

## THE SULLIVAN PRINCIPLES

testimony by Anne Fullerton on HB 4831, 4832, 4834,  
4835, 4837 & 4839 before the Michigan Legislature  
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Since the call for divestment, many universities including the University of Michigan have taken refuge in a set of promises called the Sullivan Principles. These principles on labor practices of U.S. corporations in South Africa were written by Reverend Leon Sullivan, a board member of General Motors, after a visit to South Africa in 1976. The main principles are:

1. Non-segregation of the races in all eating, comfort and work facilities.
2. Equal and fair employment practices for all employees.
3. Equal pay for all employees doing equal or comparable work for the same period of time.
4. Initiation of and development of training programs that will prepare, in substantial numbers, Blacks and other non-whites for supervisory, administrative, clerical and technical jobs.
5. Increasing the number of Blacks and other non-whites in management and supervisory positions.
6. Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, schooling, recreation and health facilities.

These principles were subsequently amended and extended and I've included the more elaborate principles at the end of this testimony. It should be noted that all but the most recent Sullivan signatories have committed themselves on paper only to the original six principles.

I'd like to start this testimony with some outstanding points on the Sullivan Principles and follow these by a more technical analysis of the defects in the Sullivan strategy. First, the main points:

1. The Sullivan Principles have not slowed down the progress of apartheid  
"Apartheid" literally means "separate development" and the structural essence of apartheid is the bantustan policy -- confining the black South African majority to 13% of the land, described as the tribal homelands while the white minority maintain control of the rest of South Africa. Verwoerd, the major formulator of apartheid, envisaged Africans coming into white South Africa only where they were needed to serve the white population (and, we might now add, the foreign corporations). Since the Sullivan Principles were developed, the first three bantustans -- Transkei, Bophuthatswana, and Venda -- have been declared "independent" by South Africa. Of course, these bantustans will never achieve real political and economic independence from South Africa.

2. The Sullivan Principles cannot bring about majority rule in South Africa  
Earlier this month, Prime Minister Botha in speaking before the Coloured community, rearticulated the pledge that South Africa would never see majority rule in his lifetime. In 1978, South African ambassador Donald Bell Sole had this to say (Forerunner Magazine 2/27/78): "Now, if you think in terms of the 'elimination of apartheid' meaning the institution of black majority rule, if you think that the U.S. corporations can play a role in implementing the concept of black majority rule, that in-, that is out, of course, they cannot play any role there whatsoever."
3. The Sullivan Principles have not brought about major changes in corporate practice  
I believe that as we demand more documentation about corporate labor practices we will find this to be increasingly true. Ford Motor Co. which has proudly described its efforts to implement the Sullivan Principles, recently fired more than 700 black workers at its Struandale assembly plant in Port Elizabeth for engaging in a wildcat strike. Among the issues cited in the strike were excessive overtime for inadequate compensation, racist statements by white employees and officials, the dismissal of an African worker allegedly for political involvement, and the banning of workers' meetings on factory premises. (Detroit Free Press 11/22/79).

Very little has changed since U.S. ambassador Bowdler reported in a confidential memorandum in 1977 on a visit to a Port Elizabeth workers liaison committee for the automobile industry that: "Most of these workers complained of inadequate training, job reservation, lack of union status, arbitrary promotions, abuse by S.A. foremen and job insecurity...Although a number of these elected representatives praised specific company policies such as an equal-pay-equal-work plan, free textbooks for their children and other benefits, most liaison committee members agreed that company acted basically like a South African creation despite best intentions of American management." (Southern Africa April '78)

4. The Sullivan Principles will not impact on the lives of "large and telling numbers of Blacks and other non-whites."  
U.S. corporations as a whole employ only 1% of the total African labor force. Sullivan signatories employ 0.1% of the total African labor force. If we assume that all U.S. corporations sign the Sullivan Principles and that the corporations engage in activities under Principle VI that are beneficial to the workers' families, the absolute maximum effect of the Sullivan Principles would reach only 5% of the black South African population.  
The other 95% would be affected primarily by the assistance which foreign corporations and banks give to the apartheid economy and which is well-documented by many researchers such as Professor Ann Seidman.

