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CODE OF CONDUCT

CANADIAN COMPANIES
IN SOUTH AFRICA

31 May 1989

The Right Honourable Joe Clark, P.C., M.P.
Secretary of State for External Affairs
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario, K1A 0G2

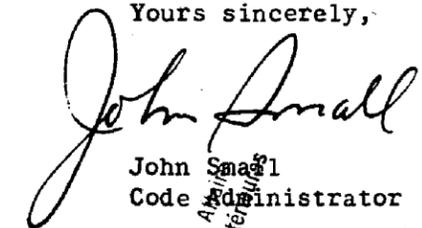
Dear Mr. Clark,

I have the honour to submit to you the fourth annual report on the Administration and Observance of the Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa.

As required by my mandate, I have updated the list of Canadian enterprises with operations in South Africa, drawn their attention to the Code of Conduct and Standard Reporting Format, collated their reports and consulted, in addition to the companies in Canada and their affiliates in South Africa, a broad range of relevant governmental and non-governmental organizations and individuals. My report, based upon these consultations and company documentation, is presented for your consideration, together with information copies of the company submissions.

At the time of writing, not including the Canadian Embassy, six Canadian companies retained affiliates in South Africa compared with nine one year earlier. Four of these are significant in terms of investment and employee numbers. Extension of the Code of Conduct would seem to be appropriate while Canadian companies continue to operate under conditions sustained by the apartheid system.

Yours sincerely,


John Small
Code Administrator

Enclosures
CJS:kas

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

FOURTH ANNUAL REPORT

FOR THE YEAR 1988

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I PREFACE

This is the fourth annual Administrator's report under the Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa. It covers the 1988 calendar year. The Code was issued originally in 1978 under the authority of the Secretary of State for External Affairs and was revised in 1986. Adherence to the Code is now and always has been voluntary. Initially, the Code was regarded as a guideline and companies, with one exception, 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 on an annual basis. The number so involved has continued to decline and today only six firms retain affiliates in South Africa.

It is not part of the Administrator's task to either encourage or discourage disposal of Canadian investments in South Africa. Disinvestment has been and remains a decision for companies alone. The steady disposal of assets in South Africa by Canadian and other foreign firms continues to reflect primarily economic and commercial considerations, reinforced by pressures generated by anti-apartheid forces in Canada and elsewhere.

The aim of the Canadian Government in promoting its Code of Conduct continues to be the combatting of 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 regard 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.

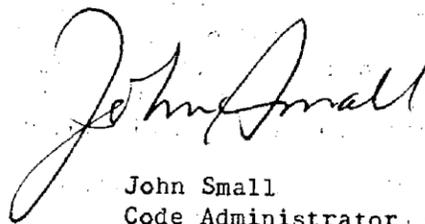
These principles and rights apply to all races but have special relevance to Black, Coloured and Asian employees and to the quality of life which they and their dependents enjoy.

In the interests of continuity and comparability, the methodology employed in preparing this report and its organizational pattern remain unchanged. The basic information it contains has come from the Standard Reporting Questionnaire completed by Canadian companies in collaboration with their South African affiliates. Additional details have been provided by a wide range of individuals and organizations with an interest in and knowledge of South Africa. Visits to South Africa, Britain and the United States yielded valuable background information.

The American, Australian and British Code authorities were consulted, as well as the UN Centre for Transnational Corporations and the UN Centre Against Apartheid in New York, the Commonwealth Secretariat in London and the Investor Responsibility Research Centre in Washington D.C. Views were exchanged with South African Government officials in Ottawa and Pretoria. In South Africa, discussions also involved representatives of trade unions, management, business and industry associations, Chambers of Commerce, Churches, universities, political parties, the South African Institute of Race Relations and many other groups and individuals.

I am deeply indebted to all those consulted for their generous contributions of time and information; to the Canadian companies and their South African affiliates for their ready cooperation; and to the Department of External Affairs in Ottawa and the Canadian Embassy in South Africa for their helpful logistical support.

While grateful to those mentioned above and to many others, the responsibility for the content of this report is entirely mine.



John Small
Code Administrator

Ottawa
31 May 1989

II BACKGROUND

General

1988 - Superficially, South Africa marked time in 1988: the Government was firmly in command and the economy improved for the third year running. But a number of noteworthy developments gave notice of changes to come. Early in the year, the National Party was defeated by the right wing Conservative Party in three by-elections, continuing the trend initiated by the 1987 general election. Partly in response to the Conservative resurgence and partly as an effort to regain political and economic control, the Government in February banned political activity on the part of 17 anti-apartheid organizations and their leaders (more later in the year) and tightened press censorship. The result was evident in the disarray of Black leadership and in the number of strikes which fell significantly from the previous year's record.

The Government announced its priorities would be security and economic development, on the ground that the two were inseparable and necessary before contemplation of political reform. A better economy, it was argued, would suit the Black population which, in turn, would make for better security and encourage Black participation in the proposed National Council on constitutional reform. After a quarter century in custody, Black nationalist Govan Mbeki was freed, apparently as a test case for the subsequent release of Nelson Mandela. Any credit for this action was lost when Mr. Mbeki was severely restricted in his actions and mobility; and Mr. Mandela's refusal to negotiate unless unconditionally released has deterred the Government from setting him free.

The municipal elections in October were the first in South Africa in which the voters of all races went to the polls at the same time but the extremely low Black turnout and Conservative gains disappointed the authorities.

The final major development was the Government's decision to withdraw from Angola and Namibia, an action hastened by mounting financial and human costs.

On the economic front, heavy consumer spending resulted in the imposition of credit curbs and higher interest rates in May, while continuing excessive Government consumption expenditure contributed to another round of rising inflation going into 1989. Direct taxes rose 17.5%, while official statistics state that incomes rose by 14.5%. The last job reservation legislation (in mining) was erased from the statute book in 1988.

