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# CODE OF CONDUCT

## CANADIAN COMPANIES IN SOUTH AFRICA

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

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

May 29, 1986

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 am submitting to you herewith my annual report on the administration and observance of the Code of Conduct concerning the employment practices of Canadian Companies operating in South Africa.

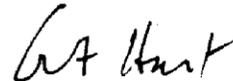
This report is the first annual review to be carried out under the measures strengthening the Code which you announced on July 5, 1985 and which thereafter included my appointment as administrator of the Code on October 1st, 1985. In the past eight months or so I have worked closely with the companies active in South Africa and have consulted extensively with other interested parties. Attached is a summary list of these contacts. I shall, of course, be continuing such consultations particularly with respect to matters arising out of the annual reports which companies submitted to me and, before putting them to you for your consideration, with respect to those recommendations and suggestions which I have set down in Part IV of my report.

As I have noted in it my report, having the character of a trial run, cannot make any claim to perfection or completeness. Companies were asked to submit to me their first annual reports by March 31st of this year. This meant that their responses had to be produced within a foreshortened period of time. With the establishment of a regular cycle of consultations and of preparations preceding future annual reviews, especially under a revised version of the Code of Conduct, I would expect annual company reports and my own annual review of them to offer an increasingly relevant and useful basis for judgements and assessments

of employment practices. This will be particularly important in determining how much and how quickly progress is being made in advancing the cause of Black employees and their families.

For your further information I am attaching to my report to you the annual reports which companies have submitted to me.

Yours sincerely,

  
Albert F. Hart  
Administrator

Encls.  
AFH:med

### Summary List of Contacts

During the period October 1, 1985 to May 15, 1986 consultations, meetings and inquiries were conducted with the representatives of the following organizations and institutions and with those persons in positions of authority whose names are included below.

Australian High Commission, Ottawa.

British High Commission, Ottawa.

Chief M.G. Buthelezi, the Chief Minister of KwaZulu, South Africa.

Canadian Companies with investments or representative offices in South Africa.

Canadian Export Association, Ottawa.

Canadian Federal and Provincial Government Departments.

Canadian Labour Congress, Ottawa.

International Business Council of Canada, Ottawa.

International Defence and Aid Fund for Southern Africa (Canada), Ottawa.

International Labour Office, Canada Branch, Ottawa.

Investment Management Companies.

Members of Parliament.

National Union of Mine Workers, South Africa.

National Union of Textile Workers, South Africa.

Public Media.

The Sullivan Code: Reverend Dr. Leon H. Sullivan,  
Zion Baptist Church, Philadelphia, Penn.  
Mr. Daniel Purnell, Administrator,  
Philadelphia, Penn.  
Dr. Reid Weedon, Senior Vice-  
President, Arthur D. Little Inc., Cambridge, Mass.

Taskforce on the Churches and Corporate Responsibility,  
Toronto.

Universities: University Administrations, Committees on Social Responsibility and on Investments.

University Professors, Consultants and Researchers.

University Students.

United States Department of State (Office of Southern African Affairs), implementing agency for Executive Order 12532 of September 9, 1985 with respect to South Africa and Fair Labour Practices.

The Administration and Observance of  
the Code of Conduct Concerning the  
Employment Practices of Canadian  
Companies Operating in South Africa

First Annual Report for the Year 1985

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## PART I. GENERAL BACKGROUND

This report draws on information contained in the annual reports submitted to me by Canadian companies together with any clarifying details arising out of my personal consultations with the senior officers of these companies. The companies were provided with a questionnaire, specially designed as a standard reporting format for this purpose, and were asked to give in the sections indicated in the format an account of the employment practices of their subsidiaries, affiliates or representative offices in South Africa during the twelve month period of 1985.

The new standard reporting format in its arrangement of subjects and questions, closely conforms to the present text of the Canadian Code of Conduct which was issued in April 1978 (see Annex B). The organization of the material in my report follows this general pattern. It may be useful therefore to note briefly here, as set down in the Code of Conduct, the principles, conditions and objectives which, in the view of the Canadian Government, should characterize the employment practices and policies of companies operating in South Africa. While all such considerations and criteria should apply to all employees, regardless of the racial categories into which the apartheid system slots and divides the people of South Africa, they have particular relevance to the employment conditions of Black African workers and to the urgency which should be attached to the improvement of their working conditions and the quality of life of them and their families.

While the aim must be the enjoyment by all workers of well-established standards of human rights the elimination of any form of discrimination in the workplace places a particular importance on guaranteeing:

- equality of opportunity in respect of admission to employment and training;
- equality in conditions of work and respect for the principle of equal pay for equal work; and
- freedom of association and the rights to organize and collective bargaining.

This principled point of departure then leads in the Code of Conduct to the specification of conditions and objectives and in the standard reporting format to the corresponding detailed inquiries which are grouped under the subject headings of general working conditions, collective bargaining, wages, fringe benefits, training and promotion and race relations. I shall follow this pattern below in bringing together information provided in individual company reports. Before doing so I will comment briefly on the list of Canadian companies, appearing as Annex A to this report, and on some general characteristics of their organization, policies and activities against the background of a challenging and complex local situation. This may help to place their presence in South Africa in a more general perspective.

## PART II. THE COMPANIES

On a point of terminology I should like first to make a distinction which I shall follow in this report. Where the terms "companies" or "company" are used the reference is to Canadian-based corporations. When the terms "subsidiaries" or "subsidiary" are used the reference is to the South African companies with which the Canadian corporation is associated regardless of whether or not the latter is a majority or minority shareholder.

One of my first tasks, having inevitably some priority, was the compilation of a reliable list of Canadian companies associated with South African subsidiaries, including companies which, possessing no direct investment in South Africa, have a representative office, employing some local labour, in South Africa. Many lists, prepared by various organizations, institutions and groups including two published by different offices of the United Nations, were publicly available but differed, often considerably, in their content. Extensive inquiries and checking pointed to a continually changing situation in Canadian direct investment in South Africa. Thus four companies which I contacted indicated that they had taken steps to disinvest or to cease operations in South Africa over the previous six months or so.

