CODE OF CONDUCT

CANADIAN COMPANIES
IN SOUTH AFRICA

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

31 May 1988

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 pleased to present to you the third annual report on the Administration and Observance of the Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa.

In accord with my terms of reference, I have updated the list of companies with operations in South Africa, drawn their attention to the Code and Standard Reporting Form, collated their reports and consulted, in addition to the relevant companies, a broad range of non-governmental organizations and individuals. The attached report, based on these consultations and company reports, is submitted for your consideration. Copies of the company submissions are enclosed for your further information.

It is a pleasure to report that all Canadian companies received passing grades for 1987. Three, on the basis of improved performance, received higher ratings this year. These include the Canadian Government/Embassy which achieved the highest grade (I); JKS Boyles International which moved from grade III to grade II; and Sternson Limited which moved up from grade IV (failure) to grade III.

1987 brought a record number of disinvestments by Canadian companies. Ten, including the Canadian Government/Embassy, retain their South African interests. I therefore recommend the extension of the Code of Conduct as long as the situation in South Africa remains unchanged and Canadian companies continue to operate there.

Yours sincerely,

John Small
Code Administrator

Enclosures
CJS:kas

34 Arundel Avenue, Ottawa, Ontario K1K 0B6 613-741-1698

THE

ADMINISTRATION AND OBSERVANCE

OF THE

CODE OF CONDUCT

CONCERNING THE EMPLOYMENT PRACTICES

OF

CANADIAN COMPANIES OPERATING IN SOUTH AFRICA

THIRD ANNUAL REPORT

FOR THE YEAR 1987

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I PREFACE

This is the third annual Administrator's report under the Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa. It covers the 1987 calendar year. The Code was issued originally in 1978 under the authority of the Secretary of State for External Affairs and was revised most recently in 1986. Before appointment of the first Administrator in 1985, the Code was regarded as a guideline and companies, with a single exception, did not submit annual reports on their South African operations. Although implementation of the Code continues to be voluntary, most of the Canadian companies with South African affiliates have reported regularly to the Administrator for the past three years. During that time the number of such firms has declined at an increasing rate. In 1987 eleven companies disinvested compared with four in 1986. Nine remain but at least two of these are expected to disinvest this year. It is not part of the Administrator's task to either encourage or discourage disposal of existing Canadian investments in South Africa. Disinvestment remains a decision for companies alone. The fact that Canadian and other foreign firms have been liquidating their assets in South Africa reflects mainly economic and commercial considerations together with pressures generated by anti-apartheid forces in Canada and elsewhere.

The principles, conditions and objectives which the Canadian Government believes should characterize the policies and employment practices of Canadian companies with operations in South Africa remain unchanged. They include respect for the basic human rights and the elimination of all forms of discrimination. They are expected to be reflected in:

- equality of opportunity with regard to employment and training
- equality of working conditions
- equality of pay for equal or comparable work
- freedom of association and the right to organize and bargain collectively

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

The report follows the organizational pattern of its predecessors in order to provide comparability and continuity. The methodology employed in gathering the required material has remained unchanged. The basic information has come from a Standard Reporting Questionnaire completed by Canadian companies in collaboration with their affiliates. Additional details have been provided by a wide range of individuals and organizations with an interest in and knowledge of South Africa. All the Canadian companies and most of their South African affiliates have been consulted. Visits to South Africa, London and the United States yielded background information which informs the narrative and comment throughout the report. The American, Australian and British Code authorities were consulted, as well as the UN Centre for Transnational

Corporations and the UN Centre Against Apartheid. Exchanges of views were held with members of the South African Embassy in Ottawa and the Department of Foreign Affairs in Pretoria. In South Africa discussions also involved representatives of trade unions, management, business and industry associations, Black and White Chambers of Commerce, the South African Institute of Race Relations, Churches, universities and many other groups and individuals.

I am indebted to the foregoing individuals and organizations for their generous contributions of time and information; to the Canadian companies and their South African affiliates for their ready cooperation in an initiative not of their choosing; and to the Department of External Affairs and the Canadian Embassy in South Africa for their helpful logistical support.

Notwithstanding the kind assistance of those mentioned above, the comments and views included in this report are entirely my responsibility.

John Small
Code Administrator

Ottawa
31 May 1988

II BACKGROUND

1987

The environment in which Canadian firms and their South African affiliates operated in 1987 was scarcely more conducive to business as usual than the year before. In Canada, the hostility to apartheid amongst the general public and organized anti-apartheid groups continued unabated. It was manifest in the continuing pressure on Canadian companies to disinvest their South African assets and on universities and colleges to divest themselves of shares in firms involved in business with South Africa. This resulted in a record number of company disinvestments and a spreading trend among academic institutions to withdraw their endowment fund investments from South Africa-related enterprises. Pension funds have not been similarly affected because they are subject to legislative constraints which prevent their trustees from acting on other than financial considerations, e.g., moral or political.

In South Africa, after years of recession and stagnation, the economy in 1987 grew in real terms at an annual rate of 2.5% (less than 1% in 1986) and is expected to reach about 3% in 1988. Inflation was down from 18.1% in 1986 to 14.7% last year. The foreign exchange value of the Rand recovered substantially in 1987 and this contributed to the easing of inflationary pressures. The current account remained in surplus and foreign trade held up reasonably well, despite sanctions. Export losses in North America and Europe were largely made up in Middle Eastern and Asian markets. While coal exports were down, this seems to have been as much the result of a world-wide surplus as of the effect of sanctions. Agriculture in South Africa benefited from the best rainfall in years, though the benefits were mitigated to a degree by uneven distribution and flood damage in some areas. The Government's policy of fiscal and monetary stimulation, after two years of disappointment, began to pay off in the second half of 1987. Bank credit over the year jumped by 22% and there was a general strengthening of public demand.

Against these modest improvements in the economic situation must be set increasing gloom and anger amongst middle and lower income South Africans (especially Whites) whose position is worsening. The percentage of income spent on taxes has doubled in the past four years and much of the blame is being accorded to the growing cost of defence and security, now 23% of the national budget. More is being spent on the war in Angola and the State of Emergency has added to domestic security costs. A small drop in White, Coloured and Asian unemployment has been more than offset by the growing number of Black unemployed, estimated at just over one million by the Government but variously placed at three to six million by independant authorities. Disinvestment by American, Australian and Canadian firms continued throughout 1987 under the influence of the sluggish South African economy and pressures from anti-apartheid partisans. An additional factor for American firms was the withdrawal in June 1987 of the Rev. Leon Sullivan from the code of conduct system bearing his name, coupled with his public appeal for disinvestment. While the current account remained in surplus, it was down at year's end. Both exports and imports were under pressure, the former from sanctions and the soft U.S. dollar (in which a majority of South Africa's exports are denominated) and the latter from constraints aimed at keeping imports down to generate a surplus and facilitate repayment of foreign debt. 1987 was South Africa's worst year to date in terms of lost production from strikes and other work stoppages.