1989 - The outlook for South Africans in 1989 is rosier than it has been for years. Among the reasons for this, there is, first, the impending retirement of President P.W. Botha and his likely replacement by Mr. F.W. de Klerk. This has raised hopes among many South Africans of all

racers that, at least, the style of government might change and could lead, in the end, to substantial reforms. The general election called for September 6, 1989, should clear the air and lead to a fresh start. The recent formation of the Democratic Party, comprising the former Progressive Federal Party and the independent liberals of the English and Afrikaner language groups could challenge the Conservative Party's current status as the official opposition. Second, the ending of South African involvement in Angola and eventually in Namibia should lighten the financial and human resources burden and result in less onerous taxation. Third, the economy performed better in 1988 and seems set to do so at about the same pace in 1989. There are other signs of potential changes and these are outlined below.

On the debit side, State spending and taxation remain high (the budget allows for an increase in State spending of 15% but precedent suggests it is likely to exceed 20%); political stability continues to be elusive (the Black detainees' hunger strike in March served as a reminder that the status quo is no longer acceptable); the economy is starved of foreign investment capital and, at a 2 to 3% growth rate, is progressing at less than half the pace required to absorb the rapidly expanding work force, without making inroads on the officially admitted 17% scale of unemployment (closer to double that in reality).

The Economy

The South African economy grew at a rate of 3% in real terms in 1988. This represented a steady improvement from -1.5% in 1985 to just under 1% in 1986 and 2.5% in 1987. Current estimates suggest that growth will continue at a rate of 2 to 3% throughout 1989. Over the same period, inflation has gone from 16.2% in 1985 to 18.6% in 1986, 14.7% in 1987 and 12.4% in 1988. By February 1989 it had risen again to 13.5% and is expected to average 15% for the entire year.

Contributing to the relative prosperity experienced in 1988 were substantial and well distributed rains which increased crop and livestock production, causing a beneficial ripple effect throughout the economy.

The Government's policies of fiscal and monetary stimulation following the 1985 recession began to bear fruit late in 1987 and, combined with an upswing in business and consumer confidence, resulted in heavy consumer spending in 1988. While this benefited business in general, it exceeded expectations, sucking in imports and threatening the trade surplus needed to meet international loan obligations of US \$1.2 billion in 1989 and considerably more in 1990. To restrain consumption and contribute to the trade surplus, credit curbs were introduced and interest rates raised in May 1988. The Government has projected a surplus of Rand 4 billion on current account for 1989 but this is regarded as over-optimistic, given that the relatively good year of 1988 produced a surplus of just under Rand 3 billion and that the first quarter of 1989 seemed headed for a deficit. With the world economy less buoyant in 1989, observers expect additional official measures might have to be introduced to further cool consumer spending and reduce imports.

Gross domestic fixed investment rose in 1988 by more than 19%, the first double digit increase on a yearly basis since 1982 - this despite consumption curbs, high interest rates, the drain of capital caused by disinvestments and continuing political uncertainties. While the rise in fixed investment has been welcome, its qualitative aspects have been less so. For example, it has comprised smaller scale, renewal projects spread over a longer time scale than previously. Capital expenditures generally are expected to peak around mid 1989, then decline again.

Mining is an exception, with considerable new investment pouring into base metals and ferro-alloys. Gold, under price pressure, has remained flat but is expected to revive and there is still scope for expansion. Despite Government efforts to diversify and reduce the economy's dependence on mining, its importance is growing. Sanctions have, if anything, enhanced the role of mining because products like ferrochrome, platinum, rhodium and vanadium are relatively immune to them, given their essential nature to the Western economies and South Africa's position as a major and stable supplier. Platinum and diamonds are expected to expand and gold, also untouched by sanctions, should take off when its price rises. Inflation, however, has pushed up mining costs and the easy, high grade, shallow deposits have had their day. Future expansion will come from low grade, deep and costly-to-work ore bodies.

The anticipated decline, apart from mining, of fixed capital expenditure is blamed to a significant degree on excessive Government consumption expenditure which has effectively crowded out the private sector. Any additional Government measures to cut consumer consumption could also discourage capital investment incentive. This, in turn, could impair employment opportunities, income creation and capital accumulation over the longer term. Investor confidence is not expected to grow without first, a reduction in Government consumption expenditure and the high tax rates required to feed it and, second, the creation of political and social stability. The latter seem unlikely without the institution of a new constitutional dispensation which satisfies the aspirations of the great majority of South Africans of all races.

Political

While such a dispensation is not an immediate prospect, there is now a belief in many quarters in South Africa that it is no longer unattainable. Hope and confidence are growing that the departure of Mr. P.W. Botha from the State Presidency will usher in a more flexible and pragmatic regime led by Mr. F.W. de Klerk who has already assumed leadership of the National Party. Legislation is under way to provide for 'free settlement' or racially integrated areas. In essence this simply accords recognition to what has become a fact in certain areas, as well as acceptance that this development is irreversible. Many South Africans believe this could be followed shortly by the abolition of the Group Areas Act, a variety of other land control laws, the Population Registration Act and other racially restrictive legislation.

Other encouraging signs have become evident recently. Among these are the UDF/Inkatha peace accord (not yet functioning to satisfaction, but a start); the Consultative Business Movement, a consolidated group of White business leaders committed to a process of consultation with Black leaders, which recognizes the desirability and inevitability of transformation to a non-racial, democratic South Africa; the recognition by some Government leaders that viable, flourishing neighbours (Mozambique, Angola, Namibia) are preferable to political and economic slums; the withdrawal from Angola and Namibia; the decision by Black leaders in Soweto to negotiate the longstanding rental and other problems with the newly elected local authorities; the growing public discussion on an 'open' group of people, i.e. non-racial, as opposed to existing collectivities of Blacks, Whites, Coloured and Asians. This has opened up debate on a new concept for South Africans which, although fraught with constitutional complexities, reflects the pressures currently working on the Government and suggests the direction in which events are moving.

While these are hopeful straws in the wind, there remain for the moment the hard facts of an apartheid society: racial segregation and conflict; inequality of opportunity; high and mounting unemployment; rising inflation and interest rates; media censorship and control; severe shortage of investment capital; a capital hemorrhage from disinvestment, aggravated by the innovative techniques employed to maximize repatriation of funds and movement abroad of domestic funds for investment and/or insurance against the day when emigration seems desirable or necessary.

