Code of conduct for Australian companies with interests in the Republic of South Africa

First Report of the Administrator March 1987

fair Employment

Department of Foreign Affairs

CODE OF CONDUCT FOR AUSTRALIAN COMPANIES WITH INTERESTS IN THE REPUBLIC OF SOUTH AFRICA

First Report of

The Administrator

March 1987

Australian Government Publishing Service
Canberra 1987

CODE OF CONDUCT

FOR AUSTRALIAN COMPANIES WITH INTERESTS IN SOUTH AFRICA

Administrator :

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10 Moore Street
CANBERRA ACT 2601

3rd March, 1987

The Hon. Bill Hayden MP
Minister for Foreign Affairs
Parliament House
CANBERRA ACT 2600

Sir,

I have the honour to present to you, for submission to the Parliament, the first annual report of the Administrator of the Code of Conduct for Australian companies with interests in the Republic of South Africa.

Yours faithfully,

R.M. Bannerman

ISBN 0 644 06212 6

Printed in Australia by Pirie Printers Sales Pty Ltd, Fyshwick, ACT 2609

SOURCES FOR REPORT

General briefing material
- Department of Foreign Affairs

Consultations on general administration of Code
- Business Council of Australia
- Confederation of Australian Industry
- Australian Council of Trade Unions

Reports and Correspondence
- Sullivan, European and Canadian Codes

Correspondence, questionnaires and discussions
- Australian companies with interests in South Africa

Visit to South Africa (see below)

Visit to South Africa (27 November to 11 December 1986)

Australian Embassy
- briefings and general support
- visits with me except to Australian companies
- visits with me to black townships

University of South Africa
- Bureau of Market Research

Urban Foundation

South African Institute of Race Relations

Sullivan and other Codes - administrators

Employer groups
- (AHI) Afrikaanse Handelsinstituut
- (FCI) Federated Chamber of Industries
- (ASSOCOM) Association of Chambers of Commerce

Black Business
- (NAFCOC) National African Federated Chambers of Commerce and Industry

Black Trade Unions
- (COSATU) Congress of South African Trade Unions
- (CUSA-AZACTU) Council of Unions of South Africa - Azanian Confederation of Trade Unions
- (NUM) National Union of Mineworkers

Australian companies
- Pretoria, Johannesburg, Capetown, Port Elizabeth and East London
- Visits (alone) to eight companies

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CODE OF CONDUCT FOR AUSTRALIAN COMPANIES WITH INTERESTS IN THE REPUBLIC OF SOUTH AFRICA

Task for Report

This is the first report under the voluntary Code of Conduct for Australian companies in South Africa. It marks Australia's entry into an area of monitoring and public reporting where the United States of America, the European Community (particularly the United Kingdom) and Canada have had Codes of Conduct since 1976 to 1978.

Each of the countries concerned has companies with investment in South Africa and a physical presence there - through subsidiaries that operate as part of South African industry and that employ South African workers, including black workers.

The Codes are intended to secure that companies from outside South Africa do not, when employing non-white (and particularly black) workers in South Africa, exploit the apartheid system. On the contrary, the objective is to work towards the elimination of discrimination at the industrial level - in pay rates, opportunities and otherwise - and at the same time to try to improve the position of the employees outside the work place.

Those who press for stronger sanctions against South Africa and for active disinvestment policies criticise the Codes as weak palliatives for apartheid. In past years that might have been charged more forcibly. Today the existence of the Codes does not seem to be affecting decisions on sanctions. And the converse also seems to be true; with the sanctions that are presently operating the Codes continue to operate. Of course, when companies do disinvest, the Codes have fewer companies to cover and could eventually wither on that account. To the extent, therefore, that the Codes operate on the fact of foreign companies being in South Africa, they could be thought inconsistent with any policy of rapid disinvestment. However, there are at present no such policies operating at the level of Governments. A question arising from that is whether foreign companies, if they do remain in South Africa, should be subject to Codes and to reports back home as to their conduct, it being recognised that those reports, depending on their content and their reception, may either quieten or stir pressures for further disinvestment.

A central point about the Australian Code is that it provides for the appointment of 'an independent and impartial Administrator'. It is a part-time position. I was the first appointee - on 2 April 1986.

The Administrator's work is done separately from any Government Department, and the records are not available to Government or to any Department. The prime responsibility of

the Administrator is to prepare an annual report for submission to the Parliament through the Minister for Foreign Affairs.

I understand that my appointment was acceptable to the Business Council of Australia, the Confederation of Australian Industry and the Australian Council of Trade Unions. No doubt my experience, for many years before my retirement, in the administration of the Trade Practices laws was thought to be relevant; under those laws I signed 17 annual reports for the Parliament.

In this report on the Code of Conduct for Australian companies with interests in South Africa, I face the fact that the Code is only a part of Australia's policy towards South Africa and towards apartheid. The Australian public's attention is focussed on the issues of sanctions and disinvestment, and on reports of violence, repression and censorship. Obviously, there are much greater events occurring than the administration of the Australian Code.

The task of this report therefore is to show the Code and its operation in perspective so that its relevance can be judged. That will involve

- outlining the Code and sketching the background
- quantifying the Australian commercial presence in South Africa and how it is being affected by actual disinvestment
- reporting on the conduct and attitudes of the the Australian companies
- indicating the perception that the industry federations and the black trade unions in South Africa have of employer codes of conduct including the Australian, and
- suggesting considerations that may help in deciding what value to put on the Code and on its continued administration in the future.

Confidentiality

The Australian Code promises confidentiality for the Australian companies who provide information to the Administrator as to their businesses in South Africa. This was apparently essential for procuring general industry support for the introduction of the Code, which is voluntary.

Confidentiality goes to the extent that not even the names of the companies are to be disclosed, which is not the case with the other Codes.

The companies believe, in varying degree, that naming them in my report would make them targets for attack that

passed over any good they might be doing. One company showed me evidence of that.

On the other hand, listing the companies would relieve those who are incorrectly shown in unofficial lists from time to time as being in South Africa. My list is less than half the size of the smallest list I have seen elsewhere.

I have decided, with BHP's consent, to name it as having interests in South Africa and to particularise those interests in Schedule 3. BHP, as Australia's largest company, has a unique position in the public eye, and it received publicity as recently as late November 1986 regarding its interests. They were mainly derived from the American corporation, Utah International, which it acquired early in 1984, and some of them have since been sold.

In most other cases, the Australian companies in South Africa can be ascertained from public information. I think it depends on discussion of the substance of this report whether companies will agree to a listing in future reports. What they want to avoid is drawing immediate disinvestment pressures on themselves. There has been some disinvestment already, and more is likely, but some companies will want to remain while permitted by the law and by official policy.

Official Policy on Investment

The Australian Code accepts that Australian companies may lawfully and properly maintain their investment in South Africa. The 'Background' to the Code includes the following -

> 'In the absence of comprehensive economic sanctions approved by the United Nations Security Council and observed by South Africa's major trading partners, Australian commercial relations with South Africa will continue but without avoidable official assistance. Consistent with this, promotion of trade with and investment in South Africa on behalf of the Australian Government has ceased. Australian companies may invest in South Africa but there is no official encouragement for such investment.'

That statement was part of what the Minister tabled in the Parliament on 29 November 1985 when he announced the Code.

Continuance (but not increase) of existing investment was also accepted in the Prime Minister's statement of 21 August 1986 to the Parliament, when among other things he detailed measures to be brought into effect as soon as possible - being the second tranche of measures identified in the Commonwealth Accord agreed at Nassau in 1985. The following is the relevant extract -

'(B). A ban on new investment or reinvestment of profits earned in South Africa. The reference to reinvestment concerns reinvestment of repatriated profits, given the problems of applying extraterritorially a ban on reinvestment of profits which remain in South Africa. The Government has decided that in the first instance this measure will be effected through a call on Australian investors to refrain from such investment'.

It follows from the above that Australian companies that have subsidiaries in South Africa are not pressed by Australian law or official policy to sell or close them down. The Code offers an opportunity to inform the Australian community whether the companies are conducting themselves properly in relation to their black employees. If they are, then any public pressures for disinvestment would logically need to fix on the simple fact of the companies' presence in South Africa, which might be thought to have symbolic importance or to be a small contribution towards economic stability in South Africa.

Origin of Australian and Other Codes

The voluntary Code of Conduct for Australian companies in South Africa was tabled in the Parliament on 29 November 1985 by the Hon. Bill Hayden MP, Minister for Foreign Affairs. I was appointed as Administrator on 2 April 1986.