As a result of these inquiries the number of Canadian companies firmly identified as coming under the scope of the Code of Conduct stood at eighteen at the beginning of March of this year and their names are listed at Annex A. Subsequently on March 20, 1986 a

fifth company, Alcan Aluminium Limited, announced that it was disposing of its investment in South Africa to its partner there and I was informed by letter that the company in these changed circumstances would not be submitting an annual report to me. It may be recalled that Alcan had regularly submitted annual public reports to the Department of External Affairs since the introduction of the Code of Conduct in 1978.

The reduced number of Canadian companies may, subject to the fluctuating value of the rand\*, portend a continuation of the decline in the value of direct Canadian investment in South Africa in recent years. In 1984, the last year for which estimates are available from Statistics Canada, the value of direct investment amounted to \$135 million compared to \$189 million in 1983 and a high of \$239 million in 1981. This declining trend undoubtedly reflects the severe economic recession sustained by South Africa and which, with some diminution of its broader impact, still prevails.

Two of the five Canadian companies mentioned above specifically indicated that it was no longer profitable to continue their activities in South Africa. Two other companies explained their disengagement from South Africa in terms of the disposal of such assets within the transfer of larger ownership arrangements to non-Canadian companies. In the case of the fifth company its public announcement explained the sale of its South African subsidiary as part of a policy of developing new strategic directions which had led to the sale of investments in various countries. It might be noted, however, that if this company had not decided to dispose of its assets it would have been asked to do so a few days later at its annual meeting by shareholders representing a number of Canadian churches and religious orders.

As indicated on the list at Annex A, of the remaining companies now operating in South Africa, four are associated with two subsidiaries each, one with three subsidiaries and another ten with one subsidiary (or in one case a representative office) each.

\* In 1980, on the average, the rand, the South African unit of currency, exchanged for \$1.50 Canadian. On May 15, 1986 its rate of exchange in Canadian funds was \$0.638.

Seven companies, comprising a total of eleven subsidiaries, hold 50% or more of the equity of their subsidiaries. Seven companies, comprising a total of nine subsidiaries, hold less than 50% of the equity of their subsidiaries. This means that as minority shareholders, as well as being remote from the scene of management and control, these companies have rather less ability to influence the policies and practices of their South African partners. The latter by the nature of their situation cannot avoid being sensitive and responsive to the imperatives of South African laws and regulations, one of which requires them to clear any business information which they may wish to send abroad with the South African Ministry of Trade and Industry.

Where the majority partner in the South African subsidiary is another foreign company operating in South Africa rather than a local firm the situation can apparently be less constraining, notably where the majority partner itself subscribes to another Code of Conduct. In the amount of detail supplied so promptly this seems to have been the case with two Canadian companies holding minority positions but working closely together, one with a British majority partner subscribing to the European Community Code of Conduct, and one with a United States company, a signatory to the Sullivan Code.

One company appearing on the list at Annex A does not fit into the above classification of majority and minority ownership because it has a small representative office in South Africa but no direct investment there. Also not included above are the details of the ownership status and subsidiary connections of two of the three companies from whom annual reports had not been received before the date of the submission of my annual report.

Under the clarifying interpretation of its scope companies now understand that the Canadian Code of Conduct applies to all companies operating in South Africa regardless of the smallness of their investment or workforce. This has meant that two companies, one having a small subsidiary with one Black employee on its staff and one having a representative office with five employees, one of whom is a Black person, are now reporting under the arrangements of the Code.

As I have just mentioned, three companies have not yet submitted annual reports to me. From my contacts with them I understand that they are still awaiting relevant information from their South African subsidiaries for the reports I have solicited from them.

I shall remain in touch with them for this purpose.

From the foregoing information it would seem that the number of Canadian companies active in South Africa is, proportionally, small compared, for example, with the numbers of British and United States corporations. Statistics from the latest available annual surveys of the European Community Code and of the Sullivan Code in the United States indicated 181 British companies reporting to their Code authorities and 178 United States companies signed up to report to the Sullivan system. In both cases most of the companies concerned are majority shareholders or outright owners of their South African subsidiaries and in their general impact they can be expected to exercise a weightier influence locally than Canadian companies. However the position of Canadian companies assumes more significance when account is taken of the number of local people employed by their subsidiaries. Thus information available on twenty-one subsidiaries points to workforces totalling 21,127. This may be compared with the total of 62,656 employees which, as indicated in its annual report of October 25, 1985, were employed by the American units reporting to the Sullivan Code system.

As a further qualification I should note that minority ownership status cannot generally be regarded as an indicator of the modest size of a company's involvement in South Africa or of the modest importance of its contribution to the local economy. The subsidiary of one company in a minority position is the largest employer on the Canadian list, its total workforce numbering 7,635 of whom 5,298 are Black, Coloured and Asian employees. The subsidiaries of two other companies also in minority positions have workforces totalling 4,656 and 1,487 respectively. In each case the great majority are Black employees. It is obvious from the reports submitted by these three companies that they take an active and well-informed interest in the affairs of their subsidiaries.

Nor is the smallness of a subsidiary's establishment, whether or not the Canadian company concerned is a majority or minority shareholder, necessarily a useful indicator of the importance of a company's interest in and contribution to the local economy. This is certainly suggested by the unique character of the activities of several Canadian companies in the fields of specialized construction equipment and consulting engineering services for infrastructural development particularly related to heavy use of public transport. It would be difficult to place a monetary

value on the broader impact of the services and products provided and on the transfer of skills and technology involved. They might appropriately be considered as essential elements of programmes of a developmental nature imaginatively conceived, organized and carried out by such companies. This seems especially the case in the complementary and supporting role which the South African subsidiaries play in providing the similar services and sales for projects of infrastructural development carried out by Canadian companies in neighbouring countries of Southern Africa.