The general election in May 1987 brought a rightward shift on the political spectrum. While the President's National Party retained a solid majority, the right wing Conservative Party became the official opposition at the expense of the more liberally minded Progressive Federal Party. Since then the PFP has suffered further embarrassment from defections and internal bickering and has demonstrated its inability to join forces with its logical allies, the National Democratic Party led by Wynand Malan or the Independent Party led by Denis Worrall. President Botha gave no indication of instituting the modest reforms he had spoken of a year or two earlier and seemed more inclined to devote his energies to countering his opponents on the right. Under the renewed State of Emergency the disturbances in the townships were subdued and only factional fighting (UDF/ANC versus Inkatha - largely Zulu on both sides) around Pietermaritzburg marred the apparent calm throughout the rest of the country. Many South Africans fear this relative calm will be short-lived, given that most of the fundamental political problems remain to be addressed.

1988

The first four months of 1988 have signalled the likely course of events in the days ahead. In February, the Government banned political activity on the part of some seventeen organizations and individuals opposed to apartheid. Press censorship, tightened last September, has been followed by official warnings to half a dozen newspapers. One, the New Nation, was closed by the Government in March for three months. The universities and trade unions have been put on notice by impending legislation designed to constrain anti-apartheid /anti-Government activities. The Labour Relations Act is to be amended to ban sympathy strikes, give the Minister of Labour an open-ended authority to define unfair labour practices and allow management or labour to sue for loss of income from illegal strikes or lockouts. The last is regarded by the trade unions as a transparent means to sue the unions out of business. Other draft legislation is aimed at controlling foreign funding of civil rights, Church, labour and other groups seen by the Government to be promoting revolution. All these measures are designed to tighten control over potential opposition to the Government and to provide it with breathing space to implement its economic and political strategy. With respect to the former, President Botha in February outlined the Government's plans to institute privatization of state enterprises, tax reform, subsidy reduction and a pay freeze. The Minister of Finance in his March budget statement filled in some of the details justifying,

among other things, the Government's decision against a general pay increase on the grounds of avoiding: (1) the use of bank credit to create money and, with it, inflation; (2) resort to long term loans to finance current expenditure; (3) an exceptionally large deficit, with consequences in terms of upward pressure on interest rates. Although the President's strategic priorities have placed the economy first and political reform last, in April he proposed the inclusion of Blacks in the process of selection of the President and in Ministerial decision taking. He failed to indicate the means by which these ends would be achieved and, in the end, his proposals do not address the basic question of genuine power sharing with the majority of South Africans.

Early in the year the country was given a lift by heavy rainfall which, as in 1987, was a mix of blessing and damage to the rural economy. On balance, however, it boosted the farmers' confidence and already this has been translated into increasing sales of agricultural equipment. Similarly, the return to moderate economic growth and the decline in inflation have boosted business confidence in the short run. The long run remains uncertain, given the near intractable problems of apartheid which the Government seems loathe to address by democratic means. Instead, the disarray of the liberal parties, the growth of the Conservative Party, the general trend toward right wing politics, mounting unemployment and frustration in the Black community all seem to point in the direction of continuing conflict and long run economic decline.

III CANADIAN COMPANIES IN SOUTH AFRICA

The trend toward disinvestment, noted in last year's report, was reinforced in 1987 and is continuing in 1988. Eleven Canadian companies disposed of their South African interests in 1987 and two more have declared their intention to do so in 1988. Table I reflects this situation.

TABLE I

DISINVESTMENT OF SOUTH AFRICAN INTERESTS BY CANADIAN COMPANIES

1986	1987	1988
1. Alcan Aluminium Ltd.	1. AMCA International Ltd.	**1. National Business Systems Inc.
2. Bata Ltd.	2. Champion Road Machinery Ltd.	***2. Sternson Ltd.
3. Dominion Textile Inc.	3. Chempharm Ltd.	
4. Jarvis Clark Co. (CIL)	4. Cobra Metals & Minerals Inc.	
5. Menora Resources Inc. Suspended operations in Nov 1986 but resumed them in 1987	5. Cominco Ltd.	
	6. DelCan Ltd.	
	7. Falconbridge Ltd.	
	*8. Ford Motor Company of Canada Ltd.	
	9. International Thomson Organization Ltd.	
	10. Jos. E. Seagram & Sons Ltd.	
	11. Moore Corporation	

* Ford signified its intention to disinvest in mid 1987 but negotiations were not completed until mid 1988.
** National Business Systems has indicated it will disinvest during 1988
*** Sternson Ltd. has indicated it is likely to disinvest in June 1988

The reasons for disinvestment have not changed substantially over the past year. Economic considerations have remained paramount in the minds of Canadian executives when deciding to disinvest or remain in South Africa. While the South African economy has moved from negative growth in 1985 to 2.5% in 1987, neither the degree of recovery not its uncertain duration has provided many foreign firms with sufficient motivation to extend their South African operations indefinitely. Nor has the continuing political uncertainty engendered the confidence needed by the business community to encourage long-term commitments. In addition, those with substantial American interests are not prepared to see them jeopardized by maintaining, at best, uncertain returns from South Africa. In particular, mounting public and Congressional pressure in the United States - along with the departure of Rev. Sullivan and his call to disinvest - suggest that mixing American with South African business may no longer provide a viable combination. Given the paramountcy of American over South African economic investments, the

choice for most Canadian companies with interests in both spheres almost invariably is in favour of the former at the expense of the latter.

The "hassle factor" has remained important as anti-apartheid forces have continued to exert sufficient pressure in some cases to influence decisions in favour of disinvestment. This has been true, especially, for Canadian educational institutions which have tended to bow to such pressure, if only to achieve the tranquility necessary to concentrate on their primary area of responsibility: education. Hence the divestment of their endowment fund shares in companies connected with South Africa. While all Canadian educational institutions have not done so, the trend amongst them to divest such shares, broadly speaking, is moving westward across Canada. As mentioned earlier, pension funds generally have been unaffected because they operate under legislative constraints which prevent their trustees from acting on other than strictly financial considerations (e.g. moral or political).

