

**COMMISSION
OF THE
EUROPEAN COMMUNITIES**

Directorate-General for
External Relations

I.A.2.

Brussels
LC/dvdm

22 March 1984

420.43 ket

328-961

+ 441.2(52)

Note for the attention of Mrs Mary MINCH
(Washington Delegation)

Further to our telephone conversation of today,
please find hereafter:

- 1) Text of the third Community analysis on the EC code of conduct for companies operating in South Africa transmitted by the Presidency of the E.P.C. to the Presidency of the European Parliament on 25 April 1983 (Annex I).
- 2) Text of the statement issued by the Ten on the same subject on 25 April 1983 (Annex II).

The text of the evaluation for the 1st and 2nd year of implementation of the Code have not been circulated and are not available.

L. Cao

Annex: I

Draft

EC CODE OF CONDUCT FOR COMPANIES OPERATING IN SOUTH AFRICA: THIRD COMMUNITY ANALYSIS.

Introduction.

During the period under review the conditions for the participation of blacks in the South African labour market continued to improve. The Code of Conduct remained an important factor in assisting that process by setting down fundamental principles accepted internationally.

During the period trade union membership continued to increase. Industrial unrest remained a distinctive feature of the labour market in some sectors. An increasing number of employers appeared willing to recognize and negotiate with trade unions, including - in some cases - unions outside industrial council system. The influence of non-registered trade unions on negotiations with individual companies increased considerably.

Important legislative changes were implemented during the period, removing further racial features from some parts of the legislation on labour and industrial relations. In particular, the phasing out of statutory job reservation on racial basis continued.

Freedom of association was extended to all black workers, and the autonomy of trade unions regarding

membership increased. However, there are still restrictions concerning the registration of multi-racial unions.

In spite of these improvements the participation of blacks in the labour market continued to be restricted by discretionary administrative procedures and by basic elements of the apartheid system. The closed shop, the mechanics of trade union registration and the industrial council system remained barriers to the achievement of equality of opportunity and reward for blacks. The system of migrant labour, the lack of training and educational facilities, and - to a lesser extent - segregation at the work-place are still serious handicaps for the blacks. The lack of mobility resulting from the influx control system is also an impediment to black advancement.

During the period under review the considerable unemployment amongst mainly the non-white population increased. The sections of the Code covering minimum wage levels therefore may have assumed a greater importance for the well being of unskilled black South Africans during the period under review, when the availability of jobs was reduced as a result of economic decline.

Analysis.

The national analysis rests on an examination of 205 company reports made up as follows:

UK: An overall ^{of} total 190 company reports were received for the reporting period from 1st July 1980 to 30th June 1981. A total of 141 reports came from companies holding 50 % or more of the equity of the South African company, employing 20 or more black Africans. The government's analysis covers 127 of these reports (covering 129,000 black employees) which were received in time for detailed assessment. The government's analysis and summary and the individual companies' reports are publicly available.

Federal Republic of Germany: 47 companies employing 19,200 black workers and covering the period from 1 July 1980 - 30 June 1981. The government's analysis is publicly available.

Netherlands: 15 companies employing 4,471 black workers and covering the period from 1st July 1980 to 30th June 1981. The government's analysis and the companies' reports are publicly available.

France: 12 companies employing 1884 black workers and covering 1981.

Italy: 2 companies employing 1100 black workers and covering the period 1 July 1980 - 30 June 1982.

Denmark: 2 companies employing 215 black workers and covering the period 1 July 1981 - 30 June 1982. The government's analysis has been published and the companies' reports are publicly available.

Greece: 2 companies employing 33 black workers.

Belgium: The number of firms reporting under the code, has been reduced to three. It seemed therefore necessary to examine the situation and to inquire whether all firms, liable to do so, were reporting. The results of this inquiry are not yet known.

Ireland and Luxembourg do not have companies reporting under the Code.

Relations within the company.

As in the previous reporting period liaison committees and similar consultative systems within each company were still the predominant form of representation for black workers. However, there is a growing tendency towards recognition of trade unions representative of black workers. Formal recognition was reported by 8 British, 7 German and 1 French company whereas a further 15 companies including four from the Netherlands reported de facto recognition of or negotiations with such unions. A considerable number of companies,

including the Italian, Danish, 37 of the British companies most of the German and several Dutch companies stated their willingness to negotiate with unions representative of black employees, in some cases subject to certain pre-conditions being met. It is not always apparent, however, whether they are also willing to deal with non-registered trade unions.

In the period under review the role played by the black trade union movement appears to have increased. It may be expected that this development will continue, and wider acceptance of these unions by European companies might contribute to this.

Migrant labour.

Employment of migrant labour was reported by 38 British, 13 German, 3 Dutch and 1 French company. The majority of companies employing migrant labour now treats them as permanent employees enjoying the same benefits as the established work force. Most of the companies provide special benefits to alleviate the social and family problems of migrants. Additional paid leave, help in obtaining accommodation and advisory services are widely provided.

Pay.

The wages for most employees still appear to show an upward trend. To a certain degree, the firms seem to put special emphasis on improvement of wages

for the lowest paid groups as well as on improving promotion opportunities through education programmes.