An interesting feature of the investment policy of two of the companies I am referring to here is the provision for the progressive reduction of their equity involvement in favour of their South African partners. Thus over the years the companies have made the transition from the original status of 100% ownership to their present small minority status.

The subsidiaries of Canadian companies are active in a number of major industrial fields: mining operations and exploration and the supply of mining equipment, agricultural machinery, heavy road machinery and construction equipment, textiles, leather goods, business forms, automobile manufacturing, publishing, and, as indicated above, consulting engineering services. The companies concerned have all developed strong international connections many of which are attributable to their success within Canada in building up a solid basis of advanced technology, efficient organization and effective business techniques and administration in the various industrial sectors mentioned. Other countries, and this is certainly the case in Southern Africa, facing at the outset of their modernization plans and efforts a similarly challenging environment, have been impressed by the Canadian example of economic expansion in the twentieth century. It is hardly surprising that their wish to emulate it and to benefit from partnership with Canada in their own development should in the private sector have offered investment opportunities to Canadian companies and that the Canadian companies so interested, often encouraged by invitations extended from the host countries, should have found a hospitable reception in the countries concerned, including South Africa.

While the connections of most Canadian companies with their subsidiaries in South Africa have been established within the last twenty years other companies can trace their activities through their subsidiaries back over a much longer period of time, in one case as far back as eighty years and in two others reaching

fifty-five and thirty-seven years respectively into the past. Their subsidiaries have not escaped the impact of the economic recession. Some subsidiaries, notably those in the highly competitive consumer goods sector have been affected, although a substantial retrenchment in their workforces has been resisted. Some subsidiaries have been obliged to reduce their workforces: in one case many White employees were laid off as against a small increase in the number of Black employees. In contrast some subsidiaries were able to avoid any adverse changes in their business activities and consequently could maintain their workforces at usual levels. Three subsidiaries, engaged in mining operations, actually recorded some increases in output and in their workforces in 1985. Inevitably the impact of economic recession must be a matter of concern where it threatens not only an increase in unemployment but also, a subject to be looked at below, the achievement of the wage standards which the Code of Conduct recommends.

### PART III. OBSERVANCE OF THE CODE

#### 1. General Working Conditions

Specific aspects of working conditions are considered under other sections below. In the South African context what is particularly important in the general approach of a company or subsidiary to the working conditions it offers its employees are the facilities and procedures, formal or informal, which ensure good communication between employees and management so that the grievances and complaints of the former, especially where matters of racial discrimination or unequal treatment may be raised, can be freely ventilated and fully considered.

Most reports from companies indicate adherence to single grievance procedures which for the most part are set out in writing and in some cases are the outcome of negotiations with trade union representatives. Informality and direct personal contact appear to be preferred where employee numbers are quite small. One company, having a subsidiary with an employment establishment not quite in this category, acknowledged that the subsidiary had no formal procedures but attributed this to a perception that it had not seemed necessary in a workforce characterized by a plant manager, supervisors and other employees who were all Black persons. However the company report indicated that

a work committee was now being set-up. The plant does not have a trade union organization but, according to the report, there has existed an informal committee of Black employees.

In addition to grievance procedures of a formal or informal nature a number of companies indicated that they sought to foster communication in general with their employees through an "open door" policy, encouraging direct personal accessibility to management. On a more formal level of communication arrangements twelve reports referred to the activities in their plants of work or liaison committees on which there are representatives of Black employees. While such arrangements offer a method of frequent and regular consultation between management and employee the development of trade union organization, considered in the next section, clearly assumes an increasingly important role in consultation and communication.

## 2. Collective Bargaining

Perhaps the most remarkable and significant sign of change in South Africa in recent years is the growth of Black trade unions which can now claim a membership approaching 750,000 and indications of this trend are to be found in company reports under this heading. Where the process of change, organization and reorganization is moving at such a tempo some caution is necessary in the use of labels. Many trade union organizations which have existed for longer periods of time are described as multi-racial or non-racial. While not now excluding Black members, they have substantial numbers of White, Asian and Coloured workers as members and leaders of their organizations. A Black trade union is also a non-racial organization with the difference, however, that its membership and leadership is predominantly composed of Black persons. In the latest phase of their expansion, organizationally as well as numerically, a number of these trade unions came together towards the end of 1985 to form a new Black trade union federal group, the Congress of South African Trade Unions (COSATU).

The surge of Black trade union growth has followed the implementation of changes to the South African Labour Relations Act and Labour Law which eliminated provisions from the legislation that

discriminated on the basis of race and thereby prevented Black trade unions from being registered as such. As a result of their exclusion from registration they were not entitled to be represented within the prevailing Industrial Council system and, consequently, were not able to have their bargaining agreements with employers legally enforced.

Admission to the Industrial Council system and the acquired legality that comes with it may offer the Black organizations new possibilities and more freedom to manoeuvre. They must, however, face the constraints still arising from the Industrial Conciliation Act as the statutory basis of the system's authority and jurisdiction. Thus in conformity with this Act an Industrial Council is formally described as a permanent, self-governing body with jurisdiction over a particular industry or area. It represents a forum on which trade unions and employers negotiate for and conclude an industrial agreement which then applies throughout the Council's sphere of jurisdiction. Trade unions and employers are represented on the Council "on equal terms". While Black trade unions are now legally in a position to negotiate "closed shop" arrangements it is not clear that the problems posed by some existing arrangements of this kind, tending to exclude Black workers from certain skilled occupations, have been successfully surmounted. It is worth noting that under the Act an existing union can oppose the registration of a "new" union on the grounds that the existing union is representative of the workers, i.e. "that it has already more than fifty percent membership of workers in the envisaged area of jurisdiction."

As indicated above the growth of Black trade unions is reflected in company reports from their subsidiaries. The subsidiaries of two mining companies are now engaged in negotiations with the National Union of Mineworkers for the setting up of union branches at their operations. The subsidiary of another mining company already has an established Black trade union at its operation. Three other companies report that their subsidiaries have Black employees who are enrolled in a Black trade union or in one which is affiliated to COSATU. Another seven company subsidiaries report that their Black and other employees are enrolled in multi- or non-racial trade unions which are represented in the appropriate Industrial Councils.

