (or some 20% above SLL). As indicated above, most of the Canadian affiliates are currently meeting or exceeding this standard. It should be noted that this refers only to the few employees at the minimum wage level. Generally, the average wage of all

non-White employees substantially exceeds SLL and the suggested guidline of 50% above MLL. The highest paid range from 33% to over 600% above MLL while the averages range between 39% and 109% above MLL/HSL. Table IX indicates the degree to which Canadian affiliates met the Code of Conduct guidlines in 1986.

TABLE IX

WAGE OF LOWEST PAID EMPLOYEE RELATED TO MINIMUM LIVING LEVEL (MLL)

% By Which Wage Exceeds MLL or HSL	Number of Reporting Affiliates
0 or less	1
1 - 9	1
10 - 19	2
20 - 29	1
30 - 39	0
40 - 49	1
50 and over	6
	12

5. Training and Promotion

Only two of the affiliates reported no provisions for employee training and one of these, as a small engineering consultant firm, had no scope for such programs given that it had only one Black employee (the remainder being trained professionals) who was filling a clerical job and was already clerically trained. The other firm had no training program and did not believe it was needed for its type of operation (construction).

As a general rule the larger affiliates with highly mechanized operations tend to be the best organized for training and to offer the best opportunities for promotion. One such company operates a training centre for its own apprentices and for those of other companies which do not have in-house training facilities. Exceptionally, this centre caters to female as well as male apprentices. Another company with extensive training facilities had to cut back in 1986 for economic reasons and because retrenchment had left it with an abundance of skilled employees. A third has an extensive training program for all races in a variety of trades and occupations. This includes training for secretaries, an area not covered by other companies. A number of the larger firms have bursaries or scholarships for training in universities, both at home and abroad. One medium-sized company provides a Canadian trainer annually for special employee training programs which are open to all races. Needless to say, the larger firms have much greater scope for promotion and their training programs are generally directed toward that end.

The smaller companies tend to rely on in-house, on-the-job training designed to upgrade those with limited skills. Besides aiming at the production of technicians they seek to improve productivity and quality control. A number of firms provide training bursaries, seminars or industry-specific courses. With only a few employees, however, the scope for training with a view to advancement within the company is limited. Hence, the smaller firms tend to spend less money and time on training.

While the training programs offered by nearly all the Canadian affiliates are open to all races, there is clearly a greater need for non-White training, given that the less skilled jobs tend to be occupied by Black employees and, to a lesser extent, by other non-Whites. Nevertheless, where training schemes exist, both the larger and smaller companies operate integrated programs for all races. At the more senior executive levels the number of Black employees remains small. The major corporations are addressing this problem by a combination of in-house training and promotion and by sending candidates to higher education institutions both in South Africa and abroad. In only one company was it suggested that there was no scope for further advancement by Black employees.

6. Fringe Benefits

As part of their social responsibilities, companies are encouraged by the Code of Conduct to concern themselves with the living conditions of their Black employees and their families. When doing so, they are expected to provide benefits beyond those required by South African legislation, notably with respect to social protection schemes (health, accident, unemployment insurance, pensions), education for family members, housing, transportation, legal and recreational needs.

Social Benefits: With a single exception, the affiliates of Canadian companies, in a variety of forms, have medical, accident, unemployment and pension schemes for all their employees, regardless of race. Some provide additional disability benefits. Most of these programs are contributory and some subsidize the costs for Black employees. With respect to the only exception, the company concerned provides accident insurance for all races, a medical insurance option for White employees and pays the medical costs of Black employees. The larger firms provide additional health benefits in the form of company clinics, including, in one case, a mobile clinic for the families of employees and, in another, free medical consultation on a weekly basis.

Vacations: Without exception, there is no discrimination on a racial basis with respect to annual vacations.

Housing: Seven of the twelve affiliates reported assistance for housing in one form or another. This ranged from help in finding accommodation within commuting distance, through loans for home improvement, ownership and land acquisition, to subsidized company housing. One company lobbied the government in a successful effort to gain permission for the construction of additional employee housing in a closed township (i.e. where new buildings were prohibited). One company (a non-reporting firm) informed that it had exceeded the legal limit of 3% for Black employee subsidized housing on its company property. Those companies that have no housing assistance schemes are small and generally located in areas where housing is readily available within easy commuting distance.