With the exodus of Canadian companies noted above, there remain in South Africa at time of writing only the Canadian Embassy and nine affiliates of Canadian companies. These are listed in Table II. Two of them - National Business Systems Inc. and Sternson Ltd. - have signalled their intention to disinvest in 1988.

TABLE II

CANADIAN COMPANIES/INSTITUTIONS WITH SOUTH AFRICAN AFFILIATES
(at 31 May 1988)

1. Bauer & Crosby Inc., Kingston, Ontario
2. Bayer Foreign Investments Ltd., Toronto, Ontario
3. Govt. of Canada (Canadian Embassy, Pretoria), Ottawa, Ontario
4. JKS Boyles International Inc., Toronto, Ontario
5. Menora Resources Inc., Toronto, Ontario
6. National Business Systems Inc., Toronto, Ontario
7. QIT Fer et Titane Inc., Montreal, Quebec
8. Sternson Ltd., Brantford, Ontario
9. Varity Corporation (Massey-Ferguson), Toronto, Ontario
10. Unican Security Systems Ltd., Montreal, Quebec

Despite the smaller number of Canadian affiliates in South Africa, the variety of their activities has not changed significantly. Besides the Canadian Embassy, four are engaged in the mining industry and one each in agricultural machinery, chemicals, computers, construction and security systems (locks and keys). Of those engaged in mining, one is a consulting firm, one manufactures mining equipment and two are involved in mining exploitation, one on land, the other offshore. Among the others, one is a small distributor while the rest are equipment or commodity producers. Apart from the two intending disinvestors - NBS

TABLE III

PERCENT EQUITY HELD BY CANADIAN COMPANIES IN THEIR SOUTH AFRICAN AFFILIATES

Canadian Company	Affiliates	% Equity
1. Bauer & Crosby Inc.	Bauer & Crosby (Pty) Ltd.	100
2. Bayer Foreign Investments Ltd.	(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
3. Govt. of Canada (Dept. of External Affairs)	Canadian Embassy, Pretoria	
4. JKS Boyles International Inc.	JKS Boyles (Pty) Ltd.	70
5. Menora Resources Inc.	Ocean Diamond Mining Limited	18.3
6. National Business Systems Inc.	ABS Computers (Pty) Ltd.	16
7. QIT Fer et Titane	Richards Bay Minerals	42.6
8. Sternson Limited	Sternson (South Africa) (Pty) Ltd.	24
9. Varity Corporation	Fedmech Holdings Ltd.	9.25
10. Unican Security Systems Ltd.	ILCO Unican (SA) (Pty) Ltd.	100

and Sternson - the others plan to continue their South African operations for the time being. This intention reflects their continuing confidence in the South African market for their products and services and, to some extent, a desire to remain in that market while their main competitors are still there.

The Canadian Code of Conduct applies to all Canadian companies with operations in South Africa, regardless of the value of their investment or number of personnel involved. Thus, the size of their affiliates in employment terms ranges from the smallest with two employees to the largest with nearly two thousand. In terms of equity held by Canadian companies in their South African affiliates, the range varies between 9.25% and 100%. At present half hold a majority share in their affiliates while the remainder have less than 50% equity (Table III).

With the decline in number of Canadian companies operating in South Africa has come a corresponding decrease in the significance of their affiliates to the South African economy. Where three years ago eighteen Canadian companies were affiliated with thirty South African enterprises, at the end of 1987 ten remained with a total of 15 South African affiliates. In terms of direct investment this represents a 58% drop between 1981 and 1987 as shown in the following Statistics Canada figures (Table IV).

TABLE IV

DIRECT CANADIAN INVESTMENT IN SOUTH AFRICA (1981-87)

Year	Millions of Canadian Dollars
1981	239
1982	221
1983	213
1984	145
1985	116
1986	200 (preliminary)
1987	100 (preliminary)

The anomaly represented by the 1986 increase suggests higher retained earnings of some affiliates and, possibly, Falconbridge's temporary reinvestment which was part of a series of transactions that ended in the total disinvestment of its South African interests.

The 84% decline in employment terms is even more striking. From a total high of 26,000 (20,000 non-White) employees in Canadian affiliates in 1985, the figures fell in 1986 to 11,000 (7,600) and, at 31 March 1988 stood at 5,172 (3,084). (Tables V and VI)

TABLE V

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

1986 Disinvestors		Total Employment	Non-White Employment
1. Alcan Aluminium Ltd. (3 affiliates)		3,606	2,848
2. Bata Limited (3 plants)		3,253	3,090
3. Dominion Textile Inc.		270	129
4. Jarvis Clark Co. (CIL)		89	28
5. Menora Resource Inc.*		7,218	6,095
1987 Disinvestors			
1. AMCA International Ltd.	(1986)**	35	18
2. Champion Road Machinery Ltd.	(1986)	53	19
3. Chempharm Ltd.***	(1986)	200	150
4. Cobra Metals & Minerals Inc. (2 affiliates)	(1986)	521	425
5. Cominco Ltd. (2 affiliates)	(1985)	130	111
6. DeLCan Ltd.	(1985)	110	10
7. Falconbridge Ltd. (2 affiliates)	(1985)	4,757	4,426
8. Ford Motor Co. of Canada Ltd. (2 plants)	(1985)	7,635	5,298
9. International Thomson Org. Ltd.	(1986)	123	31
10. Joseph E. Seagram & Sons Ltd.	(1986)	5	1
11. Moore Corporation (2 affiliates)	(1985)	529	270
		14,098	10,759
Total 1986 & 1987		21,316	16,854

* Menora Resources Inc.'s affiliate suspended operations in 1986 but resumed them on a smaller scale in 1988. Hence no figures are included.

** The years in parenthesis are the ones for which the employment figures were available.

*** In the absence of a formal report Chempharm's figures are an estimate.

TABLE VI

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

Canadian Company	Total	Non-White
Bauer & Crosby Inc.	2	0
Bayer Foreign Investments Ltd. (6 affiliates)	1,789	946
Canadian Govt. (Embassy)	36	13
JKS Boyles International Inc.	10	3
Menora Resources Inc.	9	6
National Business Systems Inc.	150	15
QIT Fer et Titane Inc.	1,763	1,241
Sternson Ltd.	47	34*
Varity Corp. (Massey-Ferguson)	1,363	825
Unican Security Systems Ltd.	3	1
	5,172	3,084

* Sternson figures are for 1986 as Sternson Ltd. did not report this year. 1987/88 figures would be slightly lower.