One company reports that three of its production facilities are unionized and two are not. The two non-unionized plants are located in KwaZulu which lies

outside the jurisdiction of the South African Industrial Council system and Conciliation Act. In its explanation of the two exceptions the company points out that the trade union with branch organizations at its other plants has not sought to extend collective bargaining into the two KwaZulu plants. It contends that so far no other union has gained the support of the employees of these plants although several unions have approached the employees. The process of unionization in these plants thus remains at an awkward and difficult impasse. Clearly further, serious efforts by all concerned will be required to resolve it.

From the reports of another company's two subsidiaries it appears that the Industrial Council system is not comprehensive in its jurisdiction over the whole range of industrial production and business activities. At least this seems to be the implication of the company's explanation as to why one of its two subsidiaries is not yet unionized. The company's report does make the point that the workers at the non-unionized plant are free to belong to a union and management has undertaken to make this point perfectly clear to its employees in future.

In general from their reports it can, with one exception, be said that all Canadian companies subscribe to the principle of freedom of association and the rights to organize and to collective bargaining. Five companies comprising an equal number of subsidiaries at which trade unions do not exist related the absence of unions to the lack of interest of their few Black employees and, in the light of these circumstances, the impractical nature of a formal trade union organization.

To revert briefly to the one exception noted above. The company concerned pointed out that there were no trade unions in the consulting industry in Canada and that it was simply adhering to this practice in South Africa. Its policy, it indicated, has been to employ and train South Africans without regard to race or creed and on the same basis to transfer ownership of the company to them.

### 3. Wages

All companies support unreservedly the principle of equal pay for equal work. Apart from the difficult challenge of implementing this principle they are also asked under the Code of Conduct to strive to provide remuneration sufficient to assist their Black employees to achieve a standard of living significantly above the

minimum level required to meet their basic needs. As indications of company achievement in this regard they are requested in their annual reports to respond to questions about minimum wages, average monthly wages and annual wage increases. A number of companies indicated in their reports that their employees were hired on a salaried basis only and in order to reach as comprehensive a picture as possible of employee remuneration it was necessary to go back to them for relevant information on salary scales.

It is by no means easy to produce an account of wage and salary structures on which comparisons or judgements of achievement and progress can be made. Conditions, circumstances and standards having an impact on these structures vary regionally, between urban centres and rural areas, and between industrial sectors. On the latter score, as is mentioned in some company reports, wage scales in one type of industry may, as in Canada, be traditionally lower than in another type of industry partly because the jobs are easier to learn, and can often be carried out on a part-time basis by second-income family members. A rough contrast, not without relevance to the high level of unemployment in South Africa at the present time, can be drawn between the situation in a labour-intensive industry which provides much employment but generally more modest pay rates and a capital-intensive industry which provides much less employment but offers its skilled employees and professional staff better remuneration. Then again where profitability may be a significant advantage of a particular type of industry, e.g. mining operations, it may be partially possible to bridge both the differences of pay scale and of labour-intensive and capital-intensive methods while retaining a large workforce.

A special and related problem in the analysis of company wage and pay structures is the variety of arrangements that characterize their remuneration and compensation practices. The distinction between salaried employees and those paid on a wage-rate basis has already been mentioned above, but even within the wage-earner category there can be noted sub-categories of employees compensated on an hourly or part-time, daily, weekly or monthly rate.

Another and more complicated arrangement is that of the annual contract. As these terms, I have been informed, are now to be understood, a contract worker is not necessarily a migrant worker but a migrant worker is necessarily an employee recruited on the basis of an

annual contract. As one point of difference a contract worker who is not in the migrant category could be classified as a commuter because he or she travels daily between the workplace, located in an urban area and the family residence, located usually in a neighbouring township or "homeland" area. Migrant workers are drawn from much more remote areas either within South African territory or from outside areas contiguous to South Africa's borders. They are housed in the townships or at the workplaces, e.g. mining operations, in single-sex hostels and may be provided with food and other facilities and benefits deemed to form part of the compensation arrangements of this kind of contract. (Both categories of contract are governed by South African laws and regulations).

Only one subsidiary of a Canadian company is involved in the contractual employment of migrant workers and the number it employs under such annual arrangements is 4,201.

As a variation on the above mentioned arrangements the subsidiary of another mining company accommodates part of its workforce in single-sex hostels and provides them with board and other relevant benefits. But the employees concerned are permanently employed rather than hired under contract. Their homes are located within a radius of seventy-five kilometres of the workplace and, with transportation provided free by the employer, they rejoin their families for several days each month. These employees thus do not come within the category of migrant workers. Whether or not an employee has migrant status, if board and lodging are provided by the employer they are under local practice regarded as components of an employee's remuneration, and a calculation or estimate of these amounts duly related to estimates of living costs in the locality concerned has to be included in a compilation of the employee's monthly income. Estimates of these different kinds are included in the country-wide surveys conducted by the two universities mentioned below.

In the spirit of the Code of Conduct the objective of guaranteeing employees a standard of living that will allow them some dignity requires special attention to be paid to minimum wage levels, that is, the wages of the lowest paid employees in a company. Thus the Code asks companies to report their minimum wage in relation to established minimum living levels.

The standards used (for families of five or six) 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 by the two universities from statistical studies, periodically updated, on living and wage levels at various locations. For example, as specified by UNISA in its 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 under the now generally accepted practice foreign companies are encouraged to 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. Minimum pay conforming to the SLL varies, depending on location, from 23.8% to 28.3% higher than a wage rate based on the MLL.