While the above company programs are laudable, another aspect of the picture was provided by trade union representatives who complained they were never consulted on the type of housing required by workers. The end result was that frequently the housing provided, even though it was subsidized, was beyond their means. Consequently, workers either had to reject what was offered or accept it and be saddled with a financial burden they could not afford.

Transportation: Eight of the companies reported no need for transportation assistance because employees lived within easy commuting distance and public transport was readily available. Beyond this, they all stated that they covered transportation costs when overtime work was required. The other four firms subsidized the transport required by their non-White employees.

Education, Recreation, Health: Eight affiliates said they provided some form of educational assistance to children of their employees, especially non-Whites, in 1986. This assumed a variety of forms, including bursaries to primary, secondary or tertiary educational institutions; the adoption of schools requiring various types of help; school transportation; a successful initiative to support Black students in hitherto White universities. Two companies provided legal aid and others expressed a willingness to do so when needed. One company lent financial support to re-open a Legal Resource Centre and worked with a nearby university to broaden the areas of assistance offered by its Legal Aid Clinic to include labour and trade union matters. It also retained legal assistance to promote the proclamation of an open residential area in its neighbourhood. A number of companies supported sports and other recreational facilities and activities. Two provided special health care programs and pure water supplies where these were needed for schools and families.

Community Development: All but two affiliates offered some form of support for community projects designed to improve the quality of life in non-White communities. In a few cases this was limited to financial support for a variety of community funds or projects. As might be expected, the larger firms demonstrated their ability to povide support for a broad range of community needs. These included the establishment of an Agricultural Engineering Chair at a nearby university; the funding and administration of an Advanced Education and Research Foundation for all races; the establishment and support for a Community Benefit Fund; the donation of community fire and ambulance vehicles; the establishment of a training institute for the community (as well as for company employees); the establishment of a Community Centre; financial support for a local Black university and a wide range of community social and cultural services.

7. Race Relations

Race relations are no longer a contentious issue. All affiliates have removed racial segregation signs and, with a single exception, all workplaces and social and recreational facilities are desegregated. The exception relates to a remote mining community where there are no artificial barriers to segregate non-White from White employees. However, the food, recreational and sports facilities tend to be used by the non-White employees because they are adjacent to the workers' hostel.

8. Encouragement of Black Businesses

The 1986 revision of the Code of Conduct introduced this element for the first time. Eight of the twelve affiliates reported support for Black businesses to some extent. At the lower end of the scale, support was indirect in the form of backing for the Canadian Export Association's project for Black entrepreneurs or for the Small Business Development Corporation which promotes the establishment of Black businesses. Four of the larger corporations, however, undertook wide ranging programs and contributed substantial funds aimed at helping Black businesses. Some of this help was through the Development Bank of South Africa and the Small Business Development Corporation for the specific purpose of encouraging Black businesses in a depressed industrial area. Some of it was contributed in the form of instructors to train and help Black businessmen to set up agricultural maintanance and repair facilities. In 1986 the Transkei Agricultural Service facility was created to run as a business to support Black agriculture. One company provided a Black business consultant three days a week and extended loans to set up Black businesses and a Black Trading Centre that led to the establishment of 34 Black businesses. Several of the major companies reported a policy of purchasing supplies and equipment from black businesses wherever possible.

9. Social Justice

Like the previous heading, Social Justice was included in the Code of Conduct for the first time in 1986. Canadian companies and their affiliates are enjoined by positive, constructive and legal means to use their influence to promote the cause of social justice and the peaceful achievement of social and political reforms. All but two of the affiliates reported modest to major efforts designed to achieve these ends. The smaller companies limited their efforts to contributing financial support to organizations seeking social justice, such as the South African Institute of Race Relations, the Small Business Development Corporation, Protec, the Federated Chamber of Industry etc.