The Code was the product of lengthy consultations between the Government, the Business Council of Australia, the Confederation of Australian Industry and the Australian Council of Trade Unions. It was based on earlier codes from other countries with companies in South Africa. Those codes date from the period 1976 to 1978 and have been revised over the years since. They are the Sullivan (US) Code, the European Community Code (of which the UK is the most important member in South Africa), and the Canadian Code.

The Sullivan Code did not come from a US Government initiative. It came from the personal initiative of the Rev. Dr. Leon H. Sullivan in the USA, who was able to secure substantial support from major multinational corporations that had their home bases in the USA. Under the Sullivan Code an independent report is published every year. The tenth report dated 5 December 1986 has just been published.

The European Community Code is administered by each of the member Governments in respect of its own companies. The UK Government makes an annual report to the British Parliament; the last such was for the year ended 30 June 1985. On consideration of all the national reports, a summary analysis is presented to the European Parliament; the sixth such summary analysis is due about April 1987.

The Canadian Code has existed since 1978, but it was activated in 1985 by an independent Administrator being appointed (part-time) by that Government. The Administrator's first report was tabled in the Canadian Parliament in June 1986.

Requirements of Australian Code

The positive requirements of the Australian Code are typical of other Codes and deal with

- de-segregation at places of work
- unionisation and no racial discrimination in employment
- labour restrictions, such as pass laws and residence laws (since changed)
- training and advancement
- pay
- quality of life - matters such as annual leave and sick leave, contributory pension and disability and unemployment insurance, and contributory medical benefits schemes

  (other quality of life matters such as transport to and from work, health services, housing and education are dealt with in the Code by way of recommendation).

Companies adhering to the Code are called on to respond to a questionnaire, and the Administrator is to work with the companies in more detail as may be necessary in order to examine compliance with the Code. The Administrator is to prepare an annual report for submission to the Parliament through the Minister for Foreign Affairs indicating the overall level of compliance. Individual confidentiality is to be respected, as noted earlier in this report.

See Schedule 4 for more detail.

Views from South Africa on the Codes

I met a number of people in South Africa concerned with the administration of the Sullivan Code (company executives, signatories' association, and US Consular officals). They think too little credit has been given to the work and expense undertaken by Sullivan companies to improve the lot of workers and their communities. They gave me impressive instances, and they regarded the Sullivan Code and its administration as having significantly contributed to a general uplifting of standards in industry. I note that the Urban Foundation, which is active in housing and education projects and in trying to affect urban development policy, but does not support disinvestment, speaks highly of Sullivan

achievements. To this can be added the commendation from the University of South Africa's Bureau of Market Research (1986) publication 'An Assessment of the Development and Welfare of Employees in the Republic of South Africa - Research Report No. 133' -

> 'There can be no doubt that the Sullivan Code has made a positive contribution to the development and welfare of non-whites in South Africa. In this connection the American Chamber of Commerce states that "we know of no part of the world where American companies are doing more to promote equality and opportunity in the workplace than in South Africa" '.

I have just received the latest (tenth) Sullivan Report, which is dated 5 December 1986. It quotes the very words of quite a number of Sullivan companies in South Africa as to what they are doing in consultation with representatives of their employees and their communities. It is a record that deserves commendation.

Nevertheless, the employer bodies that I saw (AHI, FCI, ASSOCOM) do not see much relevance in the Codes today. They regard them as paternalistic in that they were not negotiated with the workers. Now that black trade unions are accepted and have become the relevant force in negotiating pay and conditions for workers, the employer bodies see less need for employer codes; also the South African industrial law has itself been improved. If employer codes have a value, it is said to be more in their home countries than in South Africa; the real issues for South Africa are said to be disinvestment and sanctions which the employer bodies regard as bad policies likely to injure those they are intending to help.

NAFCOC (black business) has little regard for the Codes either, but it disagrees strongly with the white employer bodies on disinvestment and sanctions, and takes the same view as the black trade unions do. It actually goes further - by saying the foreign businesses should be sold to black businessmen. The white employer bodies do not think black business is ready for that.

The black trade unions (CUSA-AZACTU, COSATU, NUM) also have little regard for the Codes; internally, they believe trade union pressure is the way to go - externally, sanctions and disinvestment. Even if it were true that the foreign companies bring employment and some benefits to employees and their communities, that has to be balanced against the enormous overall unemployment there is in South Africa and the need to help get rid of apartheid by the direct pressures of sanctions and disinvestment.

The employer groupings (AHI, FCI and ASSOCOM) think the trade union leaders are out of touch with their constituencies on sanctions and disinvestment. I could not judge that, and I doubt whether the employer groupings could

either. With ordinary political channels not available to the black community, the black trade unions are a natural community focus. Their views seemed to me to be sincere and strongly held. They may, of course, change if unemployment and hardship grow, but until that happens, they are views that cannot be disregarded.

In presenting these opposing views, I simply add that all the people concerned were lumping the Australian Code in with the other Codes and were thinking largely in terms of big business rather than the small Australian presence in South Africa. They saw no reason for a special case and wanted to judge the issues in broad. Thus the fact that small business (and rural business) is less unionised than big business did not affect their approaches.

The Australian companies in South Africa

The general tenor of the Code is to cast obligations on Australian companies who have management responsibilities in South Africa. Specifically, the Code is stated to apply to

> 'the Australian companies themselves, their subsidiaries or branches which operate, have a direct investment or maintain an establishment in South Africa and which employ non-white staff there'.

I have therefore been most concerned with companies that have full or majority ownership of South African companies. I have also identified 50 per cent holdings and significant minority holdings.

There is one Australian company that is a manager without having any equity in the relevant business. It is not therefore covered by the Code, but the US owner is a signatory to the Sullivan Code, and I have been promised a copy of its report to the Sullivan administration.

For the purpose of identifying the Australian companies, I have explored long lists, followed leads obtained from within industry itself, corresponded with many companies and talked with quite a number. The work has been facilitated by confidentiality. All companies approached have co-operated with me except one which declined to give me information as a matter of principle. That company would hardly be known to the general public; I believe its establishment in South Africa is very small indeed and that I can safely leave it out of account.

In the period of ten months since my appointment, a number of Australian companies have disinvested from South Africa, and the process is still going on. The position as I now state it is up-to-date to the best of my knowledge at February 1987. See also Schedule 2.

There are ten Australian companies that have wholly owned subsidiaries in South Africa. Between them they have approximately 640 black employees. Of the ten companies, two

have announced they are withdrawing, and a third that it is selling 51 per cent of the shares to its long-serving employees of whatever race; that will leave seven companies with a total of about 480 black employees. In addition to that, there is a 60 per cent owned company with about 190 black employees. Thus, when the three sales have taken place, there will be eight Australian companies with controlling interests in South African companies, the subsidiaries having between them about 670 black employees.

There are three Australian companies that have 50 per cent ownership of South African companies. One is in the process of selling out to the South African interests in the company. There must be similar possibilities in the case of the other two. Those two between them have about 1200 black employees. One company is in fruit growing and processing, and is dependent on the export trade now affected by sanctions. The other is in manufacturing and is supplying the domestic market.

There are two significant minority shareholdings. One Australian company has about 40 per cent shareholding, but no management responsibility, in a South African manufacturing company that has about 300 black employees. The other (not a company well known to the general public) has 27 per cent shareholding in a gold mining company that has about 2,000 employees, mostly black; it has no management responsibility and is gradually selling its investment. Also there will be the company that will retain 49 per cent ownership after selling 51 per cent to long-serving employees; it has about 28 black employees.

In South Africa I visited seven companies wholly-owned or majority owned from Australia and one company 50 per cent owned from Australia. Between them the eight companies I visited had about 1800 black employees.

It is my impression that the core of companies likely to remain in South Africa will come from those wholly or majority owned. They are mostly in manufacturing, now that the life insurance interests are on the way out. They are all selling into the domestic market and are thus dependent on the state of the South African economy. Some of the companies have been in South Africa for a long time, and feel identification with their industry and their work force. Although in some instances severing the links with Australia might not, assuming funds were available, appear to affect the South African companies greatly, the Australian companies regard such disinvestment as symbolism at their expense, which would remove their own influence which they think is good and put nothing in its place. The local managers are white South Africans who believe they have a commitment to the political and economic advancement of the black people, on which they see their own future depending, and they look for continuing support from the Australian companies whether in terms of technology, funds, experience or business goodwill and licensing. None of them

are large companies, at the bottom end some are very small, and none of them have a guaranteed future; neither do their employees, in an economy where jobs are very scarce.