Looked at another way, the total employment in Canadian affiliates in South Africa represented at its 1985 high point approximately 3/10 of 1 percent of the total South African labour force in 1985. Today the ratio is approximately 1/20 of 1 percent, an insignificant figure by whatever yardstick. For comparative purposes, the American equivalent is about 5/10 of 1 percent and this, too, is decreasing. What is being lost to the non-White worker is the substantial sums Canadian and, even more so, American companies and their South African affiliates have spent in the past on education and the broad range of social responsibility programs designed specifically for their benefit.

The record of Canadian companies with respect to reporting under the Code of Conduct is set out in Table VII. Given the minority shareholder position of many of them, their remoteness from the scene of operations in South Africa and the voluntary nature of the Code, it has not always been easy to obtain the information required to complete the Standard Reporting Questionnaire. Another inhibiting factor has been the South African legal requirement to clear with the Ministry of Trade and Industry all commercial information which is transmitted abroad. Despite these obstacles, the Canadian companies generally have cooperated readily in providing the information requested under the Code of Conduct. The exceptions include those that disinvested in 1987 which, having severed their direct connections, either felt no further obligation to report or found it difficult to gain the cooperation of their erstwhile partners in providing the requisite information. This was the position of all the 1987 disinvestors listed in Table I with the exception of the Ford Motor Company of Canada which, despite its protracted withdrawal negotiations found it possible to report.

TABLE VII

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

Canadian Company	(A) No. of Affiliates	(B) Reported 1985	1986	1987	(C) Disinvested 1986	1987	1988
1. AMCA International Ltd.	1	Yes	Yes	No		X	
2. Bauer & Crosby Inc.	1	No	Yes	Yes			
3. Bayer Foreign Investments Ltd.	6	No	No	Yes(1)			
4. Champion Road Machinery Ltd.	1	Yes	Yes	No		X	
5. Chempharm Ltd.	1	No	No	No		X	
6. Cobra Metals & Minerals Ltd.	2	No	No	No		X	
7. Cominco Ltd. (Cdn. Pacific)	2	Yes	Yes	No		X	
8. DeLCan Ltd.	1	Yes	No	No		X	
9. Dept. of External Affairs (Cdn Embassy, Pretoria)	1	No	Yes	Yes			
10. Falconbridge Ltd.	2	Yes	No	No		X	
11. Ford Motor Co. of Canada Ltd.	1	Yes	Yes	Yes		X(2)	
12. International Thomson Organization Ltd.	1	Yes	Yes	No		X	
13. JKS Boyles International Inc.	1	No	Yes	Yes			
14. Joseph E. Seagram & Sons Ltd.	1	Yes	Yes	No		X	
15. Menora Resources Inc.	1	No	Yes	No			
16. Moore Corporation	2	Yes	No	No		X	
17. National Business Systems Inc.	1	No	No	No			X(3)
18. QIT Fer et Titane Inc.	1	Yes	Yes	Yes			
19. Sternson Ltd.	1	Yes	Yes	No			X(4)
20. Unican Security Systems Ltd.	1	No	No	No			
21. Varity Corporation (M-F)	1(5)	Yes	Yes	Yes			

(1) Bayer provided a copy of its report to the West German Code authorities.
(2) Ford disinvested in 1987 although final withdrawal details were not agreed until mid 1988.
(3) NBS has indicated it intends to disinvest in 1988.
(4) Sternson has indicated it is likely to disinvest in June 1988.
(5) Varity disinvested its small holding in Atlantis Diesel Engines, near Capetown early in 1988.

National Business Systems Inc. has recently undergone a change of management and has been preoccupied with a restructuring process which, along with its intention to disinvest in 1988, has prevented it from reporting for 1987. A call on its South African affiliate ABS Computers (Pty) Ltd. , however, elicited sufficient information to provide a basis for assessment which is indicated in Table XI.

Sternson Ltd. had not reported by the time this report went to press. Its managers, both in Canada and South Africa, consider the Administrator's rating last year to be unfair and lacking in understanding of the environment in which the company is obliged to work. As with NBS/ABS Computers, a visit to the Sternson operation in South Africa, as well as discussion with its President in Canada, provided sufficient material on which to judge this firm and its rating is recorded in Table XI.

Menora Resources Inc. in Canada declined to report this year but a call on the management of its affiliate in Capetown yielded sufficient information to permit an assessment and this is recorded in Table XI

Bayer Foreign Investments Ltd. has, until this year, declined to report on the ground that its six affiliates are controlled by its West German parent, Bayer AG, Leverkusen, which reports to the West German Government under the European Community Code. However, for the first time, it provided a copy of its European Code report which, in terms of content, provides sufficient information for an assessment. This is also included in Table XI.

Chempharm Ltd. came to attention too late last year for inclusion in the second annual Administrator's report. Shortly thereafter it disinvested its 75% interest in Boehringer-Mannheim (SA) (Pty) Ltd., distributor of chemicals in South Africa. In the circumstances, it declined to report.

Unican Security Systems Ltd. produces and exports locks and keys to many countries. It has a small subsidiary in South Africa (three employees, one of which is Black) which distributes its products successfully. To date UNICAN has not reported and attempts to call on its South African subsidiary were unsuccessful. It has not been rated due to lack of information.

IV OBSERVANCE OF THE CODE

Those seeking horror stories about employment practices will not find them among the affiliates of Canadian companies involved in South Africa. All at the present time comply with the basic requirements of the Code of Conduct. Some are more advanced than others as the ratings accorded in Table XI demonstrate. All can be said to compare favourably with their local competition and all are striving, within the circumstances of their own industrial sector, to exceed the minimal norms set out by the Code. Where some have failed to do so in certain respectsthe reasons can be found in the difficult economic environment in which they are operating and not in their intentions.

1. General working Conditions

The South African affiliates of Canadian companies provide safe and otherwise acceptable physical working conditions for their employees. Both production and office environments are generally good, as are employee-management relations. While there remains a substantial gap between the status of Whites and non-Whites in most companies, this is not based upon discriminatory practices but, instead, reflects the weaknesses in the South African educational system which consigns non-Whites generally to the lower paid levels in business and industry.

2. Collective Bargaining

Trade unions, whether Black, White, Asian, Coloured or non-racial, are now an accepted part of the labour relations scene in South Africa. Canadian affiliates, without exception, place no obstacles in the way of trade union membership and all the larger enterprises are unionized. Where unions do not exist in Canadian affiliates, it is a reflection of the small number of employees involved. The principle of trade unionization has been accepted by even the smallest firms, all of which would agree to its institution if it were sought by their employees. The employees of all Canadian affiliates are thus free to organize collective bargaining units and existing trade union officials are free to carry out their union duties on company premises with reasonable time off to do so. In general, the smaller the enterprise the more likely it is to have a system which involves a worker spokesperson, an employee association or simply a direct approach to management when grievances or complaints arise. Where formal grievance proeedures are in force these are invariably outlined in writing and publicized in the workplace.