For most units the proportion of employees at the company's minimum wage level is small. On the basis of the standards outlined above twelve of the twenty-one reporting units covered in Table I implement minimum wage rates above the SLL. With respect to the four reporting units paying a minimum wage at or below the MLL, one of the three companies concerned has pointed out that the employees of its subsidiary are largely single people or persons who contribute a second income to their own households. Another company has explained that the families of the few wage earners in the minimum wage category of its reporting units are smaller than the stipulated family size. Both companies suggest therefore that their minimum pay rates should refer to single person or smaller family MLL standards and that on such adjusted standards their wages would be above the relevant MLL. In the case of the fourth reporting unit the company has explained its wage policy in 1985 as a temporary measure to meet the serious recession in the agricultural equipment sector. Since January, 1986 the minimum wage at the subsidiary has been set at 40% above the MLL.

TABLE I

Wage of Lowest Paid Employee Related to Minimum Living Level (MLL) for Families of Five or Six Members

Percentage by which wage exceeds MLL or HSL	Reporting Units #
0 or Less	4
1 - 10	2
11 - 20	3
21 - 30	4
More than 30	8
Total	21

\*Reporting units include in the cases of two subsidiaries of Canadian companies wages information submitted by branches in different locations.

Information on average monthly wage rates reflect the higher scales of remuneration paid to Black employees other than those at the minimum wage rate. When these rates are taken into account thirteen of the twenty-one units in Table I indicate average remuneration at levels 50% or more in excess of the MLL, including seven units above 75%.

Some companies pointed out that the standard reporting format did not ask for information on the maximum remuneration levels of their Black employees. Such information, they felt, would allow a more balanced presentation of pay structures and policies. Information which these companies volunteered on maximum pay rates for skilled and higher positions occupied by Black staff members ranged over rates from 144% to 469% above the MLL.

The annual process of wage increases provides companies with the occasion for the introduction of improvements in wages paid to their Black workers. The

reports of seven companies indicated a practice of giving larger annual increases to their Black workers than to their White employees. Two other companies reported giving to their Black employees recently extraordinary increases of the order of 30%. In the one case this measure was taken in spite of financial setbacks and the need for retrenchment in 1985. Two companies mentioned that the wage rates for their unionized employees were substantially higher than those negotiated during the period by their unions within the obligatory framework of the Industrial Council system.

From the point of view of improving and even maintaining remuneration levels in a period of economic recession the impact of inflation poses a particularly troublesome problem. Over the period with which this report is concerned the rate of inflation, as it affected Black family living standards varied according to locality from 11% to 17.5%. The annual wage increases of a number of companies exceeded the inflation rate. Eleven reporting units on Table I provided details that indicated that the increases granted to their employees had either just kept pace with the local rate of inflation or had fallen slightly below that rate.

My main impressions from my consultations with companies and the information they have provided on matters of remuneration in their reports are as follows:

- [1] Companies are concerned to raise the wage levels of their Black and other non-White employees but if solid progress is to be maintained in real wages many companies will need to pay more attention to a satisfactory positive relation between annual wage increases and increases in the cost of living.
- [2] Although relatively minor numbers of the employees of most companies are in the minimum wage category the number of companies with minimum wage rates still below the SLL standard is disappointing. Even if economic circumstances are unpropitious companies should treat the early achievement of wage levels in excess of the SLL as a matter of some urgency. This is not to imply that those companies which have the standard behind them have any reason

to relax their efforts to improve the pay arrangements of their employees.

- [3] If information on average monthly remuneration indicates that many Black employees are compensated at rates well above the SLL it also when viewed in an overall context reflects the fact that a large number of them are clustered at the lowest levels of the workforce. This situation points to the importance of training and promotional possibilities, the subject of a following section.

#### 4. Fringe Benefits

The Code of Conduct generally urges companies to provide their Black workers with improved fringe benefits. They are asked to ensure that any benefit available to one group of employees is available to all employees. In practice, however, where improved benefits are specified, as the Code does, on such matters as medical and health facilities, transportation, housing, education for the children of employees and other social services the benefits extended can go beyond what are available to White employees who may not have the same need for them. Where medical coverage is concerned, for example, benefits administered by the companies themselves can reduce the dependence of Black employees and their families on the services and facilities available to them under the Government system.

All companies, with one exception, responded affirmatively to the first question of the standard reporting format under this heading: Do Black employees benefit from medical, dental, life insurance, disability insurance and other plans on an equal basis with other employees? The majority of the companies gave details of arrangements devised in favour of their Black and other non-White employees to meet the special needs and requirements of these employee groups. This indeed seems to be the case with the one exception just noted where the subsidiary concerned, employing migrant labour, outlined a series of benefits which included free medical and dental treatment, free accident coverage and fatal accident and illness insurance at very low percentage rates of contributions from employees' remuneration.

On this first question companies, with subsidiaries of relatively modest size in the large urban

centres, having few Black employees and, conducting what they regard as well integrated personnel establishments, did not specify in detail the benefits covered by this question. The one exception among subsidiaries in this category reported that on behalf of its one Black employee the company paid the cost of a contributory medical aid plan, a contributory pension fund with death and disability benefits, as well as company accident and short term disability coverage, and the charges of the employee's child in a creche.

Generally in the case of medium and larger-scale workforces the companies concerned reported that they provide their Black and other non-White employees with medical and insurance plans which allow the employees some flexibility in obtaining better medical services together with financial arrangements for meeting the costs involved, including payments for medicines and drugs. Information from six reporting units referred to the operation of medical and health clinics at the workplace where among other services employees can obtain medicines and have prescriptions filled. In addition one of the companies maintaining a clinic also provides a para-medical mobile clinic for the families of its employees. One company has an arrangement for a weekly visit of a medical doctor to its workplace for free consultations with its employees. Another company, supplementing the medical and health plans it offers its employees in a remote area, provides free transportation for its employees to the doctor's office.

With one exception all companies indicated that they offered their Black employees the same annual vacation plan as other employees. The one exception reported that vacation entitlement was related to position in the company, without regard however to racial background.

Other benefits offered by companies to their Black employees fall mainly within the areas indicated below.