South Africans, if asked to name an Australian company in South Africa, would have difficulty in doing so. My investigations show that Australia's physical presence in South African industry is of mainly symbolic importance, except to the few people directly concerned, for whom it certainly has a real importance. Compared with the presence in South Africa of UK and U.S. companies, the Australian presence is tiny. Compared with Canada's, it is small. Compared with the South African economy overall it is minute. South Africa has a population more than twice our own, and increasing much more rapidly.

Its need to create employment is huge, and its unemployment is staggering by Australian standards. Australian subsidiaries provide some hundreds of jobs for black South Africans. Including the lesser Australian interests, the total gets to about 2,000 jobs. There is additionally the mining interest (2,000 jobs) which is investment only, has been sold down to 27 per cent and is likely to be gradually sold altogether.

Compliance by Australian companies

As a broad generalisation, the Australian companies are meeting the standards of the Code, and I believe their conduct and relationship with their black workers is creditable. Compliance with the Code is not a static thing; the Code calls for a process of improvement, and I think this is conscientiously being attempted.

The Australian companies are not in the same league as the big U.S. and UK companies, and they do not have the budgets to spend on black advancement that big 'Sullivan' companies have. Nor are the Australian companies in a position to be industry leaders in matters of pay; they tend to follow industry norms that are settled by negotiation in Industrial Councils between industry associations (dominated by the big companies - South African and foreign) on the one hand and the various trade unions on the other.

In the areas where the Code does not lay down positive requirements, but rather makes recommendations (housing and education in particular), the problems are recognised in South Africa as national problems. Individual companies helping their own employees and their families are taking on burdens they do not have in Australia, and to the extent that they do help or upgrade their help over time, the effort is in my view especially commendable. For detail of some efforts and the background against which they are being made, I refer to Schedule 4 under the headings 'Housing' and 'Education'.

To take the other topics addressed by the Code in the order in which Schedule 4 deals with them, I think the first three items can be conveniently bracketed together. They are 'Desegregation at places of work' 'Unionisation and no racial discrimination' and 'Labour restrictions'. I found no particular problems under those headings, but I refer again to Schedule 4 as trying to sketch the background and also indicating that the position may still be fluid for workers from the 'independent' homelands who have lost their South African citizenship. Otherwise, there have been significant and welcome changes to South African law.

The next heading is 'Training and advancement'. Those matters are very much in the minds of the black workers, and closely linked with education itself - both for themselves and for their families. Again it is a national problem, but its very nature means that the burden must be shared with industry, as indeed it is being shared. The two education systems do not deliver the same product, and the average black South African has for many years entered the work force at a disadvantage compared with the average white South African. That may be less so in future years as the black education system now receives increased public funding, but there is a lot of leeway to make up. Black workers very much need on the job training and trade courses during employment, and both Government and industry encourage it. Individual companies, South African and foreign, have an on-going responsibility. Again I refer to Schedule 4. This is an area where administration of the Code could hope to see continuous progress over the years.

The size of the pay packet is, of course, a central concern for all workers. Everybody knows there is a significant gap between the pay in South Africa for most black workers on the one hand and most white workers on the other. The gap is bridged in some individual cases, and there are a few black workers who get more than the lowest paid white workers. It is claimed that the gap represents the difference in job levels and in education, training, skill and adaptability. To the extent that the claim is true, many black workers attempt to meet it by seeking better education and training for themselves and their families, where they can get it. But so far as the gap is historical, it has been gradually narrowing under trade union and other pressures, although the pace depends on capacity of industry to pay, the state of the economy and particularly unemployment, and general community attitudes.

Schedule 4 under the heading 'Pay' tries to outline the institutional background of the pay system and to explain the 'Supplemented Living Level' (SLL) taken as a wages benchmark by the Code. In general the Australian companies met the standard. Whether the Code is entitled to the credit is another matter. The black trade unions, who are relatively strong in manufacturing and mining, believe that most of the important pressure for improvement in rates of pay comes from themselves and not from the foreign codes or the South African

equivalents. However, the unions are probably finding it hard in present circumstances to avoid the trade off between pay rates and jobs that has become familiar to us in Australia. And it was notable that some of the smaller Australian companies were not unionised (see under 'Unionisation').

In rural areas the pay was less. Schedule 4 discusses this, and draws on the experience of the Sullivan Code - quoting from the tenth Sullivan report just published. If the Code standards are to be taken as absolutes, then the very jobs of the workers could be at risk. The company that I visited was operating in an area of very high unemployment, was running a more labour-intensive operation than its competitors and had lost some of its overseas markets because of sanctions. I counsel against condemning from afar, and on the contrary I think the company is entitled to credit for what it is doing in difficult circumstances.

There is detail in Schedule 4 about what the Code calls 'Fringe benefits'. Some of them are required by statute. Contributory pension funds are not required by statute, but if they are established they are subject to statutory supervision. All but one of the Australian companies offer pension funds, one of them even funding its scheme without worker contribution. Nearly all workers (black as well as white) have opted to join the schemes. The companies also have contributory (non-statutory) medical benefits schemes, but many black workers prefer not to contribute and instead to rely on free or nearly free treatment at public hospitals.

By way of concluding this overview of compliance, I report that work relations seemed good between black workers and management, when one took into account factors like relative experience, responsibility and education. Black workers told me quite directly what their concerns were - mostly pay in relation to needs, their hopes for training and advancement, and sometimes housing problems as well. They were glad to have their jobs, and in varying degree they thought well of their companies and management. They were pleased at the Australian interest in their welfare that my visit showed. The managers for their part were always frank with me. They regarded themselves as committed to the political and economic advancement of the black people on which they saw their own future depending. I saw many instances of warm relationships between black and white.

Value of Code

Companies have not, I think, been greatly influenced so far in their conduct by the introduction of the Code. They have looked to see whether what they were doing matched the essentials of the Code, and have felt broadly satisfied that it did. Thus their conduct was less influenced by the Code than thought to be consistent with it. The exercise of questioning themselves and having to account to the Administrator was a useful discipline, so one company told me, and left them feeling reinforced as to the propriety of their conduct.

Numbers of companies had not made the Code itself known to their workers. In some cases it had reached the South African subsidiaries quite late in the year, as for example where it took some time to establish that particular companies were covered. Moreover, the Code itself is too long and complex to be suitable for passing to workers an essential message that can be followed up. The Sullivan Principles, by contrast, can be pinned on the wall in one sheet. I would intend to draw a short summary statement from the Code that workers can use as a basis for further enquiry or discussion. If the essentials of the Code are understood in advance by workers, then obviously there is some pressure on management, particulary in non-unionised plants. In one plant that was unionised, shop stewards had made the effort to understand the Code and my role in relation to it.

As a further procedural improvement for the future, I would intend to revise the questionnaire and send it to companies in a form that would reflect up-to-date understanding of the South African law, and would get quickly to the issues with reduced need for further correspondence. That would still leave the need to call on companies personally, which companies wanted me to do, and which experience has satisfied me is essential.

I have said that companies have in general reached acceptable standards. The reasons are both internal and external to themselves. It would be unjustifiably cynical to regard company executives as motivated solely by profit considerations. They have ethical and moral standards that strongly influence their conduct in matters affecting black workers in South Africa; they are much closer to the problems than we are. At the more pragmatic level the managers of the companies in South Africa are committed to the future of that country, and they regard decent, sensible and lasting accommodation between black and white as quite essential. Change is obviously in process, and they are part of that process. South African law has changed significantly, as I have noted in Schedule 4, and community attitudes are changing with it or ahead of it. Part of the general background for company decision-making is the improved general business attitude towards black workers that has been developing for some years, partly under the influence of the Sullivan Code and other earlier codes. Hard-headed business self-interest also requires better trained and better paid black workers. And perhaps the strongest external influence is the growing power of the black trade unions. Certainly the unions themselves believe much more in their own capacity to win satisfactory conditions for their workers than they do in the importance of the foreign codes of conduct.

Against that background, the main value of the Code so far has been in the provision of information. We now have Australia's commercial presence within South Africa quantified for the first time. Compared with the presence in South Africa of UK and U.S. companies, the Australian presence is tiny.