III CANADIAN COMPANIES IN SOUTH AFRICA

The withdrawal of Canadian companies from operations in South Africa continued in 1988 but at a slower pace. While eleven companies disinvested in 1987, only two did so in 1988. Another, QIT-Fer et Titane and its South African affiliate Richards Bay Minerals, were purchased early in 1989 by RTZ Corporation PLC headquartered in London England. A fourth company, Bauer and Crosby Inc., has been dropped from the list because its namesake in South Africa, Bauer and Crosby (Pty) Ltd, is majority South African owned. These changes are reflected in Table I.

TABLE I		
DISINVESTMENT OF SOUTH AFRICAN INTERESTS BY CANADIAN COMPANIES		
1986	1987	1988
1. Alcan Aluminium Ltd.	1. AMCA International Ltd.	1. JKS Boyles International Inc
2. Bata Ltd.	2. Champion Road Machinery Ltd.	2. National Business Systems Inc.
3. Dominion Textile Inc.	3. Chempharm Ltd.	
4. Jarvis Clark Co. (CIL)	4. Cobra Metals & Minerals Inc.	
	5. Cominco Ltd. (Cdn. Pacific)	
	6. DeLCan Ltd.	
	7. Falconbridge Ltd.	
	8. International Thomson Organisation Ltd.	
	9. Joseph E. Seagram & Sons Ltd.	
	10. Moore Corporation	
	11. Ford Motor Company of Canada Ltd. (Completed in 1988)	
N.B. - 1989		
1. <u>QIT-Fer et Titane</u> and its South African affiliate, Richards Bay Minerals, were purchased by RTZ Corporation PLC, London, England as of January 1, 1989, although the transaction is not expected to be completed until June 1989.		
2. <u>Bauer & Crosby Inc.</u> has been removed from the list of Canadian companies operating in South Africa because the Canadian firm does not own shares in its South African namesake, Bauer & Crosby (Pty) Ltd. The directors of Bauer & Crosby Inc., on a personal basis, hold minority shares in the South African firm but a majority of the shares are held by South African citizens. Bauer & Crosby Inc. has a consultant relationship with the South African firm.		

Although the economic climate improved in South Africa in 1988, the extent of the improvement and, still more, doubts about its duration tempered optimism in the business community. For foreign firms, economic and political uncertainties combined again with anti-apartheid pressures in their home countries to encourage disinvestment. For

American companies, the Rangel amendment in 1987 eliminated a tax credit which permitted deduction of South African from American taxes. This has affected profits in some cases to the point of making their South African operations uneconomical. For Mobil Oil, this was a primary consideration leading to its decision to disinvest at the end of April 1989. It seems likely to influence other major U.S. enterprises still operating in South Africa. Should the Dellums bill pass Congress in the next year or so, American commercial operations in South Africa would virtually cease. British and other European enterprises face no such problems at the moment but the political and economic climate in recent months has taken its toll there too. The number of British companies reporting to Code authorities has dropped from 160 in 1986 to 128 in 1987 and 120 in 1988.

Canadian companies generally have withdrawn from South Africa because: a) their operations were unprofitable; b) their major business in the United States was threatened by maintaining South African links (in the face of State and municipal anti-apartheid legislation); c) in the light of the foregoing reasons they were not prepared to put up with the hassle from domestic anti-apartheid forces.

As for Canadian educational institutions, most of the Major universities and colleges by now have instituted a policy which requires divestment of shares in enterprises doing business with South Africa. The Bank of Nova Scotia's announced intention to lend to Minorco, a Luxembourg company with majority South African ownership, has had an effect on some university campuses where student organizations and administrative authorities are considering their positions with respect to accounts held by the Bank. While Scotiabank's proposed action technically does not breach existing Canadian Government financial guidelines with respect to South Africa, many believe it strains the spirit of those guidelines to which the Canadian banks have agreed.

With the disinvestments noted above, there remain only six Canadian business enterprises with South African affiliations, plus the Canadian Embassy. These are listed in Table II.

TABLE II	
CANADIAN ENTERPRISES WITH SOUTH AFRICAN AFFILIATES (at 31 May 1988)	
1. Bayer Foreign Investments Ltd., Toronto, Ontario	
2. Govt. of Canada (Canadian Embassy, Pretoria), Ottawa, Ontario	
3. Menora Resources Inc., Toronto, Ontario	
4. QIT-Fer et Titane Inc., Montreal, Quebec*	
5. Sternson Ltd., Brantford, Ontario	
6. Varity Corporation, Toronto, Ontario	
7. Unican Security Systems Ltd., Montreal, Quebec	
* Now owned by the RTZ Corporation PLC, London, England.	

Apart from the Canadian Embassy, the other affiliates are engaged in chemicals, mining (offshore and open-cast onshore), construction, agricultural equipment and distribution. These enterprises have indicated their intention to continue operations in South Africa for the time being. Their reasons for doing so range from profitability, confidence in the future for their products and services, desire not to yield the field to their competitors, and inability to either sell their shares or retrieve the true value of their equity.

The Canadian Code of Conduct applies to all Canadian companies with operations in South Africa, regardless of the value of their investment or the number of personnel involved. Among those remaining, the smallest affiliate employs four people, 2 Black, while the largest has

TABLE III	
PERCENT EQUITY HELD BY CANADIAN COMPANIES IN THEIR SOUTH AFRICAN AFFILIATES	
	% Equity
1. <u>Bayer Foreign Investments Ltd., Toronto, Ontario</u>	
(1) Bayer South Africa (Pty) Ltd.	74
(2) Bayer Miles (Pty) Ltd.	100
(3) Chrome Chemicals (South Africa) (Pty) Ltd.	100
(4) Haarman & Reimer (SA) (Pty) Ltd.	50
(5) Rubber Chemicals (Pty) Ltd.	100
(6) Vergenoeg Mining Company (Pty) Ltd.	100
2. <u>Govt. of Canada - Dept. of External Affairs, Ottawa, Ontario</u> Canadian Embassy, Pretoria/Capetown	100
3. <u>Menora Resources Inc., Toronto, Ontario</u> Ocean Diamond Mining Limited	15.8
4. <u>QIT-Fer et Titane Inc., Montreal, Quebec</u> Richards Bay Minerals: (Tisands (Pty) Ltd.) (Richards Bay Iron & Titanium (Pty) Ltd.) * Held by UK parent company	50*
5. <u>Sternson Ltd., Brantford, Ontario</u> Sternson (SA) (Pty) Ltd.	24
6. <u>Varity Corporation, Toronto, Ontario</u> Fedmech Holdings Ltd.	7
7. <u>Unican Security Systems Ltd., Montreal, Quebec</u> ILCO Unican (SA) (Pty) Ltd.	33.3

nearly 2,000 of whom approximately 1,400 are Black. In terms of equity, the shares held in their affiliates by Canadian companies range from 7% at the low end of the scale to 100%. The relevant figures are set out in Table III.