The Canadian Embassy in Pretoria is an exception with respect to unionization because it is governed by the Canadian Public Service Staff Relations Act which accords bargaining rights to Canadian public servants but does not extend those rights to locally engaged employees at Canadian missions abroad. Given this anomaly, the Embassy has instead an active, representative Staff Association which performs in an efficient manner the duties customarily associated with trade unions.

While Black trade unions have been recognized officially in recent years and their membership has continued to grow, there remain a variety of obstacles to their unfettered operation in South Africa. Mention was made in Part II of the restrictions placed in February on the political activities of some seventeen organizations, including COSATU, the largest Black trade union organization. The impending amendment to the Labour Relations Act is seen by the unions as an attack on their fundamental rights. While this is perhaps an extreme view, the amended Act will give the minister of Labour power to intervene in disputes and an open-ended authority to define unfair labour practices. It will also ban sympathy strikes and strikes on the same issue within 12 months. Worst of all from the union standpoint, it will allow management or labour to sue for loss of income, damages or other claims arising from illegal lockouts or strikes. It is a reflection of the state of distrust that exists in South African labour relations that the unions consider this measure to be designed to permit industry to sue the unions out of business. Separate legislation is being drafted to control foreign funding of labour, Church and civil rights groups seen by the Government to be fomenting revolution. This is regarded by trade unions as another means of undermining their existence because they receive substantial financial support from labour organizations abroad (including Canadian). Some educational institutions are equally nervous about their future, given their dependence on foreign funding.

3. Migrant Labour

This is no longer a major issue because only one of the remaining Canadian affiliates employs migrant or contract labour. In this case only three employees are involved and their contracts are renewed annually without difficulty and without the need to return to their homeland.

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 guaged, 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 Subsistance Level (HSL) and is calculated in much the same manner as UNISA's MLL.

The Supplemented Living Level (SLL) of UNISA and the Household Effective Level (HEL) of UPE make provision for the inclusion of more items (recreation and entertainment; personal care; extra washing and cleaning materials; extra clothing; extra food; additional household equipment; extra transport; additional support, taxes and rent; and contributions to pension, unemployment, 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 subsistance budget, nor is it a luxury budget. Perhaps it can best be described as an attempt at determining a modest low level standard of living". Depending on the area involved, SLL and HEL are approximately 25% to 30% higher than MLL and HSL. Given that the latter represent bare subsistance standards of living, foreign firms are encouraged to take as their guideline the SLL or HEL.

The Canadian Code suggest 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 1987.

TABLE VIII

WAGE OF LOWEST PAID EMPLOYEE RELATED TO MINIMUM LIVING LEVEL

% By Which Wage Exceeds MLL/HSL	Number of Reporting Affiliates
0 - less	1
1 - 9	1
10 - 19	1
20 - 29	1
30 - 39	0
40 - 49	1
50 and over	5
	10*

* Includes 2 plants for one firm. Two did not report.

As indicated above, most of the Canadian affiliates are currently meeting or exceeding this standard. All support and implement the

principle of equal pay for equal or comparable work. Regrettably, non-White employees, with rare exceptions, continue to occupy the lower end of the employment scale and the gap between the top and bottom of the scale remains a wide one. Nevertheless, the average wage of all non-White employees substantially exceeds SLL and the suggested guideline of at least 50% above MLL. The highest paid range from 74% to over 600% above MLL while the averages range between 5% and 150% above MLL.

The trend among Canadian affiliates, noted last year, to provide higher percentage pay increases to non-White employees than to White has continued with the major exception of the Ford affiliate, SAMCOR. In this case, the Asian/Coloured group obtained the largest percentage increase, with Whites in second place and Blacks last. This situation, according to the company, reflected the results of negotiations with representative trade unions. Where Black pay percentage increases have occurred they appear to be the result of a conscious company policy to reduce the gap between Black and White pay scales. It also reflects the ability or otherwise of trade unions to improve pay scales for their members. A third influence has been continuing pressure from the various Codes of Conduct (see Table IX)

TABLE IX

AVERAGE PERCENTAGE PAY INCREASES IN 1987
(For 7 Reporting Affiliates)

Black Employees	Coloured/Asian Employees	White Employees
16%	17%	12%

All Canadian affiliates provide semi-annual or annual pay increases. These generally reflect the current rate of inflation which was 14.7% in 1987. The company reported last year as falling behind when it instituted a pay freeze, has resumed normal annual negotiated pay increases and has moved some distance toward recouping the earlier employee pay loss.

5. Training and Promotion

With a single exception, all reporting firms have made provision for employee training and promotion based on merit. The exception is a small professional consulting firm with no scope for training and with no non-White employees.

The larger affiliates with a wide range of operations are the best equipped to train employees and the most able to offer promotion opportunities. Their training programs range from bursaries and scholarships to universities and technical schools, through their own apprentice training centres to a range of specific in-house training programs.

The smaller companies have less scope for either training or promotion. Most rely on in-house, on-the-job training designed to upgrade employees with limited skills. The primary objective in such cases is the improvement of product quality and productivity rather than promotion. Where training schemes are in place they are generally integrated and are open to employees of all races. There remains, however, much to be done for non-White workers whose educational background tends to confine them to unskilled jobs. While the larger companies have programs to upgrade non-White personnel, the scale and variety of such programs needs to be expanded considerably if the continuing scarcity of non-White personnel in management, administrative and technical positions is to be corrected.

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: All affiliates but one provide basic medical, accident, unemployment and pension schemes in one form or another. Most programs are contributory but in some cases non-Whites are fully subsidized. With respect to the exception noted above, the company concerned provides accident insurance for all races, a medical insurance option for White employees and pays the medical costs of Black employees. The larger firms supplement their benefit schemes with their own clinics and medical personnel.

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

Housing: Seven of the 10 reporting companies' affiliates provide housing assistance in one form or another : company housing, subsidized rent, home improvement or acquisition loans and help in finding accomodation. One or two companies have moved non-White employees into areas normally restricted to White residents. In general, where help has not been provided it has not been required by virtue of their

location in areas where affordable housing is available within commuting distance.