Compared with Canada's, it is small. Compared with the South African economy overall, it is minute. It is important, however to the people directly concerned. And it is important to the Australian community to be assured, through my examination, that Australian companies are conducting themselves creditably in South Africa and are not supporting apartheid or exploiting it for commercial gain.

The Code has therefore been useful in its first year - mostly in the information I have been able to gather and make available to the Parliament and therefore to the public.

It does not follow that the Code would have the same value next year and thereafter. One would expect that, Code or not, the companies would continue to conduct themselves creditably. Of course, without the Code, there would be no annual public assurances of that. The assurances lose importance, however, if disinvestment proceeds to the point that there is little left for the Code to operate on. Unless or until that happens, the disinvestment debate itself might be influenced by the information coming forward through the administration of the Code and the presentation of the annual reports. I have indicated, under the heading 'The Australian companies in South Africa', my feeling as to the core of companies likely to remain.

The Code speaks significantly, so it seems to me, in three main areas - the desegregation and anti-discrimination area, the wage area (including fringe benefits) and what I may call the 'black advancement' area. I mean the last to include the raising of the skills, status, responsibility, and dignity of black workers (and their families). That involves education, training and housing. It is, of course, a national task, and recognised as such, but the Australian Code, like the earlier Codes, does address the problem and encourage companies to do what they can. It is in this area the future challenge for the whole of South African industry may well come. Desegregation and anti-discrimination are not now so contentious in a legal or formal sense. Wages will be determined, at least in urban industry, by the process of negotiation resulting in collective agreements or else by reference to benchmarks; in both cases wage levels will have to have regard to the state of the economy and the capacity of industry to pay. But neither anti-discrimination rules as such nor fair wages determination will give black workers an increasing share in the work of higher skill and responsibility.

Eventually black South Africans must be drawn through to management level in industry if there is to be true equality. I have talked in Schedule 4 about some of the education and training problems that stand in the way. Notwithstanding the very large sums of money the Sullivan companies lay out on education and training, the tenth Sullivan report just published says that positions other than unskilled or semiskilled are still dominated by whites. The Australian companies generally have small enterprises in South Africa, and

they have less opportunity to take a lead in this area. Yet, positive advancement of black workers through education and training initiatives is what black people and their union leaders look for - and what companies will increasinly have to provide if they want to retain goodwill in a South Africa moving towards restructuring its society. Thus there will be much more powerful pressures in the long term than the Australian voluntary Code can apply to the few companies that it covers. In the meantime the Code could be a useful check on progress in this matter by companies that do want to stay in South Africa.

It needs to be recognised at once that education and housing are matters that companies have no responsibility for in Australia. The Code itself goes no further than to 'encourage' initiatives in these matters. On the other hand, training in the more specific work-related sense is a requirement of the Code. Schedule 4 indicates what some companies have already done in these associated matters.

If more is to be attempted in this general area of black advancement, and if the Code is to have anything to do with it, I think the Australian public has some responsibility. The direct burden falls on the companies. That is in addition to the diversion of executive time the Code causes in general. The Code is voluntary, but probably the companies feel under some practical compulsion to co-operate reasonably with the Administrator. No doubt they hope the public will come to understand better what they are doing in South Africa and will judge them more on the facts and less on emotion. If they are disillusioned on that, they may believe there is no way they can earn public goodwill, and may come to have less interest in the Code and in being seen to upgrade their efforts. More companies may disinvest, leaving their workers no better off and conceivably worse off as control passes to South African groups.

The responsibility that I think all of us bear in suggesting what companies might do in the matter of black advancement is to understand the difficulties, to realise that progress must necessarily be slow and to support those who are actually in the field doing something. If I am right in my belief that the critical test for the value of the Code in the future will be in the area of black advancement, then the value of the Code depends not just on response from companies, but on the recognition and support they get for their efforts from the Parliament and the public.

SCHEDULE 1 - COST OF CODE

Cost to Public Funds

The items are from the time of my appointment.

As Administrator I am paid a fee of $12000 p.a.

I have no staff

I am provided with a room in commercial premises on an 'as required' basis, and secretarial and telephone etc services on the same basis.

Administrator	$12000
Secretarial etc.	$ 7000 (est)
Air Fare South Africa and Return (Business Class)	$ 3906
South Africa (Internal)	$ 812
Expenses in South Africa	$ 1988
Sydney/Melbourne airfares and expenses (3 trips in all)	$ 1251
	$26957

I have had valuable support from the Dept of Foreign Affairs and the Australian Embassy in Pretoria. The officers concerned have done this as part of their normal duties, no doubt with priorities sometimes affected. No additional cost has been involved.

Cost to Companies

Although the Code is voluntary, it involves just as much company time and expense as if it were ordinary 'regulation' in the statutory sense.

It becomes another company overhead.

I have not asked any of the companies for estimates, and I can do no more than indicate the principal headings in regard to executives' time.

There would be communication and other direct costs as well.

Executives' Time

- all companies gave senior attention to enquiries and correspondence from me
- any interviews I had were with Chief or Senior executives who would have had to prepare themselves beforehand and consult with subsidiaries in South Africa.

- in South Africa I always saw the Chief Executive sometimes for half a day. On three occasions I spent all day with a company.

SCHEDULE 2 - DISINVESTMENT LIST OF COMPANIES

Listed below are the Australian companies that, to my knowledge, have announced the sale of their interests in South Africa in the last twelve months.

National Mutual Life Association of Australasia Ltd

- Approval of South African regulatory authorities is awaited to scheme of arrangement with a South African life company.

Colonial Mutual Life Assurance Society Limited

- Details of how to implement the decision to disengage from the international Colonial Mutual Group could take some months to finalise, but the Local Board and Management are having talks in South Africa with more than one prospective future partner.

Siddons Industries Limited

- Ramset Fasteners (Africa) Pty. Ltd. was a wholly-owned subsidiary, through Ramset Fasteners (Aust) Pty. Ltd. 51 per cent of the shareholding is being sold to the 47 employees of whatever race who have had more than a year's service. That includes 19 black employees. Approval of the South African Reserve Bank is awaited.

Pioneer Concrete Services Group of Companies

- has completed the sale of all the issued shares in Transit Mixed Concrete South Africa (Pty) Ltd which includes Transit's subsidiaries, viz
  Power Crushers (TVL) (PTY) Ltd and
  Tangera (Pty) Ltd.

  (Note that there is a Pioneer Concrete operation in South Africa which has no connection whatsoever with the Australian company)

Monier Limited

- acquired 14 per cent shareholding in Rocla (Proprietary) Ltd South Africa as a result of its 1981 acquisition of Rocla Industries Australia. The 14 per cent shareholding was sold in October 1986 to the major shareholder in South Africa, Gencor.

Tubemakers of Australia Limited

- has 60 per cent shareholding in Bundy Tubing (Australia) Pty Ltd which had 23 per cent shareholding in Bundy Tubing Company of South Africa (Pty) Limited. The latter shareholding has now been sold to the major South African shareholder.

The Commonwealth Industrial Gases Limited

- W.A. Flick & Co is a wholly-owned subsidiary which has 50 per cent shareholding in Flick Pest Control (SA) Pty Limited. Arrangements have been made to sell the 50 per cent shareholding to the South African interest in the company.

SCHEDULE 3 - BHP'S INTERESTS IN SOUTH AFRICA

BHP's interests in South Africa are particularised in three letters to the Administrator from BHP's Principal Corporate Solicitor -

17 September 1986

> Further to Mr Willis' letter to you dated 2nd July 1986, it has come to my attention that there is a small BHP involvement in South Africa, through Mineral Deposits Limited which is now owned through BHP Minerals. This Company employs about 13 people in South Africa, none of whom is black and therefore I assume from reading your letter of 25th June 1986 to Mr David Adam, that this involvement would not be such as to require any further information to be furnished.

(In fact Mineral Deposits Limited, which makes mining or prospecting equipment, had already lodged a response to the questionnaire, but I was not then aware it was a BHP subsidiary).