As would be expected, the steady decline in the number of Canadian companies involved in South Africa has been accompanied by a corresponding decline in direct investment. The fall between 1981 and 1988 has been 73%, as indicated in Table IV.

Along with the decline in Canadian commercial investment and company operations in South Africa, there has been a corresponding drop in the numbers employed by Canadian affiliates. From a peak of some 26,000 (20,000 non-White) in 1985, there are today just over 5,000 (3,300 non-White). While it could be said as recently as 1985 that the numbers employed by Canadian affiliates and their contribution 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

TABLE IV

DIRECT CANADIAN INVESTMENT IN SOUTH AFRICA 1981-88

Year	Millions of Canadian Dollars*
1981	257
1982	218
1983	205
1984	139
1985	105
1986	184**
1987	100***
1988	70***

* The figures in this column between 1981 and 1986 vary slightly from those presented in previous reports and reflect revisions by Statistics Canada in 1989.

** This abnormal increase reflected Falconbridge's temporary reinvestment prior to total disinvestment which occurred in 1987.

*** These figures are approximations because Statistics Canada now regards the figures as confidential, there being so few companies left with investments in South Africa.

part, are continuing their exemplary efforts, their impact is limited by their slender number. Tables V and VI reflect the magnitude of the changes in the number of personnel employed by Canadian company affiliates over the past three years.

TABLE V

TOTAL AND NON-WHITE EMPLOYMENT IN AFFILIATES OF CANADIAN FIRMS THAT HAVE DISINVESTED

	1986 Disinvestors*	Total Employment	Non-White Employment
Alcan Aluminium Ltd. (3 affiliates)		3,606	2,848
Bata Limited (3 plants)		3,253	3,090
Dominion Textile Inc.		270	129
Jarvis Clark Co. (CIL)		89	28
		<u>7,218</u>	<u>6,095</u>
<u>1987 Disinvestors**</u>			
AMCA International Ltd.		35	18
Champion Road Machinery Ltd.		53	19
Chempharm Ltd. (Estimate)		200	150
Cobra Metals & Minerals Inc. (2 affiliates)		521	425
Cominco Ltd. (2 affiliates)		126	109
DeLCan Ltd.		110	10
Falconbridge Ltd. (2 affiliates)		4,757	4,426
Ford Motor Co. of Canada Ltd. (2 plants)		4,853	3,298
International Thomson Org. Ltd.		123	31
Joseph E. Seagram & Sons Ltd.		5	1
Moore Corporation (2 affiliates)		529	270
		<u>11,312</u>	<u>8,757</u>
<u>1988 Disinvestors***</u>			
JKS Boyles International Inc.		9	3
National Business Systems Inc.		170	54
		<u>179</u>	<u>57</u>
Total 1986-87-88		18,709	14,909

* 1985 figures.

** All figures are for 1986 except those for DeLcan and Falconbridge which are for 1985. The figures differ from Table V in last year's report because the numbers employed by several companies declined between 1985 and 1986.

*** 1988 figures.

TABLE VI

TOTAL AND NON-WHITE EMPLOYMENT
AT CANADIAN AFFILIATES ON 31 MARCH 1988*

<u>Canadian Company</u>	<u>Total</u>	<u>Non-White</u>
Bayer Foreign Investments Ltd. (6 affiliates)	1,707	1066
Canadian Govt. (Embassy)	36	13
Menora Resources Inc.	10	7
QIT Fer et Titane Inc.	1,909	1,363
Sternson Ltd.	55	42
Unican Security Systems Ltd.	4	2
Varity Corporation (2 plants)	1,363	825
	<u>5,084</u>	<u>3,318</u>

* The figures for Varity Corporation are for Dec. 1987 because Varity's report had not been received at time of printing.

Canadian companies, with few exceptions, have cooperated readily in reporting under the Code of Conduct. (See Table VII) One of the exceptions has been National Business Systems Inc. of Toronto. For the past two years it has neither reported nor answered correspondence. Its affiliate, ABS Computers (Pty) Ltd of Johannesburg, has been more cooperative and has completed the Standard Reporting Questionnaire, for both 1987 and 1988. National Business Systems Inc. disposed of its remaining shares in ABS Computers (Pty) Ltd., in August 1988, to its former affiliate.

Menora Resources Inc. has cooperated to the extent of providing whatever information was available to it. However, its relationship with its affiliate, Ocean Diamond Mining Limited (ODM) is a tenuous one and is simply that of a shareholder with no management or financial control. It recently disposed of 2.5% of its shares in Ocean Diamond Mining Limited and now retains only 15.8%. ODM has been helpful in providing a substantial amount of information on its operations and has promised to forward the completed Questionnaire. This had not arrived when this report went to press.

Varity Corporation has, until now reported annually. It has promised to do so for 1988 but its report had not arrived by press time. It recently diluted its equity in its affiliate, Fedmech Holdings Ltd., from 9.25 To 7%.

Unican Security System's affiliate, ILCO Unican (S.A.) (Pty) Ltd., is a small distributing agency for Unican's security equipment. It employs four people, two of them Black. Last year's report erroneously stated that Unican held 100% of the South African firm's equity. The correct figure is 33.3%, the remainder being held by South Africans.