Discussion with trade union representatives revealed dissatisfaction with some company policies. In one case, the company has been slow to add to non-White housing since an initial construction program. In another, the housing offered employees was regarded as too expensive for the intended beneficiaries. And there is general dissatisfaction over the Group Areas Act which continues to define where the different races must reside. Unsurprisingly, the non-Whites object both to the principle involved and to the distances they are required to travel between their homes and workplaces since many non-White townships tend to be inconveniently located. While some companies have moved non-Whites into officially designated White areas and some have lobbied against the Group Areas Act, more needs to be done to right the inherent injustice of the existing inequitable system.

Transportation: For seven companies there is no need for transport assistance by virtue of convenient public transportation. Where this is not the case, transport assistance is provided. In all cases, where overtime is required, the company assumes the cost involved.

Education, Recreation and Health: In general, the larger companies provide educational, recreational and health assistance to their employees and their families. A variety of programs exist, including the construction and/or adoption of schools, the provision of equipment (computers, projectors, teaching aids etc.), school transport, bursaries and scholarships to schools, colleges and universities. In one case school clinics have been provided; in others, special health care programs and fresh water supplies where these do not exist. Several companies have provided legal assistance when their employees have needed it.

Community development: Again, the larger firms are most able and willing to support community programs. This has been carried out in a variety of ways which have included support for youth activities (e.g. choirs, conservation, recreation, educational tours) creches, a community centre, school water supplies, community clinics, community housing research and development, sanitation, homecraft, sports, counselling etc. Smaller companies tend to support organizations which are dedicated to non-White community betterment.

7. Race Relations

Race relations are not a contentious issue in the remaining Canadian affiliates. All workplaces and social and recreational facilities are desegregated.

8. Encouragement of Black Businesses

All Canadian affiliates are prepared to do business with enterprises of whatever racial background. Seven reported specific efforts to assist the growth of Black businesses and/or to contract for supplies and services from such firms. Only the smallest, with little scope for such procedures, failed to report any activity in this area.

The actions undertaken ranged from support for the Canadian Exporters Association project for Black entrepreneurs, the Small Business Development Corporation and Get Ahead Foundation and others through programs to assist non-White suppliers to upgrade their quality standards and business practices to meet company purchase requirements. Several sponsor business consultants and one underwrites a small business advisory centre which, although available to all races, is primarily of value to non-White entrepreneurs. Counselling non-White business men and women in a variety of ways (legal requirements, accounting, technology, business systems etc.) has produced solid performance results.

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. Half of the Canadian affiliates reported specific efforts to promote social justice while, for the most part, the remainder indicated support in principle and through backing institutions devoted to the aim of social justice.

As would be expected, the major affiliates have been able to devote substantial efforts and resources to the promotion of social justice. Most provide financial help to such agencies as the Get Ahead Foundation, the Small Business Development Corporation, the South African Institute of Race Relations, Protec and the Canadian Association for Black Business in South Africa which is an initiative of the Canadian Exportors' Association with CIDA financial support. Several companies have made representations to the South African Government and local government authorities against apartheid in general and many of its specific manifestations such as the Group Areas Act, segregation in educational and health institutions, the arbitrary arrest and detention of workers, media censorship, the banning of political organizations and individuals, the restrictions on South African citizenship, the Population Registration Act and so on. Some have put money behind their written and verbal protests by financially supporting newspapers that promote the free expression of views and opposition to apartheid, by contributing to such organizations as the Institute for a Democratic Alternative for South Africa (IDASA), the South African Institute of Race Relations and the American Chamber of Commerce in South Africa. All affiliates, large and small, support and promote social justice both in principle and in their own company practices.

V COMPANY PERFORMANCE

For the second year, this report includes an assessment of the performance of Canadian companies and their affiliates in relation to the Code of Conduct's standards on employment practices. While the time and resources available to investigate and reach conclusions have been limited, a sincere effort has been made to fulfill the requirement of the Administrator's terms of reference "to act in an impartial and objective manner consistent with the purposes and intent of the Code." This would not have been possible without the ready cooperation of most of the enterprises involved. With few exceptions, the Canadian companies have put forward their best efforts to obtain from their affiliates the information necessary to make a fair judgement regarding the affiliates' performance. This has not been easy in some cases, given their distance from South Africa and the fact that only half of them have a majority or controlling interest in their affiliates. To the credit of both the Canadian and South African firms, full cooperation has been extended by nearly all of the relevant enterprises.

The rating scale established a year ago 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 this basis the companies were placed in one of the following four categories:

TABLE X

RATING CATAGORIES

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

In assessing the performance of the Canadian companies and their 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. Account has been taken also of the unique business environment in South Africa and of the competitive conditions faced by enterprises in that environment. While the Canadian Government and its Embassy in South Africa cannot be considered business 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 Embassy staff members, the Embassy has written guidelines concerning personally employed domestic staff. These accord with the Code of Conduct and their implementation is monitored by the Ambassador.

The ratings awarded may be found in Table XI.

TABLE XI

COMPANY ASSESSMENTS

Canadian Companies	SA Affiliates	Rating
1. Bauer & Crosby Inc.	1. Bauer & Crosby (Pty) Ltd.	III
2. Canadian Government	2. Canadian Embassy, Pretoria	I
3. Ford Motor Co. of Canada Ltd.	3. SAMCOR (Pty) Ltd.	I
4. JKS Boyles International Inc.	4. JKS Boyles (Pty) Ltd.	II
5. QIT Fer et Titane Inc.	5. Richards Bay Minerals	I
6. Varity Corporation (Massey-Ferguson)	6. Fedmech Holdings Ltd.	II
7. Bayer Foreign Investments Ltd.	7. Six Affiliates - see below	II
8. Menora Resources Inc.	8. Ocean Diamond Mining Ltd.	III
9. National Business Systems Inc.	9. ABS Computers (Pty) Ltd.	II
10. Sternson Limited	10. Sternson (SA) (Pty) Ltd.	III
11. Unican Security Systems Ltd.	11. ILCO Unican (SA) (Pty) Ltd	-

Notes

Numbers 1 to 6 above are based on reports to the Code Administrator.
Number 7 is based on Bayer's report under the European Code.
Numbers 8,9,10 are based on information made available to the Administrator by the Canadian companies and/or their affiliates.
Number 11 did not report.
Bayer Foreign Investments Ltd. has six South African affiliates:
(1) Bayer South Africa (Pty) Ltd. - 74% equity
(2) Bayer-Miles (Pty) Ltd. - 100% equity
(3) Chrome Chemicals (South Africa) (Pty) Ltd. - 100% equity
(4) Haarman & Reimer (SA) (Pty) Ltd. - 50% equity
(5) Rubber Chemicals (Pty) Ltd. - 100% equity
(6) Vergenoeg Mining Company (Pty) Ltd. - 100% equity

Most of the ratings have been reached 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. In the case of Bayer Foreign Investments Ltd., the rating is based on Bayer's report to the West German authorities under the European Code of Conduct because the six Bayer affiliates in South Africa are controlled by the West German parent company, Bayer A.G. of Leverkusen. For presentational purposes, the marks of the six affiliates have been averaged, as both individually and collectively they rated Grade II. Three of the companies have been rated on information they or their affiliates provided - not by means of the Standard Reporting Questionnaire. Only Unican Security Systems failed to report or provide detailed information.