10 February 1987

> I refer to our recent telephone discussions and now set out an up-to-date summary of the Utah interests in South Africa.
>
> Southern Sphere Holdings Ltd., Southern Sphere Mining Development Company (Proprietary) Limited and Tantalite Valley Minerals Pty. Ltd. have all been sold so that Utah has no interest in them at all. This means that the remaining Utah interests in South Africa are in Eloff Mining Company and Sun Prospecting & Mining.
>
> As of 31st January 1987 all employees of Utah Companies in South Africa have been terminated with the result that there are no longer any permanent employees of Utah Companies in South Africa. Eleven former employees have been independently contracted to do some clean up work all of which will be completed during February at which time the contractual relationships will terminate. One person is being retained on an on-going basis as a part-time, independent consultant to assist Utah in looking after its continuing interests in Eloff and Sun Prospecting.
>
> As BHP and Utah have already received publicity regarding interests in South Africa we agree to BHP and or Utah being named in your forthcoming report and understand that few, if any, other companies will be so named.

Information as to any employees of the respective managers of the Eloff and Sun Prospecting joint venture engaged on joint venture activities is being sought.

Utah is not a subscriber to the Sullivan Code, due to its low level of activitiy in South Africa, but supports the principles of the Code.

20 February 1987

Further to my letter of 10th February, the following additional information is provided.

As advised earlier Utah will retain a consultant on a part-time contractual basis to look after Utah's remaining interests in South Africa (Eloff and Sun) as required.

The services of a local accounting firm, Meyers, Wilson and March, and a local law firm, Webber, Wenzel & Co. will also be utilised as required.

Eloff Mining Company is a South African private stock company in which Utah owns 70 per cent of the shares and Anglovaal Limited (a South African publicly listed company) and two of its affiliates own 30 per cent of the shares.

Eloff owns surface and mineral rights over a large undeveloped coal reserve. A market for the coal is not foreseen for at least 8 to 10 years; therefore, the property is in a hold position. Some of the surface lands which Eloff controls are leased to local farmers for agricultural purposes. The administration of these leases requires a minimal amount of time by Utah's consultant, accounting and law firms mentioned above. Eloff has no employees of its own.

Sun Prospecting and Mining is a private South African stock company in which Utah group of companies owns 30 per cent and Anglovaal owns 70 per cent. Sun's only current activity is a prospecting program by diamond drilling to test for the possible presence of an economically viable gold deposit. It will be another 2 to 3 years before sufficient data is available to ascertain whether or not a commercially exploitable deposit exists.

Sun has no employees of its own. The prospecting program is managed and supervised by Anglovaal under the terms of a service agreement between Sun and Anglovaal.

Approximately 12 full-time Anglovaal employees (6 white, 6 black) are engaged full time in supervising the drilling program. In addition, an estimated 8 - 10 Anglovaal head office employees (geologists, engineers and metallurgists) work on the project on a part-time basis as required.

The diamond drilling work is done by an independent contractor hired by Anglovaal. Estimated manpower to run the drill rigs is 100 (20 white, 80 black).

It is obvious that the above employees are quite remote from Utah, being employees of the other shareholders (Anglovaal) in the joint venture company in some cases and employees of a contractor to the joint venture manager (Anglovaal) in the case of diamond drilling.

SCHEDULE 4 - COMPLIANCE DETAIL

Desegregation at places of work

The Code requires that, except where the law of South Africa otherwise provides, companies should integrate the workplace, canteen, recreational, educational, training and other company-provided facilities.

No one suggested to me that there was any South African law to the contrary.

All companies wholly owned or majority owned from Australia answered 'yes' to the desegregation question.

One company, which as part of its business does contracting work on sites throughout South Africa, said that on site it sometimes had no option but to accept conditions imposed on it by clients or main contractors if they had segregated facilities.

One company with a minority Australian shareholding and under South African management said it has separate change rooms and showers, and no plans to integrate them.

The facilities I saw at companies I visited ranged from acceptable to excellent. The size of the company and the nature of its business obviously have an influence on the standard of facilities, as in Australia. In general, desegregation was taken for granted and was a non-issue at the work-place. I was told there had in past time been some resistance, which had faded away.

Personal relationships at work seemed to me to reflect, more than racial difference as such, differences in age, experience, responsibility, education, and presence or absence of common interest. I saw many instances of warm relationship between black and white, and the senior or experienced black workers seemed relaxed to me; when there was opportunity, they talked directly and confidently with me. Management told me in several places that it was not possible to go further than remove barriers to integration. The pace of actual integration is largely decided by workers themselves. For example, in desegregated canteens, intermingling between groups is slow in coming.

Unionisation and no racial discrimination

The Code requires that there be no racial discrimination. It also requires freedom to join and be represented by trade unions, whose officials are to be permitted access to employees and, where applicable, given time off without loss of pay to carry out union duties. Display and distribution of union notices is to be permitted.

The companies all answered 'yes' to the non-discrimination question.

Likewise, they were all prepared to recognise trade unions and to facilitate their work.

Nevertheless, only four of the wholly owned or majority owned companies, plus 2 companies 50 per cent owned or less, were unionised or partly unionised. The other companies were either smaller, or in a rural environment or else in commerce (as distinct from industry), where they said unionism is still rare.

Companies that were not unionised had regular meetings with employees or their representatives (liaison committees) or relied on direct access and 'open door' policies. Success of this depends on the size of companies and on who the managers are and how they relate to workers. The managers I met generally impressed me in this respect. In varying ways they conveyed to me their feeling that South Africa was undergoing great change that had to be facilitated and eased in the interests of everybody.

Labour Restrictions

The Code calls on Australian companies to act, as far as possible within South African law, to eliminate, in the work place, racially discriminatory practices which impede the implementation of equality of opportunity, treatment and conditions in employment. The Code then specifies

> 'pass laws, work permits, job reservation, restricted apprenticeships, restricted family residential requirements, etc adversely affecting their employees'.

Companies are called on to support changes in such matters and provide advice and legal assistance to non-white employees and their families in regard to such matters as well as

> 'to avoid infringing freedom of movement and to alleviate the deleterious effects of the migrant labour system'

The questionnaire asks whether companies provide legal advice or aid either directly or indirectly.

The companies have found little need for legal assistance in this area, particularly in more recent times since changes in the law. Some have helped in the past through personnel officers taking up a pass law matter with the authorities; one company had paid a small fine imposed on an employee; another had had the company's attorney look after a case which did not reach court; a third (the Sullivan company) was making regular donations to the 'Legal Resources Centre' to which any such matters would be referred. The Centre gives free legal services to the black community. In general, the companies were ready to help their workers, if occasion arose.

It may be useful if I outline the general position as I currently understand it. For this purpose my most recent published sources are the study published in 1986 by the Bureau of Market Research of the University of South Africa (Assessment of the Development and Welfare of Employees in the Republic of South Africa - Research Report No. 133) and the 'Quarterly Countdown' of the South African Institute of Race Relations - Third and Fourth Quarters 1986.

As to job reservation for whites, it has almost totally disappeared. Today the only legal discrimination left in the labour field is in a few job categories in the mining industry, although it may be that some employers retain unacknowledged preferences. There is a Bill currently before the Parliament removing the colour bar that remains in some parts of the mining industry, and substituting apparently objective standards as to experience, education etc.

As to restrictions on apprenticeships, these do not occur in a legal sense either. No one raised the matter with me.

The pass laws have been repealed. In past years they were used extensively to harass blacks, who were required to have their passes ready for production at all times. Now blacks are being issued with 'colourblind' identity documents which are the same as other citizens have. Although the uniform identity documents do not remove the possibility that blacks could be singled out for harassment and required constantly to account for themselves where whites are not, I have not heard any suggestion that this is happening.

The position about work permits has apparently not settled down. Large numbers of black workers live in and are citizens of 'independent' homelands and have lost South African citzenship. The question of dual citizenship is being discussed between the South African Government and the 'independent' administrations; in the meantime the Aliens Act is not being enforced. The fear is that, if 'independent' homelands citizens do not get their South African citizenship back, they will not have freedom of movement to seek employment in South Africa but will be subject to the grant of Government permission; thus if they were unemployed, they could be excluded from competing with 'South Africans' in urban areas; that would still be influx control, although ostensibly colourblind. It should be emphasised that this has not happened, and the South African Government may very well see that it does not happen. In the meantime, those people currently employed in urban areas but who live in 'independent homelands' do not seem to be at risk; if they do not regain South African citizenship, they will still be persons who have jobs - presumably any necessary permissions would be given or renewed for them to stay in their jobs.