Housing. Eight companies reported loan or other forms of assistance to enable Black employees to acquire housing or durable goods and automobiles. One of these companies at one of its two subsidiaries provides fully subsidized housing to married employees who, however, by present South African law are restricted in the number of those who may receive this benefit to an upper limit of 3% of the Black workforce. The company has recently publicly declared that it will lobby against this law which bears down most heavily on migrant workers. At its

other subsidiary, where there are no workers in the migrant category and consequently Black workers can more easily qualify under the law for permanent housing, the company offers its Black employees 100% loans for the purchase of housing.

Another company, which reported that it seeks to supply accommodation for all of its employees and offers them the choice of paying at a low rental or, alternatively, of taking advantage of low interest loans to acquire their homes outright, allocated a further one million rand in 1985 to be used by its Black employees for houses of their own choice. A third company, having assumed some years ago a direct role in Black housing developments for the benefit of nearby Black communities generally as well as its own employees, gave a detailed account of its extensive initiating, organizing and financially supportive role, involving on the company's part the commitment of substantial amounts of money. Apart from these three examples amounts of loans or sums of money the other five companies made available and were actually utilized were modest.

Transportation. Seven companies provide free transportation arrangements of one kind or another including: commuting to and from the workplace; monthly or other periodical leaves to rejoin families; conveying children to boarding schools, and visits to a medical doctor.

Miscellaneous. Four companies provide or support recreational facilities and sports grounds. Two companies provide their employees with subsidized canteens. Four companies offer their employees educational grants and bursaries. (Reference is made in the next section to other educational assistance related to training and development programmes.)

The present text of the Canadian Code of Conduct does not refer directly to possible contributions and assistance companies may make to community projects. Such projects aim to improve the quality of life of the Black communities from which they draw their workforces. Some companies, which does not mean that these are the only companies so involved or participating in community projects, have specially referred in their reports to their donations and actions directed to broader community objectives. The following examples are culled from company reports:

- annual donations towards the construction of classrooms in KwaZulu (one of the

companies so contributing mentioned an amount of 7000 rand);

- annual donations to local schools;
- special contributions in 1985 of 5000 rand for improvements to the local school's sports field and of 1560 rand for the provision of a television set to the local community;
- regular financial and other donations to a wide variety of institutions assisting Black people on matters of health care, housing, legal aid, child welfare, creches, sanitation, water supply and other useful social services and facilities;
- assistance in the establishment of Black enterprises and retailers as sources for materials and components to be used at company manufacturing plants;
- taking an active role in a number of important nation-wide business organizations in urging the South African Government to bring about an end to the practice of apartheid.

##### 5. Training and Promotion

It is obvious from the information set out in other sections of this report that Black employees generally tend to be concentrated at the lower levels of employment grades and, inevitably, a problem of skewed racial composition can, in such circumstances, occur at the higher levels of the workforce and staff up to and including the management level where the balance reaches its least satisfactory state.

This general situation reflects the unequal and inferior educational and training opportunities which have been available to Black persons under the public system. It has also been affected by discriminatory employment legislation, for example, the systems of job reservation and job classification. While the legal props of such systems have now been removed they are, at least in the mining industry, still in the process of being phased out. Thus employers face a special challenge of responsibility with respect to the

organization and implementation of programmes of training and promotion for their Black employees and to contending, where they still apply, with transitional restraints on efforts to upgrade their skills and occupation levels.

Most companies indicated that they relied on "on-the-job" training supplemented by courses, special training arrangements, techniques and seminars organized and carried out within the workplace. The in-house courses and training arrangements aim particularly at raising the qualification levels of unskilled and semi-skilled workers and, where technology is an important consideration, at the training of local engineers and technicians. At the same time other objectives include the development of expertise in productivity and quality control and improving the skills of administrative and clerical employees.

One company producing and servicing specialized machinery and equipment relating to road construction has set up floor training teams of three members, one of whom is skilled, to upgrade the skills of the currently unskilled Black workers. Training is conducted in the workers' own language. A Canadian trainer is regularly sent to South Africa to run special programmes in which employees, without regard to racial background, participate. Another company involved in the transfer of technology places the emphasis in its training programmes on the rapid transfer of skills on an equal opportunity basis and in addition, going outside the workplace, it has over the past twenty years channelled a proportion of the profits generated in South Africa into the education of local engineers and technicians who would otherwise not have the opportunity of professional development in the relevant industrial specialization.

Generally, as reflected in the few details set out on such possibilities in their reports, companies have not relied very much on external training and educational facilities. Seven companies, additional to the company mentioned above with respect to the transfer of technology, offer student grants or loans to Black employees (and in one case members of their families are included) for courses related to employment skills or to encourage their self-development. Two of these companies offer their employees an extensive range of courses related to all levels of the companies' organization and activities with the exception of sales and managerial positions.

Another in the foregoing group of companies

offers training and educational opportunities for all levels of positions without exception and in addition to specially designed in-house training courses makes use of outside consultants, external educational institutions, company-owned and operated training schools, correspondence courses, as well as regional and international courses conducted through its worldwide company organization. This company reported that during 1985 a total of 464 non-White employees were enrolled in one or more courses. It estimates the cost of such arrangements at a total of 276,692 rand for this annual period.

Most companies did not provide in their reports estimates of the monetary costs of their training programmes. They pointed to the difficulty of determining these costs within the short lead time allowed for the submission of annual reports under the revised reporting arrangements. From the limited information received it has not been possible to obtain any clear impression of the relative distribution of training costs among the different groups of employees or of how rapid progress in upgrading the skills of Black employees has been or can be in the near future.

To some extent, as in some other sections of the new reporting format, the formulation of some questions of this section has posed some difficulties for companies. Amendments to the format taking into account particularly criteria such as clarity, precision and relevance should provide a helpful sharpening of focus on questions which in future rounds of reporting can most readily invite the pertinent information in response and allow informed judgement on progress to be made.

## 6. Race Relations

The Code of Conduct calls upon companies to integrate, to the fullest extent possible, their working, dining, recreational, educational and training, and other related facilities of the workplace. In their responses all except three companies reported that complete desegregation prevailed at the workplaces of their subsidiaries and also, where they existed, at the social and recreational facilities provided in or outside the workplace.