TABLE VII

STATUS OF CANADIAN COMPANIES OPERATING IN S.A. IN 1988
WITH RESPECT TO:
(A) NO. OF AFFILIATES (B) REPORT SUBMISSION (C) DISINVESTMENT

<u>Canadian Company</u>	<u>(A) No. of Affiliates</u>	<u>(B) Reported</u>	<u>(C) Disinvested</u>
Bayer Foreign Investments Ltd.	6*	Yes	
Canadian Govt.- Dept. Ext. Affairs	1	Yes	
JKS Boyles International Inc.	1	Yes	Dec. 1988
Menora Resources Inc.	1	Yes***	
National Business Systems Inc.	1	No**	Aug. 1988
QIT-Fer et Titane Inc.	1	Yes	
Sternson Ltd.	1	Yes	
Unican Security Systems Ltd.	1	Yes	
Varity Corporation	1	Yes***	

* Bayer provided a copy of its report to the West German Code authorities. The number of affiliates in 1989 has been reduced to 5 by the absorption of Rubber Chemicals (Pty) Ltd. by Bayer South Africa (Pty) Ltd.

** For the second year running NBS Inc. did not report. However, its affiliate, ABS Computers (Pty) Ltd. did so again.

*** Reports are expected from these two companies but had not been received when this report went to press.

As it did a year ago, Bayer Foreign Investments Ltd. provided a copy of its report to the West German authorities under the European Code of Conduct. While the European requirements are not identical with the Canadian, they are sufficiently alike to permit a fair assessment of Bayer's operations in South Africa. In addition, both Bayer in Toronto and in Johannesburg cooperated fully in meeting the Administrator and in providing detailed information on their South African operations.

Although it disinvested its 70% holding in its South African affiliate in December 1988, JKS Boyles International Inc. readily agreed to report on its 1988 operations and did so. This was a straight buyout by JKS Boyles (Pty) Ltd's management in South Africa.

While Sternson Limited had indicated a year ago it would likely divest its 24% share in its South African affiliate in 1988, in the event it did not do so. It did, however, report for 1988 after a lapse of one year. Management of the South African affiliate, Sternson (South

Africa) (Pty) Ltd., remains opposed to Codes of Conduct and cooperated in reporting this year under protest. It believes that Codes place modest sized companies at a disadvantage, particularly in a highly competitive sector such as the construction industry where Sternson operates. The view is that Code requirements simply force companies to modernize and replace personnel with machinery to the detriment largely of Black workers. Under the improved conditions of South Africa's economy in 1988, Sternson increased the number of workers it employs.

QIT-Fer et Titane, along with its South African affiliate, Richards Bay Minerals*, changed hands in January 1989 from B.P. International, London, England, to RTZ Corporation PLC, London, England (although legal requirements are not expected to be completed until June 1989). QIT and RBM have always cooperated fully in complying with the Canadian Code of Conduct and it is expected that they will continue to do so in future, despite the change of ownership. This would seem justified by the fact that QIT and RBM marketing policies remain integrated and QIT continues to provide members for RBM's Board, albeit in a personal rather than company capacity. In addition, RBM's technology originated with QIT.

The Canadian Government (Department of External Affairs), with its Embassy in Pretoria/Cape Town, continues to report and complies completely with the requirements of the Code.

*Richards Bay Minerals actually comprises two companies: Tisands (EDMS) BPK. and Richards Bay Iron and Titanium (EDMS) BPK.

IV OBSERVANCE OF THE CODE

Canadian companies and their South African partners, by and large, exceed the basic requirements of the Code of Conduct. Where some have done better than others, the reasons generally lie in either the size of operation involved, the competitive environment or both. Larger firms, ipse facto, are endowed with an array of resources and opportunities not available to smaller firms. Nevertheless, all those currently operating in South Africa are striving, within the circumstances of their industrial sector, to comply with the Code and, in so doing, compare favourably with their local competitors.

1. General Working Conditions

Without exception, South African affiliates of Canadian companies are conscious of their responsibility to improve the work situation of all their employees, especially of their non-White personnel. Currently all provide safe and otherwise acceptable working conditions for their employees. Office and production environments are generally good to excellent, as are employee-management relations.

2. Collective Bargaining

The Code of Conduct asks companies to permit employees to organize representative collective bargaining units of their own choosing that can effectively represent them and to engage in collective bargaining with such units in accordance with internationally accepted principles. Because the South African Labour Relations Act no longer discriminates on the basis of race, trade unions of all or mixed races are permitted and exist. Canadian affiliates, therefore, place no obstacles in the way of union membership and the larger ones, without exception, are unionized. The smaller ones are not but this simply reflects the small number of employees involved. The principle of collective bargaining has been accepted and the formation of trade unions would be permitted if desired. Instead, the smaller firms generally work through an employee association, a worker spokesperson or permit direct access to management when employment practices are at issue. Where formal grievance procedures are in force these are outlined in writing and publicized in the workplace. Workers are familiar with their rights and do not hesitate to claim them.

The Canadian Embassy in South Africa is governed by the Canadian Public Service Staff Relations Act which accords bargaining rights to public servants in Canada but does not extend those rights to locally engaged employees at Canadian missions abroad. This accords with international diplomatic practice which exempts foreign embassies from local labour laws. In their place, the Embassy has established guidelines to handle grievances. These apply to all employees regardless of race and have been discussed with them. In addition, there is a representative staff association which has been and remains active in

presenting employee concerns on a range of issues. Most recently, these concerns were dealt with by a mission from headquarters in Ottawa and the Embassy Staff Liason Committee expressed to the Code Administrator complete satisfaction on all points raised.

The concerns of the Black trade unions, outlined in last year's report, about the Labour Relations Amendment Act and draft legislation on foreign funding, have not been realized to date. In the face of widespread criticism, the Labour Relations Amendment Act is undergoing revision and the potential restrictions on foreign funding have not been enacted. Black trade union effectiveness, however, has been limited, partly because of the Government's banning of political activity by union organizations and their leaders and partly as a result of lessons learned from the major strikes of 1987.