It should be noted that Varity Corporation since last year's report has divested its miniscule share (0.001%) in Atlantis Diesel Engines (ADE) near Capetown. This explains why Varity this year is rated only for its affiliate Fedmech Holdings Ltd. Fedmech, however, has two plants, one at Vereeniging and one at Potgietersrus. The rating is a collective one although there are some differences between the two. Individually and together they rate Grade II. They have had to contend with prevailing drought conditions and six years of operating losses. Nevertheless, both plants now are at or above MLL. Although they have not reached the 50% above MLL sought by the Code they are making efforts in that direction.

Worthy of note is the fact that the Canadian Government/Canadian Embassy has moved up in the scale to Grade I from II last year. Improvements were made in the areas of wages, housing and collective bargaining which were formerly less than exemplary. The single employee below the MLL plus 50% standard is now above it. Staff housing at the official residences in Pretoria and Capetown has been upgraded. The Embassy Staff Association has been resuscitated and now engages in an active dialogue with Embassy management thereby, in effect, performing as a trade union. This has already resulted in action on transportation, health care and housing. The other notable improvement has been the elevation of Sternson Limited from Grade IV (failure) to Grade III by virtue of improvements in the categories of wages, plant working conditions and support for Black business. JKS Boyles moved from Grade III to Grade II as a result of modest upgrading in the areas of training and promotion and social justice.

VI CONCLUDING OBSERVATIONS

Part II of this report outlined the economic and political conditions under which Canadian and other foreign enterprises are obliged to operate and make decisions on whether or not to remain in South Africa. Given the existing uncertainties and the long run prospect of decline (in the absence of accommodation amongst the races), only those firms which are profitable or potentially so, those without significant business interests in the United States or those unwilling to vacate the field to their competitors, are likely to stay on. At present, that suggests a maximum of seven or eight, along with the Canadian Embassy. Of these only three employ more than 1,000 while the numbers for the remainder range from 2 to just over 40. Their impact on the South African economy is therefore minimal. Even the future of the three major companies in South Africa could be limited if some of the current draft U.S. Congressional Bills were to be enacted, as their parent companies have substantial interests in the United States. Because their total economic impact is limited, their presence or absence in the future will have at most a marginal impact on the South African Government.

Where Canadian and other foreign affiliates until now have had an effect disproportionate to their size and numbers is in the area of social responsibility measures. Both South African officials and businessmen have acknowledged that the various Codes of Conduct have set the standards and exerted pressure on the South African business community to improve employment practices. The departure of foreign firms and the loss of these benefits, along with the technology and capital they generally provided, is genuinely regretted in South Africa. Even the trade unions, whose official policy supports disinvestment and sanctions, have been frustrated in their wish to be an effective part of the disinvestment process. Today they rue the job and benefit losses that have accompanied the departure of foreign control or equity. Ford of Canada has been something of an exception in this respect as it did consult the unions and, additionally, donated 24% of the equity in its affiliate to a trust fund to be used for the benefit of its erstwhile employees. But even here the unions have expressed reservations on the ground that the benefits from the trust fund will be communal rather than an addition to the size of the individual worker's pay packet. Further, the departure of the foreign firms in many cases is more apparent than real as their products continue to appear under the same trade marks, with the same technology and the same components shipped from former parent firms or their other affiliates around the world. Some have included buy-back clauses in their sales agreements.

With respect to the Code of Conduct, the Canadian enterprises still represented in South Africa can be commended generally for their efforts to comply with its requirements. As noted earlier, all achieved a passing mark or better and none can now be categorized as an uncaring company. The working environment in all of them is generally good and

all are racially desegregated. Only four have some distance to go to bring their wages up to Code standards and each of these in the recent past has been faced with strong competition in a time of sectoral recession. This has limited their ability to increase wages rapidly. Nevertheless, in each case, progress has been made during the past year. As a consequence of these efforts and of improvements in other categories, three moved up a grade in 1987: JKS Boyles, Sternson Limited and the Canadian Government/Embassy.

Despite the progress noted above, efforts are still required in a number of areas, notably with respect to Wages, Encouragement of Black Business, Social Justice and, in a few cases, in Training and Promotion and Fringe Benefits.

More specifically, there is a need for greater efforts to train and move non-Whites up the employment ladder to management and technical levels. Women, in particular, are notable by their absence in such positions and only one or two companies have to date addressed this problem.

Some of the larger firms have continued to lobby governments at various levels to speed up the process of dismantling apartheid in its many manifestations; but the smaller enterprises have been slow to act in this direction.

It is clear that the process of improving employment practices in South Africa will continue but probably at a slower pace. The Codes of Conduct have contributed much to the gains already made and they will be needed in the future to complement the efforts of the trade unions. The latter are feeling embattled through the loss of leadership by virtue of recent banning orders and through the anticipated loss of foreign funding when current restrictive draft legislation is enacted. In the existing circumstances, therefore, the value of the Codes in the days ahead seems likely to be enhanced.

Disinvestment is disliked by nearly everyone in South Africa. Most deprecate the loss of capital and technology the process usually entails, as well as the consequent increased cost of their replacement. The non-White trade unions and their members regret the loss of jobs, fringe benefits and social responsibility programs that often follows disinvestment. The Government to date has remained unmoved beyond displaying a growing determination to proceed on its chosen path toward almost certain disaster.

In the meantime, business decisions must continue to be made. Without a break in the current racial impasse, these are likely to be in the direction of further disinvestment. Nevertheless, while Canadian enterprises and their affiliates remain in South Africa they will still have a role to play in promoting, in the words of the Canadian Code, "...the cause of social justice and the peaceful achievement of necessary social and political changes and reforms".