As to restricted family residential requirements, this too could get caught up with 'citizenship' issues. 'Migrant

workers' used to have to return to their homelands every year to get their work contracts renewed. They can now get automatic renewal without returning. Under the previous 'influx control' laws, neither they nor their families could reside in urban areas without permission; in practice the workers had to live in hostels and their families lived separately in the homelands, with all the social consequences of that. The system was supposed to prevent adding to congestion or squalor in urban areas. Now apparently, but subject to the possible question of citizenship, migrant workers can bring their families to live with them, if they are prepared to give up their homes and can find urban accommodation that they can afford. Shop stewards at one company told me that their migrant workers had no practical alternative but to continue living in hostels.

Training and Advancement

The Codes says companies should appoint and promote personnel solely on the basis of their qualifications and ability. All companies said they did this. One company (in which the majority interest is ultimately held by a US corporation) is a Sullivan signatory and said it aggressively pursues a policy of promoting blacks and coloureds from within or alternatively recruiting them from outside based on merit.

The Code goes on to say that company training and development programs should be implemented to encourage the movement of non-whites into semi-skilled, skilled, supervisory, managerial and executive positions. The questionnaire seeks details of programs and courses, either internal or external.

The company responses plus the information I obtained on my visits to companies showed that the opportunities for training and advancement are usually greater with the larger companies and are least where there is a high proportion of unskilled work. Even unskilled work may require dexterity and the mastering of particular routines, but this is taught on the job, usually by a black foreman or a senior worker. Office and sales staff may be sent on external training courses, but although such staff may be non-white, I found it rare to see black people among them. This may be because of inadequacies in basic education. In any event, I saw little evidence of blacks moving into middle management, let alone into executive positions. They were acquiring technical skills, where they had the chance, and in the life insurance industry some had become successful sales representatives and even regional managers in charge of sales offices. Of course, the Australian sample is too small to generalise from, but it was suggested to me that the ablest and best-educated black people do not at present find it attractive to seek management careers in companies where they would be in a very small minority. On the other hand, there are black people running their own businesses, and there are some black people practising professions.

Companies, where they had appropriate classes of work, engaged in apprenticeship training and sent workers out to external courses. Unqualified workers certainly want to acquire skills and to be recognised, for example, as fitters or welders, and to be paid accordingly. At one company I passed on to management a request from workers that some of them be sent in rotation to external training centres; that company had recently sold a major division, and its remaining work was limited because of economic conditions. On the other hand, the Sullivan signatory company, to which I have already referred, not only works positively to produce additional saleable skills in its workforce, it also participates in a government-sponsored program for the unemployed. The company, which has the necessary facilities, gives basic 8-day courses in any one of five skills so that the trainee has something to offer in seeking a job. Another company, which has a high proportion of unskilled work due to the nature of the industry, nevertheless earned commendation from the trade union for the opportunities it was providing for the education (externally) of shop stewards in trade union and related matters.

Education, training and advancement are vital matters for the black people. I believe their aspirations are now accepted generally, and indeed shared. South Africa's prosperity depends on the result, and so does the eventual welfare of companies in South Africa, because of the need to maximise efficiency and also to expand domestic consumer demand. One company took me to see an excellent training centre at Emthonjeni, Port Elizabeth, which is funded by the Government and by industry. It handles 20 000 people a year - many of them absolute beginners, but others at apprenticeship level. There are said to be eight such centres, and no doubt there need to be more. As this is a co-operative venture with industry, South African and foreign, I mention it to indicate the size of the problem and also to indicate part of the answer. Nevertheless, all companies, both South African and foreign, have an on-going responsibility for the internal training and advancement, so far as possible in company circumstances, of their workforce. It is an area where administration of the Code could hope to see continuous progress over the years.

Pay

The Code requires companies to apply the principle of equal pay for equal work, regardless of race. All companies answered the questionnaire that they did that.

The difficulty, of course, is that so many jobs are done only or mainly by non-whites. The test for the principle comes when black workers move into higher classifications occupied by whites. Speaking generally, rather than about Australian companies, this has been rare in the past; even if discriminatory attitudes have not been a factor, there have been general inadequacies of black education and higher training, and there has sometimes been simple lack of higher

positions to fill - depending on economic conditions and on growth (or its absence) in a particular industry. Now, however, it seems to be generally accepted that South Africa's future depends significantly on better education and training for its black people, and on skilled and better paid work being done increasingly by black workers. Companies were quick to show me the instances (still not many) of black workers on the same classification as white workers, and the very occasional instances of black workers on higher classifications than some white workers. The process will undoubtedly go on.

In the meantime, the money actually paid to a black worker is more important to the worker than the principle of 'equal pay for equal work' if the only work available is at lower levels.

There is no national minimum wage in South Africa. Domestic and agricultural workers must take what they can get. In unionised sectors of industry there is an established system of collective bargaining. In other trades the Minister of Manpower can ask a Wages Board to make reports upon consideration of which the Minister can make determinations. I quote the following from the Official Trade Union Directory and Industrial Relations Handbook (1986-1987) published by the very recently disbanded Trade Union Council of South Africa (TUCSA) -

> 'In the absence of a national minimum wage in South Africa, universities and other organisations have tried to establish criteria which can be used to help establish minimum wages for the thousands of lowly paid workers, predominantly unskilled and overwhelmingly black. For this section of the workforce even sectoral minimum wages, where prescribed, tend to be low, and so minimum living cost data can be of great use to determine something approaching a "living" wage. Possibly the most widely recognised are the regular surveys produced by the Bureau for Market Research at the University of South Africa and by the Institute for Planning Research at the University of Port Elizabeth setting out minimum financial requirements for households of various sizes. Both of these surveys are widely used in commerce and industry, are valuable to labour organisations in bargaining for improved conditions of service, and are cited as guidelines in the various "Codes of Conduct".....'

The Australian Code says the base payment for staff on entry to employment should be no lower than the figure of the University of South Africa's Supplemented Living Level (SLL) or the University of Port Elizabeth's Household Effective Level (HEL) for the particular geographic area for an average household. Each University has a lower level, the Minimum Living Level (MLL) in the case of the first University and the Household Subsistence Level (HSL) in the case of the second.

The Code says those lower levels are considered to be inadequate. The higher levels are an increase on them of about 30 per cent.

The figures I came most in contact with were the SLL and the MLL being the figures ascertained by survey and research from the University of South Africa, which is in Pretoria and is therefore a centre for the industrialised Transvaal. I had the benefit of discussion with the Director of the University's Bureau of Market Research. The Bureau says

> 'The SLL is not a subsistence budget, nor is it a luxury budget. Perhaps it can best be described as an attempt at determining a modest low level standard of living.'

At the same time the Bureau says

> 'For many of the inhabitants of Asia, Africa and Latin America, the (MLL and SLL) standards would represent Utopia. Conversely, persons with a high standard of living would find it very difficult to adapt to this level.'

A study published by the Bureau in 1986 (Assessment of the Development and Welfare of Employees in the Republic of South Africa - Research Report No. 133) concluded that half the black workers in the relevant private and public sectors were earning less than the SLL of a family of five (which is generally taken as about average) and roughly a third were earning less than the MLL of such a family. The study went on to point out that there could well be other wage earners in the family, and indicated that its own research showed that on average the household head's earnings represented about 70 per cent of the total household income.

The trade unions try to make the SLL a base for their negotiations in the Industrial Councils with the various employer groups, with whom they eventually reach agreements that operate across the relevant industry. The unions' success depends significantly on the state of the economy and whether demand is increasing or contracting and with it the fortunes of the industry itself.

The Australian companies that are among the larger companies or are in unionised sectors were paying SLL or above, in some cases well above (reflecting levels of skill or responsibility). In the (non-unionised) life insurance industry, they were paying employees SLL and above, while black sales representatives working on commission were earning quite good incomes.

There were instances of lower payments. One very small company that has a mere handful of workers in a rural town, was paying them well below SLL. Another company with a large workforce in a depressed rural area was doing the same

with many of its workers. I think one should not be hasty in condemning from afar. I spent a whole day with the latter company and I want to speak both in general and in specifics about employment in a rural area.

In general, it should be noted that the Sullivan Code, whose administrators are very experienced, allows companies in rural areas five years from their signing the Sullivan Principles to reach the required standard (approximately equal to the SLL used by the Australian Code). At the same time the tenth Sullivan report just published says this

> 'Meeting the minimum wage set for Sullivan Signatories is particularly difficult for Signatories in rural locations and labour-intensive businesses serving the local market. Four possible solutions are (1) mechanisation, which can eliminate many jobs; (2) closing, which would eliminate all jobs; (3) selling to companies of other nationalities not required to meet the standards of the Sullivan Signatories; or (4) contracting certain low-paid work to companies not required to meet the standards of the Sullivan Signatories.'