3. Migrant Labour

Because none of the present Canadian company affiliates employs migrant labour this is no longer an issue.

4. Wages

The Canadian Government's Code of Conduct, besides encouraging equal pay for equal work, urges companies to pay their employees wages which guarantee a standard of living that allows them to live with dignity. This requirement has particular reference to the minimum wage, i.e. 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) and the 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 Subsistence Level (HSL) and is calculated in much the same manner as UNISA's MLL.

The Supplemented Living Level (SLL) of UNISA and Household Effective Level (HEL) of UPE make provision for the inclusion of additional items. With respect to UNISA (and UPE is much the same), 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, SLL and HEL are approximately 25% to 30% higher than MLL and HSL. Given that the latter represent bare subsistence standards of living, foreign firms are encouraged to take as their guideline the SLL or HEL.

The Canadian Code suggests the SLL/HEL 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/HSL. Table VIII indicates the degree of success achieved by Canadian affiliates in meeting the Code of Conduct wage guidelines in 1988.

TABLE VIII	
WAGE OF LOWEST PAID EMPLOYEE RELATED TO MINIMUM LIVING LEVEL	
<u>% By Which Wage Exceeds MLL/HSL</u>	<u>Number of Reporting Affiliates</u>
0 - less	-
1 - 9	1
10 - 19	1
20 - 29	2
30 - 39	-
40 - 49	-
50 and over	4
	<u>8</u>

NB: Figures not available for one company.

As indicated above, half the Canadian affiliates in 1988 exceeded the standard set by the Canadian Code. The other half were above MLL but have some way to go before they reach the suggested level of at least 50% over MLL for the lowest paid personnel.

All of the affiliates support and implement the principle of equal pay for equal work. Some progress has been made in promoting non-White personnel but generally speaking they still occupy the lower end of the wage scale. The gap between the top and bottom of the scale remains a wide one. Happily, the average wage of all non-White employees substantially exceeds SLL and the suggested guideline of at least 50% above MLL. The wages of the highest paid non-Whites range from 175% to over 680% above MLL. The average wages for non-Whites range between 124 and 371% above MLL.

TABLE IX		
AVERAGE PERCENTAGE PAY INCREASES IN 1988		
<u>Black Employees</u>	<u>Coloured/Asian Employees</u>	<u>White Employees</u>
16%	16.6%	15.8%

With two exceptions, all the Canadian affiliates in 1988 provided somewhat higher percentage wage increases to non-Whites than to Whites, as Table IX indicates. In absolute terms, however, there remains a long way to go before the two scales come anywhere near each other since non-Whites generally continue to occupy most of the non-technical or non-managerial jobs.

Where trade unions exist, wages are generally negotiated annually; otherwise, non-unionized affiliates provide annual or semi-annual pay increases. These customarily reflect the cost of living and, where relevant, increases in productivity. Staffing of and remuneration for a position are increasingly based upon qualifications rather than race.

5. Training and Promotion

The extent of training and promotional opportunities in Canadian affiliates generally reflects the size of company and, to a degree, the type of operation. Thus, the larger the company the more extensive the training program offered and the broader the prospects for in-house upward movement. Such firms offer a range of training courses, both internal and external, as well as bursaries and scholarships to technical schools and universities. The philosophy behind such training is both practical and ideological. In other words, it results in a more efficient workforce and, at the same time, fulfills the requirement of equality of opportunity aimed, ultimately, at a racially balanced workforce. While none of the companies, large or small, has achieved the initial guideline of filling fifty percent of all supervisory and management positions with non-White persons, there is a perceptible movement in that direction although, to date, the progress has been slow. While training opportunities are available to all races, the emphasis in most firms is on non-White personnel because, generally, they have more ground to cover before advancement is attainable.

The smaller companies are limited in terms of resources for training and opportunities for promotion. Nevertheless, they have offered in-house training and, on occasion, support for external study. Where training has been offered it has been on a non-racial basis.

While progress has been made toward the goal of an integrated, mixed-race workforce, the emphasis has been and must continue to be on up-grading non-White personnel. This is because the educational system still does not cater to the non-White community on a basis of equality with the Whites and because tradition and culture continue to exert a strong bias in favour of the Whites. Much more needs to be done to change the complexion of enterprises which remains predominantly White where management, administrative and technical positions are concerned. In all fairness, companies, whether large or small, cannot be expected to shoulder the entire responsibility for effecting the desired change. There is a limit to the resources available for social responsibility programs if enterprises wish to remain in business. Reform of the political and educational systems are needed to provide the foundation on which companies, both foreign and South African, can build in striving for an equitable, integrated employment environment.

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 non-White employees and their families. In the process, 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.

As with other elements of Code observance, the major companies have much more scope for provision of fringe benefits, given their size and substantial resource base. Nevertheless, all reporting companies are providing basic benefits, the extent generally varying according to their size and means.

Social Benefits: Canadian affiliates generally provide basic medical, accident, unemployment and pension schemes in a variety of forms. Most are contributory but some are fully or partially subsidized. The larger firms supplement their benefit schemes with their own clinics and medical personnel.

Vacations: All affiliates provide vacations on a non-discriminatory basis.

Housing: Six of the nine reporting affiliates provide housing assistance of one type or another. This takes the form of company housing, subsidized rent, home improvement and/or acquisition loans and help in finding accommodation. Where assistance has not been provided it is because affordable housing is available within commuting distance of the workplace.

Transportation: Five of the affiliates provide some form of assistance. Generally speaking, help is not required because personnel live nearby or can use convenient public transport.

Education, Recreation and Health: The larger companies provide a variety of educational, recreational and health assistance to their employees and their families. This takes a number of forms, including construction or adoption of schools (buildings, equipment, water supply, teaching aids etc.), transport, bursaries and scholarships to technical schools and universities.

Community Development: In general, the larger firms have contributed, substantially, to community programs. This has taken the form of support for youth activities, community centres, clinics, housing research, sanitation, water supplies, sports, homecraft and business counselling. The smaller companies have supported organizations dedicated to non-White community betterment.

7. Race Relations

Desegregation of all workplaces, social and recreational facilities has been completed in Canadian affiliates.