Of the exceptions two are the subsidiaries of mining companies. Their reports explained that the remote locations of mining operations and the relevant accommodation arrangements for Black employees in hostels

with their own adjacent facilities made it difficult to achieve complete integration. The third exception, a company in an urban centre, noted that while all other facilities were integrated its washrooms were still segregated in compliance with local law. The company has undertaken to review this arrangement with the aim of desegregating the facility.

All companies, without exception, report that no racial segregation signs exist at their workplaces or offices.

#### IV. CONCLUDING OBSERVATIONS

As the first annual report under the new arrangements setting up a mechanism for continuity in the administration of the Code of Conduct and the observance of its implementation this survey cannot make any claim to perfection or completeness. The compressed period of time within which companies were asked to submit their first annual reports and the complexity of some features of the questionnaire to which they were asked to respond presented some difficulty for them given that the desired information had to be collected in South Africa and despatched from there.

Nevertheless, even if this initial exercise must be regarded as a trial run, it is, I think, possible to draw from it some tentative conclusions and judgements, some of which I have already set down under the appropriate headings above. Here I would simply like to suggest some directions in which companies should move more vigorously over the near future and which should be duly recognized in revisions to the Code of Conduct and the apparatus of its administration. Hopefully improvements in the general economic situation of South Africa will prove to be conducive to such movement by companies. One must also hope that reforms carried out by the South African Government, in conformity with its announced intentions, will facilitate the efforts of companies.

- [1] Remuneration policy: Companies should aim at annual wage and salary increases which in real terms will significantly raise both the level of their lowest-paid employees and the overall level of average remuneration.

- [2] Training and Promotion: The unequal and inferior educational and training facilities made available to Black people by the public system in South Africa present companies with a formidable challenge and social responsibility which should obtain from them an increasingly strong response in the organization and implementation of training and promotion programmes for their employees. Such a demonstration would help to realize the principle of equality of opportunity and through the achievement of higher productivity contribute to the feasibility of higher wage and salary levels.

- [3] Fringe benefits: Among the objectives of the varied range of benefits offered by companies assistance on housing, probably the most serious problem facing employees and their families, occupies a more modest place than its urgency deserves and should receive a great deal more attention in future.

- [4] Community development: This is a subject, elevating the scope of fringe benefits to the larger local framework, not mentioned in the present text of the Code of Conduct. Some companies have reported that they are already involved in the support of community projects; others have indicated that they are considering such participation. With their expertise, experience and patronage, as well as with financial contributions, companies could give valuable help to community programmes in housing, education, health, welfare and recreation and to efforts to assist in the development of businesses and factories owned by Black people.

The Code of Conduct should, I believe, be redrafted to place the necessary emphasis on the points I have mentioned above. Consultations which I have had with members of the Taskforce on the Churches and Corporate Responsibility, the Canadian Labour Congress, visiting trade unionists from South Africa, other Code authorities, and other interested parties, as well as Canadian companies, suggest also the desirability of making in a revised text of the Code

specific mention of the following issues and problems.

(a) Bringing the Code to the Black Worker.

Companies should ensure that their 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 newly-appointed Labour Attache to the Canadian Embassy in Pretoria could provide a new useful channel for the distribution of information on the Code of Conduct to trade unions and other interested organizations.

Companies should be prepared to inform their employees what they are doing to implement the Code and should review and discuss with them or their representatives their annual reports on the implementation of the Code.

(b) Migrant Labour. Employers utilizing this form of labour should endeavour to alleviate the harsh effects of the existing regulations of the policy of apartheid as applied to such employees. They have the responsibility to contribute to ensuring freedom of movement of Black African workers particularly with respect to giving them the opportunity of leading a family life and making it easier for families to settle near the workplace of employees.

(c) Social Justice. By positive, constructive and legal means and approaches and in cooperation, where appropriate, 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.

With these various points in mind I have prepared a revised and expanded text of the Code of Conduct. I hope to complete my consultations on the matter with the

interested parties in the very near future and I shall then submit the new version of the text to you for your consideration and approval.

It will also be desirable to revise the new standard reporting format not only to take into account proposed changes in the Code of Conduct but also to reformulate some of the questions it now contains in ways which will assist companies to provide more precise and relevant information on their employment practices. This exercise will require close consultations with the companies. It is important, I realize, that the format should not take an unwieldy or inflexible shape and that it not unduly burden companies with paperwork.

One further proposal occurs to me which I think deserves consideration. Since the focus of the Code of Conduct is on employment practices it cannot be assumed that its application to Canadian companies investing in South Africa or having representative establishments there exhausts all the possibilities. Indeed the Canadian Embassy, employing local labour, is one such possibility. It would seem to me to be entirely within the spirit of the Code of Conduct and the larger purpose the Canadian Government intends it to serve, to invite any Canadian public or private organization and any individual Canadian, temporarily or permanently located in South Africa and employing local labour there, to comply voluntarily with the Code.

As a final comment in this report perhaps I might offer a thought or two on the question of the usefulness of Codes of Conduct. This question, always uppermost in my own mind, has been readily answered by many of my interlocutors in trenchantly negative judgements. I do not find it so easy myself to reach firm judgements, one way or the other, and certainly not on the basis of an initial, foreshortened annual exercise in the administration of the Code. In one respect it seems to me that the disappointment of some critics results from expectations which go well beyond what could reasonably be attributed to one only of the various policy measures which the Canadian Government has introduced in developing a comprehensive policy to combat apartheid.