The main thrust in this area, however, has again come from the major corporations with their superior resources and their substantial economic clout. Besides supporting such organizations as those listed above these companies have written to Government Ministers and local authorities demanding social justice in a number of areas, e.g. the use of available White educational and hospital facilities by all races; backing for the Kwa-Natal Indaba movement designed to promote power sharing and eliminate racial discrimination; an end to forced removals; the abolishment of statutory racial discrimination; the desegregation of toilet and other facilities; the release of political prisoners, and so on. One company established a multi-racial theatre, actively canvassed for desegregation and publicly demanded the opening of schools to all races. Another made representations to the South African Government to end apartheid. Still another sought and gained special dispensation for non-racial education at the Technical Institute it had created. Only two of the companies failed to report any efforts to promote social justice, one a medium sized firm in an urban area, the other a mining firm in a remote area which is populated almost exclusively by Coloured people.

V COMPANY PERFORMANCE

This report for the first time attempts to rate the performance of Canadian companies and their affiliates operating in South Africa. The time and resources available have not permitted as thorough an investigation as might have been desirable. Nevertheless, the ready cooperation of most of the Canadian firms involved has made the task possible. Their compliance with the requirements of the Code of Conduct has not been easy, given their distance from the scene of operations and the fact that most of them have only minority holdings in their South African affiliates. They are, therefore, dependant upon the goodwill of their partners to produce the desired information. To the credit of both in most cases this has been forthcoming.

As will be seen in Table XI, ten companies (including the Canadian Embassy) and their twelve affiliates have been rated. Of necessity, the rating scale established has been to a degree both arbitrary and subjective. Eight of the items listed under Part IV of this report (General Working Conditions, Collective Bargaining, Migrant Labour, Training and Promotion, Fringe Benefits, Race Relations, Encouragement of Black Businesses and Social Responsibility) were accorded a maximum of ten points and the companies rated on a scale of one to ten. The ninth category, Wages, was allotted 20 points for rating purposes on the ground that wages are generally considered to be the most important single indicator of employee status. On this basis the companies were placed in one of the followiig four catagories:

TABLE X

RATING CATAGORIES

I - over 80 points	- Fulfills or exceeds all basic requirements. Improvement still possible.
II - 66-80 points	- Fulfills or exceeds most basic requirements. Considerable scope for improvement.
III - 50-65 points	- Fulfills or exceeds some basic requirements. Substantial improvement required.
IV - under 50 points	- Fails to meet many basic requirements. Major effort required to comply with the Code

In assessing the performance of companies and their affiliates, account has been taken of the fact that there is considerably less scope for small firms to undertake the whole range of programs necessary to comply with all the requirements of the Code. Beyond this factor, how to assess the Canadian Embassy and compare it with private businesses presented a problem. In the end it was rated in much the same manner

as the companies, with due allowance for the substantially different nature of its operations. Finally, a number of firms could not be rated, either because the Canadian companies had disposed of or were in the process of disinvesting their South African interests and found it difficult to obtain the requested information from their former partners (Cobra, DeLCan, Falconbridge, Moore); because their reports arrived too late or were too uninformative to be meaningful (Bauer & Crosby, Menora Resources, Seagram); or because they came to light too late to obtain a report (National Business Systems Inc.). The ratings awarded may be found in Table XI.

TABLE XI

COMPANY ASSESMENTS

Affiliates in Parenthesis	Rating
1. AMCA International Ltd. (Bomag (South Africa))	III
2. Dept. of External Affairs (Canadian Embassy, Pretoria)	II
3. Champion Road Machinery Limited (Champion Road Machinery (SA)(Pty) Ltd.)	II
4. Ford Motor Company of Canada Ltd. (SAMCOR (Pty) Ltd.)	I
5. JKS Boyles International Inc. (JKS Boyles (Pty) Ltd.)	III
6. Massey-Ferguson(Varity Corp): (A) Fedmech Holdings Ltd.)	II
(B) Atlantis Diesel Engines (Pty) Ltd.)	I
7. QIT-Fer et Titane Inc. (Richards Bay Minerals)	I
8. Sternson Limited (Sternson (SA) (Pty) Ltd.)	IV
9. Cominco Limited:* (A) Eland Exploration (Pty) Ltd.)	II
(B) Transcom Joint Venture)	III
10. International Thomson Organization Ltd.*(Thomson Publications (SA)(Pty) Ltd.)	III

* Disinvested early in 1987

It should be noted that the Canadian Embassy would have attained a category I rating or close to it, had it not been the victim of The Public Service Staff Relations Act which accords bargaining rights to Canadian public servants but does not extend these rights to locally engaged employees at Canadian missions abroad. This is an anomaly that needs to be addressed if Canadian companies are to be asked to conform with standards not permitted to the Canadian Embassy in Pretoria and elsewhere. While the Canadian Embassy's submission made no mention of employees engaged on a personal basis by Canadian Embassy personnel, it is hoped that these individuals accord their locally engaged staff the same considieration demanded of companies and insititutions.