In specifics, I believe that the company I visited tries to run its business consistently with helping its workers, in an area of very high unemployment, to secure a better life. It was providing cheap meals, free transport, and help for schooling. It was running a labour-intensive operation instead of a more capital-intensive operation, as its competitors are doing. It is reviewing wages within its capacity as a viable entity dependent on the export trade, which is significantly affected by sanctions in its case. I think the company is entitled to credit for what it is doing in difficult circumstances.

Fringe Benefits

The Code deals with 'fringe benefits' separately as part of 'quality of life' of employees and their families. Those items that are more or less directly related to the pay package I deal with now, immediately after dealing with pay itself.

In the case of transport to and from work, the Code says the Australian Government encourages companies to provide, or help provide, it. In the case of the other named fringe benefits, the Code directly calls on companies to aim to provide the benefits in an equitable manner to all workers.

(i) **Annual Leave**

All companies answered the questionnaire that they paid annual leave. This is a statutory obligation with only a few exceptions, notably farm workers and domestic workers. The Statutory requirement is two weeks per year. Some Industrial

Council agreements, and some company agreements or customs, provide for three weeks, increased to four weeks after five years' service. Public holidays (there are 10) that fall on working days must be paid for. Some agreements provide for leave bonus payments beginning at about two weeks' pay and increasing with longer service to about three weeks' pay. In non-unionised plants there is generally a customary Christmas bonus of the same general order.

(ii) **Sick Leave**

This too is a statutory obligation that companies meet. Sick leave accumulates at the rate of two weeks per year over a three year cycle. Some agreements allow for longer accumulation.

(iii) **Transport to and from Work**

The great majority of the black workers employed by the Australian companies get company help with transport to and from work, although workers in some companies have to rely on public transport at their own expense. The degree of company help varies - from providing the transport at company expense to subsidising 12 passenger 'Kombi-taxi' services to subsidising bus transport point to point down to what ordinary fares would be.

Transport is not a requirement of the Code. Companies are 'encouraged' to provide, or help provide, it.

(iv) **Contributory Pension and Disability Insurance**

Pension funds are not required by law, but if they are established they are subject to statutory supervision. They may relate to the employees of one company or to the employees of a particular industry.

All except two of the Australian companies offer contributory pension schemes to all their employees. One company, which has only a handful of employees, does not offer a scheme at all. Another company has a scheme providing equivalent benefits to contributory schemes, but it is funded totally by the company. The stated reason is that black workers often do not wish to set money aside to provide for their old age, because they regard that more as a family responsibility. Another company, which does have a contributory scheme, referred to a past experience (not involving itself) where numbers of employers had to back out of pension schemes because black workers demanded their money back.

Part of the general background is that the State has had a non-contributory social old age pension scheme for many years. It is subject to a means test, and was originally for whites only - being extended to other racial groups over the years. The rates of benefit are very low, but are not uniform. Coloured people and Indians get less than whites, and

blacks get less again. The differences are historical and are said to reflect different circumstances of living and different diets etc. All the rates are the merest subsistence levels. I was told that white people could hardly exist on the pension, and therefore they in particular try to make better provision by joining company contributory schemes. To increase the amount of the pension and to make it uniform for all races would be a very heavy burden on public funds, particularly when the greater need may be to provide greater unemployment assistance for the large numbers unemployed and underemployed and whose numbers are growing rapidly.

Nearly all workers (black as well as white) employed by the Australian companies have opted to join the company pension schemes. As I have noted above, one company provides the benefits without calling on the workers to contribute. In all the other schemes the companies at least match the workers' contributions and one company actually pays double. The size of the benefit depends on length of service as a contributing employee; for example, after 25 years' service the pension benefit would often be half the final average rate of wages or final salary of the particular contributor. The schemes also provide for benefits on death or on retirement because of disability.

By way of footnote, I mention statutory workers' compensation. This is provided by compulsory insurance cover, funded by annual assessments on employers. Payments to injured workers are periodic or lump sum, depending on the permanence and degree of disability. There are also pension payments to the family in the case of a worker's death through his work.

(v) **Contributory Unemployment Insurance**

There is a statutory fund to which employers and workers (through a pay deduction) contribute equal amounts. The State also makes an annual contribution. The fund pays - on unemployment, sickness or maternity - up to six months at the rate of 45 per cent of previous earnings. On death, the money is paid in a lump sum to the widow. The fund only covers contributors. People who have never had a job are not covered, and neither is a contributor after six months' unemployment. Workers above a stipulated high earnings level cannot become contributors; there would be almost no black workers at that level.

(vi) **Contributory Medical Benefits Schemes**

These schemes are non-statutory. White employees join them much more than black employees, because the latter often prefer not to make a contribution (even though matched by the employer) and instead they rely on free or nearly free treatment at public hospitals.

All Australian companies have such schemes available. One company reported that about a quarter of its black workers

had opted for the scheme; it has now made joining compulsory for new workers. Another company, which is a Sullivan signatory, is trying now to make joining compulsory for all its workers (many have joined already), but is concerned about possible union resistance. A smaller company provides free medical benefits at company expense without worker contribution.

A related topic is the actual health services that some companies themselves provide or help in providing. The Code encourages this (the same as help with transport to and from work). A larger company with a sizeable workforce in a rural area has a qualified (black) sister who treats the workers free, and the company sees that they get to hospital if necessary; the company facilitates the provision of family planning services on its premises and in company time, realising they would not be practicable at home. A 50 per cent Australian owned company that is under management by the South African partner provides health facilities including a first aid and family planning service. A smaller company whose plant is in a rural area reported that the Municipal Health Service calls at regular intervals to provide health tuition and periodically X-ray employees for traces of TB; when required the company provides free medicines.

Housing, Education and Recreation

(i) **Housing**

Although elsewhere the Code lays down requirements, here the Code simply says 'the Australian Government encourages ...'. That presumably is a recognition that companies do not in Australia have an obligation for their employees' housing, and that the problem in South African is fraught with difficulties. What companies are encouraged to do is

> 'participate in, and set aside funds for, the development of programs which address .... (among other things) .... housing ....'

The questionnaire asks does the company provide reasonable assistance for housing of non-white employees with families.

One company (the Sullivan company I have previously mentioned) provides a leading example of what can be done. With its permission, I have referred other companies to it so that they can consider whether its experience is adaptable to their own circumstances. I will come back to that experience.

The life insurance companies appear to have no difficulty providing concessional finance for housing, but they are on the disinvestment list (Schedule 2). It is apparent from other cases that there is a difference in needs as between urban and rural areas. In urban areas sometimes reasonable rental accommodation is available, often it is not. Of the two fairly large companies that in each case are managed by the South African partner, one answered the questionnaire that it

had drawn up a scheme to assist employees with the deposit required to purchase a house, the other that it had assisted some employees with housing loans. The latter, less systematic, type of help was typical of some of the smaller Australian companies, although some felt they could not help at all. This may be subject in the future to their consideration of the example of the Sullivan company that I have already mentioned.

As a matter of general background, housing is a dire problem for many black workers in South Africa. The sheer size of the population shift from rural to urban areas has over recent years created a great backlog of unmet housing needs - increased by shortage of serviced land, and by difficulties (some of them since eased) in acquiring title that could be mortgaged, raising necessary deposits from low incomes, paying interest cost on the principal loan, and meeting official building standards. For these and no doubt other reasons a lot of sub-standard squatter housing has come into existence. And many houses, whether otherwise acceptable or not, have become inadequate as extended families have crowded into them.

Housing accommodation for black South African workers ranges from acceptable down to appalling. There is very little multi-storey development; each dwelling sits on a separate small piece of land. The good houses would often be about half the size of a modest Australian home. They are likely to have solid brick walls, have a reasonably fitted kitchen and bathroom connected to proper plumbing services, have a flushable toilet, electricity and a stove possibly of the gas-cylinder type. They are likely to be in a black township some distance out of the city, with the workers being carried to and fro by public transport that has grown up around their needs. That is the good accommodation. It should be recognized that there is a lot of it, and that it is increasing. At the other end of the scale there is accommodation unfit for human habitation. There is argument whether particular sub-standard areas are capable of economic upgrading. Where the Government has said 'No' and has destroyed them and moved the people elsewhere, there has been much bitterness.