In my own approach to this question I have sought to concentrate on those indications that something good for the Black people of South Africa, in terms of their welfare, human dignity, equality and freedom, can arise from the implementation of the Code of Conduct. This initial experience with the reorganized administration of the Code has given the Canadian companies concerned an

opportunity, as well as an obligation to begin to review in some depth the various employment practices prevailing at their subsidiaries in South Africa. As preliminary indications the introduction of some improvements in working conditions and remuneration have been cited from the company reports collated in this survey and I have found among employers a willingness to consider more improvements. Clearly the Code of Conduct, striving, as its administration should, for ever great effectiveness can have a useful function to perform in promoting greater equality and improved conditions for Black workers and their families. In this respect it serves as a goad to greater efforts on the part of companies but, as we should remind ourselves, it cannot replace or be a substitute for the initiative which companies may and should consider themselves morally and socially bound to undertake on behalf of their employees.

## ANNEX A

Canadian Companies with Subsidiaries, Affiliates  
or Representative Offices in South Africa  
(As of March 1, 1986)

	Notes
Alcan Aluminium Limited	(2), (7)
AMCA International Limited	(1), (4)
Bayer Foreign Investments Limited	(8)
Bata Limited	(1), (6)
Champion Road Machinery Limited	(2), (4)
Cobra Emerald Mines	(8)
COMINCO Limited	(1), (5)
Delcan Limited	(2), (4)
Dominion Textile Incorporated	(1), (4)
Falconbridge Limited	(2), (5)
Ford Motor Company of Canada Limited	(2), (4)
International Thomson Organisation Limited	(1), (4)
Jarvis Clark Company	(1), (4)
Massey-Ferguson Limited	(2), (5)
Moore Corporation	(1), (5)
QIT-Fer et Titane inc.	(2), (4)
Joseph E. Seagram and Sons Limited	(3)
Sternson Limited	(2), (4), (8)

## Notes:

- (1) Company holds 50% or more of equity of South African subsidiary.
- (2) Company holds less than 50% of equity of South African subsidiary.
- (3) Company has representative office only; no investment.
- (4) Company has one subsidiary in South Africa.
- (5) Company has two subsidiaries in South Africa.
- (6) Company has three subsidiaries in South Africa.
- (7) Company announced sale of its equity in South African subsidiary on March 20, 1986.
- (8) Company has not yet submitted report for the year 1985.

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

In South Africa there are policies, legislation and practices based on the principle of racial discrimination which are repugnant to Canadians, and which the Canadian Government has condemned as contrary to internationally-accepted standards of human rights. Many Canadians are concerned about the extent to which companies identified with Canada are involved in South Africa in an economic system based on racial discrimination.

The Canadian Government has noted that a number of Canadian companies have already shown leadership in establishing programs to improve the working conditions of the non-white employees of their affiliates in South Africa. It strongly hopes that every Canadian company active in that country will promote employment practices which are based on the principle of equal treatment for all its employees, and which are consistent with basic human rights and the general economic welfare of all people in South Africa. While these objectives are applicable to all employees, they have particular relevance to the employment conditions of black African workers. The Government believes that, by promoting the achievement of these objectives, Canadian companies will be able to make an important contribution towards improving the working conditions generally of black and other non-white workers in South Africa.

The Government commends to Canadian companies the Declaration adopted unanimously in 1973 by the Executive Committee of the International Organization of Employers. Among its other provisions this declaration "appeals to the Republic of South Africa to fulfill its obligations in respect of human rights and to repeal its discriminatory legislation with the aim of giving equal rights and protection of those rights to all workers and in particular by guaranteeing:

- equality of opportunity in respect of admission to employment and training;
- equality in conditions of work and respect for the principle of equal pay for equal work; and
- freedom of association and the rights to organize and collective bargaining."

The Declaration also appeals "to all employers in South Africa to take urgent measures to promote the conditions necessary for acceptance of the well established standards in the field of human rights approved by the International Labour Organization." The Government believes Canadian companies should implement the above-mentioned principles of the Declaration of the International Organization of Employers, which were reaffirmed by the I.O.E. in June, 1977.

Accordingly, it is the view of the Canadian Government that:

(1) General Working Conditions

- In general companies should improve the overall work situation of black employees to the fullest extent possible, and ensure that employment practices applicable to any group of workers are equally applicable to all workers.

(2) Collective Bargaining

- Companies should ensure that their employees are free to organize collective bargaining units that can effectively represent them, and undertake to engage in collective bargaining with such units in accordance with internationally-accepted principles. As companies are aware, under South African law black trade unions are not "registered trade unions" officially empowered to negotiate industrial council agreements, but such organizations are not illegal. Companies should extend customary basic rights to such bargaining units, i.e. to organize for the purpose of negotiation, to solicit support among employees, to disseminate trade union information material, and to engage in other traditional trade union activities on company premises.

(3) Wages

- Companies should ameliorate the effects of the job reservation and job classification system by implementing the principle of "equal pay for equal work" -- i.e. the staffing of and remuneration for a position should be based on the qualifications of an individual and not on his racial origin. They should also strive to 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. The Canadian Government endorses the widely accepted guideline that the minimum wage should initially exceed this minimum level by at least 50%.

(4) Fringe Benefits

- Companies should provide to black workers improved fringe benefits such as contributory medical and pension plans, disability insurance schemes, sick leave benefits and annual vacations. Companies should ensure that any benefit available to one group of employees is available to all employees. The Canadian Government encourages companies to assist in providing for their staff adequate medical and health facilities for them and their families, transportation to and from their place of work, adequate housing, education for their children, and other social services such as legal assistance and unemployment insurance.

(5) Training and Promotion

- Companies should provide training programs and job opportunities to facilitate the movement of blacks into semi-skilled and skilled positions and introduce blacks to supervisory

positions on an accelerated basis,  
rather than recruiting expatriate  
personnel.

(6) Race Relations

- Companies should, to the fullest extent possible, integrate their working, dining, recreational, educational and training facilities. Companies should seek the advice and assistance of such South African organizations as the Institute of Race Relations and the National Development and Management Foundation which have done extensive studies of the problem of worker productivity and efficiency and which can provide invaluable advice on ways to find solutions which benefit both workers and companies.

The Canadian Government intends to follow developments closely. Canadian companies operating in South Africa should make annual public reports in sufficient detail to permit assessment of their progress in realizing the objectives of the Code of Conduct.