8. Encouragement of Black Businesses

All Canadian affiliates are prepared to conduct business with enterprises of whatever racial background. Six of the nine reported specific efforts to support and/or deal with Black businesses. The other three would be prepared to do so as occasions arise.

Support in the past year included contributions to a number of organizations which assist the establishment and successful operation of Black enterprises (Canadian Exporters' Association, Get Ahead Foundation, Small Business Development Corporation). A number of firms contract for goods and services with Black businesses. Several provide counselling to Black firms on establishment procedures, legal requirements or technical aspects of business to improve their competitive advantage. This is one area of endeavour which has achieved substantial success, to the point where the "Black economy" in South Africa is expanding exponentially and creating employment at a rapid rate.

9. Social Justice

Canadian companies and their affiliates are urged by the Code of Conduct to use their influence by positive, constructive and legal means to promote the cause of social justice and the peaceful achievement of social and political reforms. Five of the nine affiliates last year reported specific efforts to promote social justice.

The largest affiliates, with their substantial resources and economic clout, were active in 1988 in providing financial support to agencies working in this field (e.g. the Canadian Association of Black Business in South Africa, the South African Institute of Race Relations, the Statement of Principles for South Africa Organization, The Consultative Business Movement etc.). One or two companies have made

representations to the South African Government and to local authorities against apartheid in general and against its specific manifestations such as the Group Areas Act and, following the October 1988 municipal elections, the closure of public facilities to non-Whites in Boksburg. Some have supported efforts designed to stop forced removals of non-Whites from areas assigned to Whites and some have welcomed current moves to establish integrated "free settlement" areas, together with the abolition of legislation establishing residential restrictions based on race. All affiliates, both large and small, support social justice as a matter of principle and within the bounds of their own enterprises.

V COMPANY PERFORMANCE

Given the differences in character and size of company operations, the remoteness of the field of action and the fact that Canadian companies often do not have controlling shares in their affiliates, it is not easy to acquire all the information desired to rate company performances against the requirements of the Code of Conduct. Nevertheless, an attempt has been made to do so, objectively and impartially as the Administrator's terms of reference require. This would not be possible without the cooperation of the Canadian companies involved and of their South African partners. Happily, cooperation has been forthcoming in most cases and the results have been recorded in the preceding pages and more specifically in Table XI.

The scale adopted to rate the companies remains unchanged. Eight of the Code's nine employment practices categories: General Working Conditions, Collective Bargaining, Migrant Labour, Training and Promotion, Fringe Benefits, Race Relations, Encouragement of Black Businesses and Social Responsibility have been accorded a maximum of ten points, with the companies being rated on a scale of one to ten. The ninth category, Wages, has been allotted 20 points for rating purposes on the ground that wages are generally considered to be the most important single indicator of the employer's relationship with his employee. On the above basis, the companies have been placed in one of the categories listed in Table X.

In assessing the performance of the Canadian companies and their South African affiliates, allowance has been made for the fact that there is considerably less scope for small firms to undertake the whole range of programs necessary to comply with the requirements of the Code

TABLE X

RATING CATEGORIES

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.

of Conduct. Account has been taken also of the unique business environment in South Africa and of the competitive conditions that entails. While the Canadian Government and its Embassy in South Africa cannot be considered to be companies in the normal sense, they have been rated as nearly as possible in the same manner as Canadian companies and their affiliates, with due allowance for the very different nature of their operations. With respect to Canadian personnel working at the Embassy, there are written guidelines concerning personally employed domestic staff. These accord with the Code of Conduct and their implementation is monitored by the Ambassador.

The company ratings are recorded in Table XI.

TABLE XI

COMPANY ASSESSMENTS

<u>Canadian Companies</u>	<u>SA Affiliates</u>	<u>Rating</u>
1. Bayer Foreign Investments Ltd.	Six affiliates - see below*	II
2. Canadian Government	Canadian Embassy, Pretoria	I
3. JKS Boyles International Inc.	JKS Boyles (Pty) Ltd.	II
4. Menora Resources Inc.	Ocean Diamond Mining Ltd.	III
5. National Business Systems Inc.	ABS Computers (Pty) Ltd.	II
6. QIT-Fer et Titane Inc.	Richards Bay Minerals	I
7. Sternson Ltd.	Sternson (SA) (Pty) Ltd.	III
8. Unican Security Systems Ltd.	ILCO Unican (SA) (Pty) Ltd.	II
9. Varsity Corporation	Fedmech Holdings Ltd.	II

* Bayer's six affiliates in 1988 were:

- Bayer South Africa (Pty) Ltd.
- Bayer-Miles (Pty) Ltd.
- Chrome Chemicals (South Africa) (Pty) Ltd. (2 plants)
- Haarman & Reimer (SA) (Pty) Ltd.
- Rubber Chemicals (Pty) Ltd.
- Vergenoeg Mining Company (Pty) Ltd.

Most of the assessments were awarded on the basis of the completed Standard Reporting Questionnaire, supplemented by information provided by the Canadian companies and/or their affiliates through meetings, telephone contact and correspondence. The Bayer Group of companies customarily reports to the West German authorities under the European Community Code of Conduct, on the ground that the Bayer affiliates in South Africa are controlled by the parent company, Bayer A.G. of Leverkusen, West Germany, notwithstanding the fact that they are legal subsidiaries of the Toronto firm, Bayer Foreign Investments Ltd. As in 1977, Bayer provided a copy of their 1988 European report and their assessment is based on that and calls on management in both Toronto and

South Africa. For presentational purposes, the ratings of Bayer's six affiliates have been averaged, as both individually and collectively they rated Grade II.

Varity Corporation/Fedmech Holdings Ltd. and Menora Resources Inc./Ocean Diamond Mining Ltd. have been rated on the basis of discussions with management in Canada and South Africa and previous Questionnaires. This was necessary because their 1988 Questionnaires had not arrived before May 31, the due date for this report. The Administrator, however, is confident that justice has been done toward both sets of enterprises.