VI CONCLUDING OBSERVATIONS

This report has followed the well marked path of its predecessor in terms of form and, to a considerable degree, content. However, the revised Code of Conduct and its companion questionnaire have broadened the area of enquiry and resulted in a more balanced glimpse of company operations in South africa.

Nineteen eighty-six was another difficult year, economically, politically and socially in South Africa. Notwithstanding, the affiliates generally sought to maintain and improve their employment practices performance, as sought by the Code of Conduct. To some, the Code's requirements are an embarrassment or, at best, a nuisance, particularly where the Canadian interest in terms of equity is small. Nevertheless, most have reported conscientiously and the results are evident in this report. What remains is to draw some conclusions from the data presented and to suggest where improvements may be possible in the future.

The main weaknesses for most affiliates remain the areas of Fringe Benefits, Community Development, Encouragement of Black Businesses, Social Justice and, to a lesser extent, Training and Promotion. This is particularly so for the smaller firms which are less well endowed with human, physical and financial resources than their larger counterparts. For three of the reporting affiliates, Wages continue to be a problem which needs to be addressed. Beyond this, the principle of collective bargaining has been accepted by all and, in most cases, instituted. General working conditions have improved. The need for non-discriminatory race relations has been acknowledged and generally put into practice, though much can and should be done. Migrant or contract labour, with one major and two minor exceptions, is no longer an issue, in contrast to a year ago when several affiliates employed substantial numbers of Black contract workers.

Should this suggest that all is well and that the problems of yesteryear have vanished, it must be emphasized that there remains substantial scope for improvement. Even those firms that attained category I have more to do and must not relax. Their position in the top grade is relative and does not absolve them from further effort.

For example, even in the best affiliates the numbers of non-White senior and executive personnel remain discouragingly small. Educational deficiencies and cultural/tribal differences remain obstacles to be overcome. The leading companies are tackling these problems and should be encouraged to continue, as should those that to date have exerted little or no effort in this direction.

A second obvious shortcoming in virtually all affiliates is the paucity of non-White female personnel, except at the lowest levels of employment. With one or two exceptions, the indifference toward correcting this situation is glaring.

While two or three affiliates have lobbied Ministers and other governmental authorities on the need to dismantle apartheid and its manifestations of segregated health, educational, recreational and other facilities,

most of the firms have adopted a passive stance beyond the environs of their own enterprises. Few have extended themselves directly into the areas of Social Justice, Community Development and Encouragment of Black Businesses.

All this suggests that much remains to be done by the affiliates, despite the progress already made. To be fair, White South African businessmen in general seem ready to proceed down the road to the elimination of apartheid at a pace which the South African Government is not yet prepared to contemplate. Their Canadian partners must be prepared to lend them support, in the words of the Code "By positive, constructive and legal means and approaches....to promote the cause of social justice and the peaceful achievement of necessary social and political changes and reforms."

Where the various Codes of Conduct and the disinvestment policies of foreign companies fit into this scene remains a subject of debate, both in Canada and South Africa. Most evidence suggests that the Canadian and other Codes have served a useful purpose in the establishment of equitable employment standards and in ensuring that they are observed on a continuing basis. The South African trade unions are beginning to assume the functions of the Codes but it is generally believed, outside trade union circles, that the unions are not yet in a position to replace them.

Enterprises which have been involved with the Codes for the most part grudgingly concede that they have been useful in the past. However, they believe little more can be expected from them because additional company action would be costly and could threaten the competitiveness of the firms and, ultimately, their viability.