ANNEXES

Code Administrator

Terms of Reference

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

i) to maintain and update annually lists of those companies to which the Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa applies or may apply; in this respect, to consult as necessary such private-sector organizations as the Canadian Business and Industry Advisory Council, other private, commercial, non-governmental or academic organizations or individuals likely to be of assistance, and appropriate Departments of the Government of Canada;

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

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

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

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

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

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

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

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

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

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

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

1 General Working Condition

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

2 Collective Bargaining

(a) Companies should ensure that their employees are free to organize collective bargaining units of their own choosing that can effectively represent them, and should undertake to engage in collective bargaining with such units in accordance with internationally-accepted principles.

(b) Companies, recognizing that the South African Labour Relations Act and Labour Law is now free of provisions that discriminate on the basis of race, should pay particular attention to black trade unions and ensure that black employees are free to form or join the trade union of their choice. They should be prepared to sign recognition agreements with representative black trade unions within the company and allow collective bargaining, including the signing of collective agreements. Employers should regularly and unequivocally inform their employees that consultations and collective bargaining with organizations which are freely elected and representative of employees are part of company policy.

(c) Companies should as a matter of course allow trade union officials to explain to employees the aims of trade unions and the advantages of membership, to disseminate trade union information material and display trade union notices on the company's premises, to have reasonable time off to carry out their union duties without loss of pay and to organize meetings.

(d) In companies where works or liaison committees already operate, trade union officials should have representative status on these bodies if employees so wish. The existence of these types

of committee should not prejudice the development or status of trade unions or of their representatives.

(e) Companies should do everything possible to establish a climate of confidence in their relations with their employees. In this connection it is important that each company ensure that its employees be familiar with the Canadian Code of Conduct and that at regular intervals they can see or have the text of the Code read to them in a language they understand. The company should be prepared to inform its employees what it is doing to implement the Code and should review and discuss with them or their representatives its annual report on the implementation of the Code.

3 Migrant Labour

(a) The policy of apartheid leads to the use of migrant labour, which robs the individual of the basic freedom to seek and obtain the job of his choice. It also causes grave social and family problems.

(b) Employers have the social responsibility to contribute towards ensuring freedom of movement for black workers and giving them the opportunity to lead a family life.

(c) Employers should endeavour to alleviate the effects of existing regulations, in particular by facilitating the regular renewal of contracts of employment and making it easier for the families of employees to settle near their workplace.

4. Wage and Pay Structures

(a) Companies should formulate specific guidelines aimed at improving their terms of employment and at implementing the principle of "equal pay for equal work". The staffing of and renumeration for a position should be based on the qualifications of an individual and not on his or her racial origin. The same pay scales should be applied to the same job.

(b) Companies should also provide renumeration sufficient to assist their black employees in particular to achieve a standard of living significantly above the minimum level required to meet their basic needs. In this context they should refer to the data on living costs regularly collected and analyzed by the University of South Africa (UNISA) and the University of Port Elizabeth (UPE). (See appendix for further details.) Pay based on the "Supplemented Living Level" for an average-sized family must be considered as the absolute minimum necessary and the Canadian Government strongly urges companies, taking into account the value of work performed in particular industries, to introduce minimum wages which substantially exceed this level at an early stage of their programmes for improving the terms of employment of their black employees.

(c) In their continuing review of pay and wage structures companies should take particular note of the impact of inflation. Annual wage increases should offset the impact of this factor but, if the desired improvement in real wages is to be achieved, it cannot be the only factor to be reflected in the determination of wage increases.

5 Training and Promotion

(a) The principle of equal pay for equal work would not mean much if black employees were kept in inferior jobs. Implementing the principle of equality of opportunity must also be given a high priority. Employers should therefore draw up an appropriate range of training schemes of a suitable standard to provide training for their black employees.

(b) Companies should ensure that supervisory and management jobs and those requiring high technical qualifications are open to their black employees.

The aim should be, as a preliminary objective only towards the ultimate goal of a fair and balanced racial composition of the workforce, to fill fifty percent of all supervisory and management positions with employees other than those designated as white persons within a period of time which companies should clearly specify in their employment plans and development programmes.

(c) Companies should, if possible, organize occupational training programmes for their black employees and help them to take advantage of other educational and occupational training programmes outside their places of work. Where required, companies should set up or use educational facilities to enable their black employees to benefit from more specialized training, and generally should support them and members of their families in their right of access to equal, integrated and universal educational facilities and opportunities.

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

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

6 Fringe Benefits

(a) In view of their social responsibilities, companies should concern themselves with the living conditions of their black employees and their families.

(b) For this purpose, company funds could be set aside to provide benefits over and above those currently provided according to South African legislation:

- providing complete social protection schemes for employees and their families (health, accident and unemployment insurance and old age pensions);
- ensuring that their employees and their families have the benefit of adequate medical care;
- assisting in the education of members of their families;

- helping them to buy their own housing or to obtain accommodation which enables all workers to live with their families near their workplace;

- providing transport from home to work and back with particular attention to alleviating the difficulties facing those employees who are obliged to commute some distance to the workplace;

- providing their employees with assistance in problems they encounter with the authorities over their movement from one place to another, their choice of residence and other employment;

- providing leisure facilities.

(c) Companies should support community projects which aim to improve the quality of life of the black communities from which they draw their staff.

7 Race Relations and Desegregation

(a) Where this has not already been completely achieved, employers should do everything possible to abolish any practice of segregation, notably at the workplace, in canteens, in education and training and in sports activities. They should also ensure equal working conditions for all their staff.

(b) Along with the advancement of their black employees, companies should directly support inter-staff contacts, and help employees from different racial groups to get to know each other better and integrate more fully.

(c) Companies should encourage sporting activities in which employees from different racial groups take part in mixed teams in mixed competitions.

8 Encouragement of Black Businesses

As far as they are able, companies should, in the framework of their activities, encourage the setting up and expansion of black businesses by contributing their expertise, counselling and advice, by sub-contracting, by providing assistance for their

black employees to set up their own businesses and by preferential, priority treatment in customer-supplier relations.

9 Social Justice

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

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

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

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

APPENDIX

CODE OF CONDUCT

ADMINISTRATIVE PROCEDURES AND GUIDANCE

Reporting System

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

The annual report should state the facts as of December 31 each year and in particular should bring out clearly the progress achieved in the implementation of the various sections of the Code. Especially where they are considered to represent a significant contribution to the advancement and well-being of the black employees and their families and to the communities in which they live, companies should feel free to describe their achievements in some detail citing, wherever relevant, the financial provision for them in company budgets.

Companies should submit their annual reports to the Administrator by March 31 each year.

The Administrator will review and collate company reports and submit his annual report to the Secretary of State for External Affairs by May 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.