While modest progress was achieved by companies in general, none rated a higher assessment than it achieved a year earlier. QIT-Fer et Titane/Richards Bay Minerals and the Canadian Government/Embassy both maintained their high standards to achieve again Grade I. Both expended considerable efforts and resources to improve on their earlier substantial records. Of the five companies that acquired Grade II ratings, two have disinvested (JKS Boyles and National Business Systems Inc.). The two companies that were rated Grade III should not be considered "bad" companies but rather small enterprises doing the best they can in very competitive circumstances.

CONCLUDING OBSERVATIONS

The Canadian Code of Conduct is often confused with sanctions or disinvestment. In fact, it is distinct from both and is, as its title suggests, a Code of Conduct concerning employment practices, nothing more, nothing less. It is voluntary and simply one of a number of Canadian Government measures designed to contribute to the end of apartheid. It encourages Canadian companies and their South African affiliates to treat all their employees of whatever race on a basis of equality. Its standards have particular relevance to Black personnel who generally occupy the lower end of the economic scale in South Africa.

Though not universally accepted, Codes of Conduct are less controversial than either sanctions or disinvestment. There remain, however, shades of viewpoint respecting the Codes. The South African Government's attitude is one of benign acquiescence, believing that they have nudged indigenous South African enterprises toward higher employment standards. Indeed, a number of major South African firms, following the foreign example, have instituted their own Codes of Conduct. Where the South African Government takes issue is not with the Codes *per se* but with the fact that Canada (and others like it) has no equivalent Code for Brazil, Hong Kong, India, Korea or Pakistan. This, in the South African view, is outright discrimination.

The companies involved with Codes are less than enthusiastic about them but put up with them as necessary nuisances. Those that score high marks for fulfilling Code requirements take pride in the fact and consider the credit gained as a bonus.

The Black trade unions tend to be ambivalent, conceding the initial usefulness of the Codes but arguing that they have fulfilled their purpose and can now leave the field to the unions themselves. The individual worker accepts the union as his champion but, pragmatically, is prepared to take help from whatever quarter. He, therefore, regards the Codes as complementing his union's efforts in the struggle for equality.

An objective assessment suggests the Codes have, in fact, been instrumental in lifting employment standards, in advancing the cause of racial equality and in contributing significantly to educational and general social betterment in many industrial communities. While the Black trade unions have indeed become powerful champions of the workers and their families, the individual worker's instinct would seem to be right in seeing a continuing role for Codes of Conduct in tandem with the unions. Cooperation between the two would seem logical until their mutual goals have been achieved.

The steady disinvestment of foreign firms has eroded both their macro influence on South African society and their impact at the

local level where they have spent substantial sums on communal as well as individual worker amelioration. All but three of the larger Canadian companies have withdrawn from South Africa and two of these are ultimately foreign owned. Thus the benefits engendered by the Code of Conduct have been diluted in an overall sense to the point of insignificance except at the micro level. When the departures of American, Australian and European firms are added to the Canadian, the loss to South Africa and, particularly to non-Whites is significant. The damage is not great in terms of immediate jobs lost since, with one or two exceptions, the former foreign firms have carried on under new management. The harm stems, rather, from future expanded employment foregone through loss of capital infusions customarily provided by foreign companies. The technology lost in the process is regretted but can be replaced from other sources - at a higher cost. But the loss of fresh capital and of educational and social responsibility programs cannot be as easily overcome and their absence will have a depressing effect on the economy and society in general.

Having said that, it is a fact that no matter what companies do in terms of employee or communal betterment, there is a limit to their capacity to contribute to such ends if they wish to stay in business. The large enterprises clearly have substantial resources to deploy in this manner; the small ones less. But, whether large or small, firms cannot be expected to go beyond their means in attempting to right the wrongs of a society and its elected government. Thus there is a limit beyond which Codes of Conduct and their practitioners cannot be expected to go in the pursuit of human dignity and equality.

It is the society itself which must assume the primary responsibility. Happily, there are signs that this is beginning to happen. Some of these are outlined in section II of this report and will not be repeated here. What is important is that both political and social reform are in the wind. The general election in September will be followed by a change of regime and the new one, whether led as anticipated by Mr. F.W. De Klerk or by another, is expected to revive the reforms from which President P.W. Botha shrank in the face of a right wing resurgence.

All those governments, enterprises and individuals interested in South Africa and its march toward real democracy and equality for all should remain alert for the changes which now seem inevitable. They will be the touchstone for future dialogue and action, both within South Africa and between it and the international community. Hopefully, the current incipient discussions in South Africa will burgeon into genuine dialogue amongst all races and parties with the object of reaching, through eventual peaceful negotiations, the new, democratic, political and social order for which most South Africans of all races yearn. In these circumstances, the Canadian Government and people should be ready to ease the pressure on South Africa as evidence accrues that it is moving in the right direction. The time may be near for Canada and like-minded countries in the Commonwealth and elsewhere to review their policies on sanctions with a view to signalling to the Government of

South Africa what will be required for the international community to loosen the screws and trigger outright approval and practical assistance if and when needed. The transition from authoritarianism and White control to equality, dignity and democracy in South Africa and from sanctions to international acceptability could be long and arduous but a start seems to be in the making in 1989.

In the past, Canadian companies and their South African affiliates generally have played a useful role in advancing employment standards and in promoting equity in the workplace. Those remaining should, and seem prepared to, continue to do so, despite their declining number. Black and, to a considerable extent, other non-White employees remain disadvantaged relative to their White counterparts, still far too few making it into the ranks of administrative, management or technical personnel. Women in general but Black women in particular are scarcely to be found in many commercial or industrial enterprises, let alone in senior positions. Companies need to be more pro-active in working for the dismantlement of apartheid in all its manifestations. In particular, the smaller companies which lack financial and human resources for major programs can choose from a variety of existing organizations in order to support social responsibility projects or programs, without over-extending themselves financially. Training and promotion possibilities still exist for non-Whites in nearly all companies, both large and small.

In short, Codes of Conduct and the companies which implement them still have useful roles to play in promoting social justice and an end to apartheid in South Africa.

ANNEXES

Code AdministratorTerms 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

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 remuneration 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 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 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 May 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 31 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.

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