In some areas acceptable rental accommodation is available within workers' budgets (one company is in such an area), in other areas workers' hope must be to buy or build a house if or when they can afford it. Workers who live in a homeland are relatively fortunate if their work is close enough to enable them to commute, as happens with workers of two of the Australian companies. One of those companies also has two farms, and it provides basic family accommodation on the farms for the farm workers and their families. Where distance causes urban workers to be separated from their families so that they are migrant workers with only occasional visits home, they pay to live in large blocks of 'hostels' sharing dormitories and using communal facilities and providing their own food. See also earlier under heading 'Labour restrictions'.

The institutional difficulties in the way of meeting housing needs have been eased in the last couple of years by changes in the law. It is now possible to get title to land, to mortgage it for a loan and to build legally to lower standards that can be met by 'self-help' housing that institutions such as the Urban Foundation are encouraging and training for, and that Sullivan companies in particular are helping to put into practice. Government schemes aim primarily at providing low-cost housing for poorer families and at providing land and infrastructure.

I return to the leading example of company initiative I first mentioned. That company, which is fairly large among the Australian companies, has proved what can be done through involvement and motivation of the workers themselves, given opportunity and some assistance by the company. Through a combination of initial finance that is kept rolling over (something over 2 per cent of annual payroll), self-help and worker training by Emthonjeni Training Centre (see under heading 'Training and Advancement'), there should be 60 homes ready by the middle of this year in a particular area and served by company buses. The second stage of the project will involve the use of unemployed trainees who will acquire some skills in the process. The workers are excited about the housing they will get at affordable cost, ultimately financed by building societies. I saw one of the houses - solid brick walls, corrugated fibro roof, good fittings - and was impressed with the enterprise and the result.

(ii) **Education**

Here too the Code does not lay down a requirement but simply says (as in the case of housing) 'the Australian Government encourages .... '. Again that is presumably a recognition that companies do not in Australia have an obligation for education of employees' families, and that the problem in South Africa is a massive one now being addressed more vigorously by the State, admittedly still on an apartheid basis. What companies are encouraged to do is

> 'participate in, and set aside funds for, the development of programs which address .... (among other things) .... education - especially for the dependants of employees.'

The questionnaire asks does the company provide reasonable educational assistance for non-white employees.

The form of the question has led companies to relate it closely to the earlier question on training of employees (see under headings 'Compliance by Australian companies' and 'Training and Advancement'). The questionnaire in its current form was attached to the Code when the latter was announced. Education, as distinct from specific training of employees, some companies apparently felt not able, or called on, to touch.

Some companies pay or reimburse tuition fees for courses when requested by workers, particularly if there is some relevance to the work or to the worker's future with the company. There were instances of considerable investment in particular workers.

One company makes a particular point of supporting and subsidising the (external) education of shop stewards in trade union matters. It has also paid for the establishment of a creche in one of the townships, and was talking to the Union about education possibilities. The Union commended this attitude to me.

The Sullivan company that I have already mentioned participates in a government-sponsored program for teaching unemployed people some basic skills that will help them to get jobs. The same company pays schoolteachers for part-time work (two hours twice a week) to teach its employees Maths, English and Biology. It gives bursaries, has rebuilt a primary school, and has adopted three schools.

One of the life insurance companies has a liaison with a black High School and has been encouraging senior students in Maths. It has installed five computers in the school, plus dust-proofing etc and helps with the training of teachers and senior Maths students. I met shortly the black principal of that school.

The company with a fairly large workforce in a rural area has a school on each of its two farms and one at its processing plant. The Government pays the three teachers and the company provides them with accommodation near the schools. The children are children of employees or of neighbouring farmers. The Government and the missionary societies sponsor a meal for the children, who usually travel with their mothers (company employees) on the company-provided transport. The school at the plant, which had children between the ages of six and twelve years, was burnt down (apparently deliberately) three months before my visit and temporary quarters were being used until it could be rebuilt. When things settle down, the company plans a big new classroom that can serve as a hall for concerts etc.

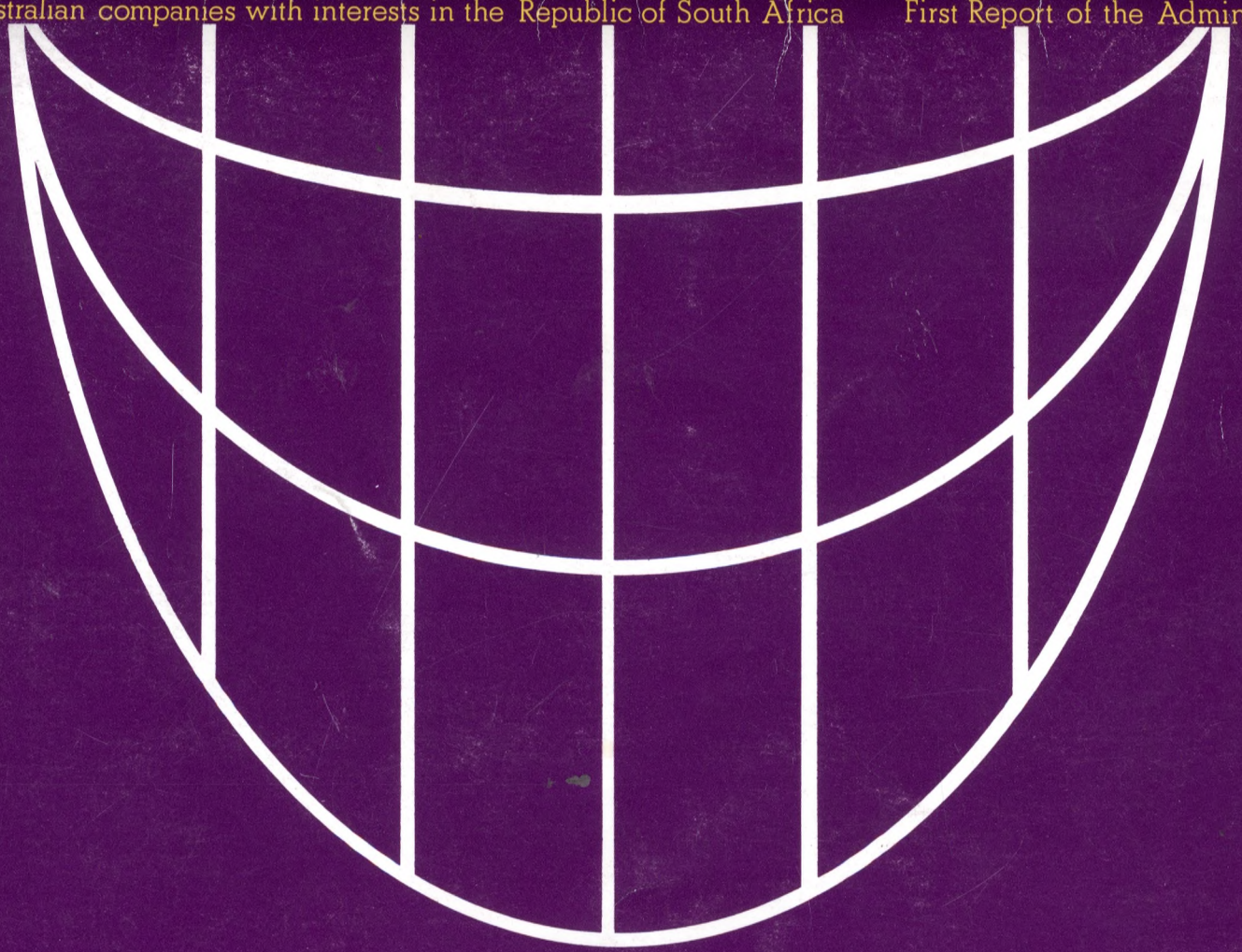
(iii) **Recreation Facilities**

The Code does not mention this, but the Questionnaire asks about it, along with health service facilities (which I have dealt with under the heading 'Contributory Medical Benefits Schemes'). In most cases, not a great deal seems to have been done so far about recreation. One company had discussed the matter with its workers and found they were not interested. Another sponsors multi-racial sporting activities. A third, under management of the South African partner, has provided a soccer field and given financial assistance to non-white cricket and soccer teams. A fourth had in mind building a big new classroom at the school on its

property; that could also serve as a hall for concerts etc; it also proposed a recreational centre in the neighbouring homeland.

Code of conduct for Australian companies with interests in the Republic of South Africa

First Report of the Administrator



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