It is clear that the Codes still have a valuable role to play in promoting equality and in maintaining and improving the working conditions of South African employees, especially those of the non-Whites in the lower employment levels. One of the trade unions' complaints is that the Codes were established without seeking their input. This objection is valid and should be addressed if the Codes are to continue to fulfill their potential. There may be room for coordination and cooperation between the trade unions and the authorities behind the Codes to ensure that a common approach leads to the achievement of common objectives.

Disinvestment is even less popular than the Codes, both in Canada and South Africa, except among the short-sighted few who see the acquisition of foreign assets at firesale prices as a net gain for South Africa. More thoughtful citizens, both Black and White, recognize that the loss of capital and technology customarily provided by foreign companies could threaten the viability of patriated firms. Moreover, the new South African managers and owners of erstwhile foreign enterprises, do not always continue the Code-induced benefits and workers suffer. In extreme cases, job losses ensue and, ultimately, no one benefits. The trade unions which formerly urged disinvestment, have now downgraded it as a policy. They suggest that, if it does occur, it should be carried out in consultation with them to ensure the retention of benefits acquired through implementation of Code standards. This is another aspect which potential Canadian disinvestors might look at usefully, along with other relevant considerations.

While direct action by affiliates is clearly required in order to continue to improve their employment practices on behalf of their non-White employees and their families, the onus remains on their Canadian partners to exert whatever influence they possess to encourage such action. Examples of what can be done were provided by three reports which oulined joint action by the Canadian and South African partners in financing and administering training programs for Black personnel, even though the Canadian companies were only minority shareholders.

It is clear that in South Africa today Canadian companies with South African interests have the opportunity, indeed the obligation, to combine what is morally right with what is financially feasible and commercially rewarding.

Code Administrator
Terms of Reference

Under the authority of the Secretary of State for External Affairs:

i) to maintain and update annually 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, to 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;

ii) to maintain and, as necessary, update the standard format for reports under the Code, in consultation with interested companies, non-governmental organizations, and appropriate departments of the Government of Canada;

iii) to draw the Code annually to the attention of companies to which it does or may apply; to make them aware of the standard reporting format; and to solicit annual public reports from those companies with respect to their compliance with the Code;

iv) to collate the reports received from the companies concerned; to maintain complete and accurate records of official consultations, correspondence and transactions undertaken in the execution of the terms of reference;

v) to prepare an annual report on the administration and observance of the Code for the Secretary of State for External Affairs;

vi) to make such recommendations to the Secretary of State for External Affairs regarding the content and administration of the Code as the Administrator deems appropriate; and,

vii) to act in an impartial and objective manner consistent with the purposes and intent of the Code.

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

(Revised 1986)

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 Condition

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 bargaining, including the signing of 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 works 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 committee 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 workplace.

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 renumeration for a position should be based on the qualifications of an individual and not on his or her racial origin. The same pay scales should be applied to the same job.

(b) Companies should also provide renumeration 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 programmes 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 workforce, to fill fifty percent 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 programmes.

(c) Companies should, if possible, organize occupational training programmes for their black employees and help them to take advantage of other educational and occupational training programmes 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 members of their families in their right of access to equal, integrated and universal educational facilities and opportunities.

(d) Companies should make every effort to eliminate in practice any de facto restrictions based on custom on apprenticeships for black employees. They should ensure that employees of different racial groups can take part in training programmes without any form of segregation.

(e) In general whether it is a matter of an imbalance in the racial composition of a company's workforce and staff or of such an imbalance at any of the different levels of management and workforce, companies should, in their forward planning, treat the need to correct this situation as 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 workplace;

- 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 workplace;

- 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 to improve 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 workplace, 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 to set 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, accordingly, should 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.

APPENDIX

CODE OF CONDUCT

ADMINISTRATIVE PROCEDURES AND GUIDANCE

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 December 31 each year 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 their annual reports to the Administrator by March 31 each year.

The Administrator will review and collate company reports and submit his annual report to the Secretary of State for External Affairs by May 15 each year. 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 (c) 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 wage in relation to established economic 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 (MLL) 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 5 years by regular annual pay increases. The company policy with respect to such a time table should be submitted in writing to the Administrator and reviewed, as to results, in the company's annual report.