Africans

99 % of the black employed in British firms are paid above the lower datum level and 92 % above the higher datum level. In German firms 73 % are paid in accordance with the level stipulated by the code of conduct while additionally 12% are clearly placed above the lower datum level. The French firms in no case appear to pay their black workers below the lower datum level. Wages are often at or above the Code level.

Approximately 80% of the 4471 black employees in Dutch firms are paid above - and approximately half of the workers considerably above - the Code level. Among the rest of the employees all except 75 persons (compared to 126 in the former reporting period) are paid above the lower datum level. The number of black employees in the lowest wage bracket has fallen from 1.030 to 300 persons. All employees in the two Danish firms are paid above the lower datum level. The majority is paid at or considerably above the Code level.

Wage structure and black African advancement.

All reports show that the principle of equal pay for equal work is widely followed. The complementary principle of equality of job opportunity is, however, far from being adhered to. The prime reason remains that despite the growing shortage of skilled labour,

the absence of adequate education and training for black workers means that they are unable to compete on equal terms with white workers for skilled jobs. In this connection it should be noted that some companies have introduced numeracy and literacy classes for their employees in order to help overcome this problem. Increased efforts have also been reported to provide skills training programmes and additional instruction in order to help overcome the lack of skilled labour and enhance the career prospects for black workers.

Many of the reporting firms in particular from the Federal Republic of Germany, the Netherlands and Great Britain have strengthened the educational possibilities comprising training schools, external courses, technical training programmes, apprenticeships etc. Almost all the firms have during the reporting period as a minimum implemented on-the-job or in-house training.

The reports seem to show a tendency to a further widening of the educational possibilities for black workers including education of a more theoretical nature.

Fringe benefits for black workers.

The majority of the reporting firms provide supplementary pay primarily in the form of pensions and life insurance arrangements as well as medical

aid. A large number of firms contribute to a certain degree to transportation also in connection with vacations. Firms from the United Kingdom, of Germany, the Federal Republic, Italy and the Netherlands have reported about assistance to finding residential facilities. A number of firms from the Netherlands, the United Kingdom and the Federal Republic of Germany have as part of their education system granted scholarships. For some of the Dutch firms the scholarships have also been applicable to the family of the employee. Beyond this fringe benefits such as legal assistance, leisure and sports facilities should be mentioned. It is not possible on the basis of the reports to assess whether fringe benefits have developed to the special advantage of the black employees.

Desegregation.

The tendency of the reports seemsto show that the firms are increasingly aware of the need to eliminate segregation. Twenty-two British, fifteen German and eight Dutch firms have reported total desegregation at the work place and in related facilities. Ninety-seven British firms have reported plans for total desegregation. Twenty-four German firms have reported desegregation at the work place, but not yet in all the related social facilities. Nine British, two Danish and several Dutch and German companies have reported positive changes in their policy in

- 9 -

this area since the last reporting period. The reports from the other countries seem to show an equally positive attitude. Some French firms have indicated, however, that endeavours towards desegregation are hampered by resistance from white employees.

Conclusion.

Compared to the last reporting round positive developments can be noted in several of the areas covered by the Code. There is an increasing tendency to accept non-registered as well as registered unions as representatives of the black employees. It is also encouraging that the educational possibilities have improved both in quantity and in quality. Various kinds of fringe benefits seem to be increasingly offered as a natural supplement to the salary.

In spite of certain improvements, particularly in the manufacturing sector, minimum pay levels have, however, not in all cases developed satisfactorily. Increased cooperation between management and trade unions as well as sustained endeavours to improve training and educational facilities have proved and will continue to be important and effective in promoting black social interests and overcoming inequalities on racial lines. It is hoped that European companies will continue to make every effort to comply fully with the recommendations in the code.

CODE OF CONDUCT FOR COMPANIES
OPERATING IN SOUTH AFRICA. THIRD ROUND OF REPORTS

1. The Ten discussed the results of the third round of reports by companies with subsidiaries in South Africa on the implementation of the EC Code of Conduct adopted in the framework of European Political Co-operation in September 1977. The reports cover periods from mid-1980 to the beginning of 1982. There was agreement that this period was marked by further improvement in the working and living conditions of black Africans working in the South African subsidiaries of European companies and that the Code will continue to be an important factor in this process.
2. Some of the areas to which the Code applies have again shown positive developments. There is, for example, an increasing tendency among European subsidiaries to recognize trade unions which represent black African workers, including some so-called non-registered trade unions. An increase in the pay level is also to be noted, particularly in low wage groups, so that the minimum pay level recommended by the Code is achieved for a substantial majority of workers in the European subsidiaries. This development was complemented by further improvements in fringe benefits. Finally, it is encouraging that there has been a clear increase and qualitative improvement in the training and educational facilities provided by European subsidiaries in South Africa. However, the results so far achieved do not yet fully meet the guidelines set by the Code; further progress is needed.
3. The Ministers continue to attach great importance to improving the living and working conditions of black African workers in the European subsidiaries and to eliminating racial discrimination in this sphere. The analysis of the Ten confirms the great value of increased co-operation between management and trade unions as well as of sustained endeavors to upgrade training and educational facilities as effective means towards these objectives. The Ministers voiced the expectation that the European Companies will continue their efforts to fulfill the recommendations contained in the Code of Conduct.