5. U.S. corporate presence in South Africa is not made acceptable by the Sullivan Principles  
Sally Motlana, a moderate South African leader, answered this question when she said that the black South Africans don't want their chains polished, they want their chains removed. Bishop Desmond Tutu of the South African Council of Churches called the Sullivan Principles "largely ameliorative -- in that they deal with improvements of a basically unjust and immoral system." Drake Koka of the Black Allied Workers Union compared the Sullivan Principles to

taking a car to the carwash when the motor is defective. Emma Mashinini of the Commercial Catering and Allied Workers Union of S.A. called the Principles "good cosmetics for the outside world."

The Sullivan Principles have been endorsed by the minority government in South Africa. The vast majority of South African groups and leaders, including the two major liberation movements, are still calling for corporate withdrawal from South Africa.

These reasons alone should be enough to demonstrate the futility of a strategy based on the Sullivan Principles. I will now move to a discussion of how the strategy has been carried out and some of the problems inherent in this process.

### The Information Gap

In March of this year, I presented a report to the Regents of the University of Michigan in which I concluded "The University of Michigan does not have enough information about one half of the relevant corporations in its endowment portfolio to ensure that they are in compliance with the Sullivan Principles." In making this assessment I utilized primarily the Investor Responsibility Research Center South African Review Service responses. The only other equally complete source of data is the Arthur D. Little report. Where do the gaps occur?

1. low response rate
  - IRRC's response rate (by March 1979) was 64%.
  - Arthur D. Little's report is based primarily on the responses of 57 out of the slightly more than 100 Sullivan signatories.
2. within the IRRC responses most of the companies either:
  - actively refused to respond;
  - did not provide enough information to allow evaluation of corporate performance on one or more principles;
  - provided enough information but in a non-standard form (making comparisons between companies impossible);
  - provided no information on previous years, allowing no baseline to assess corporate improvement over time.
3. The Little report aggregates information in such a way that it is extremely difficult to ascertain what individual corporations are doing.
4. Both Little and IRRC are based on the Sullivan Principles Summary Report which as yet does not include any questions about compliance with the extended principles.

A proposal which would have reduced the information gap by requiring companies to submit regular complete Summary Reports was rejected by the University of Michigan Regents at their September 1979 meeting.

### No Standards, No Timetable

A second major structural problem with the current strategy is the lack of standards for corporate implementation of the Sullivan Principles and the lack of a timetable for achieving these. To evaluate progress on the Sullivan Principles without any targets makes a mockery of the entire process.

A proposal to set up a committee to establish standards acceptable to the

University for corporate implementation of the Sullivan Principles was rejected by the University of Michigan Regents at their September meeting.

### Scrutinizing the Sullivan Principles

#### Principle 1:

My analysis of the IRRC data pertaining to companies in which the University of Michigan has investments showed that fewer than half the companies who responded had fully desegregated. The auto industry giants are still in the process of desegregating. One interesting technique to avoid desegregation has been to provide separate facilities for hourly (ie. black) workers and salaried (ie. white) workers. Other companies claim:

- can't desegregate because of shared facilities with a South African company (Monsanto and Hewlett-Packard);
- desegregation would lead to disaster (Uniroyal);
- desegregation of toilets is illegal under the "Mines and Works Act Regulation 4(8)1 and 4(9)2" (Union Carbide and IT&T).

The Arthur D. Little report finds that only 29% of black laborers in U.S. plants work in integrated circumstances.

#### Principle 2:

Almost all firms which responded effectively to the IRRC provide common benefits and a non-discriminatory grievance procedure. Most firms do not bargain with unions, although approximately one half of these provide for workers' liaison committees.

The Sullivan Principles Summary Report (filed by the most effective respondents) provides no concrete means of evaluating the most interesting category under 2:

"Support the elimination of all industrial racial discriminatory laws which impede the implementation of equal and fair terms and conditions of employment, such as abolition of job reservations, job fragmentation, and apprenticeship restrictions for blacks and other non-whites."

From the 1978 Senate survey we know that the following corporations have made no effort in this direction: Abbott Laboratories, American Express, Caltex, Dow Chemical, M&T Chemical, and Monsanto.

Eastman Kodak, Exxon, Merck & Co., and General Motors have sought and received exemptions under these discriminatory laws. Bristol Myers, Caterpillar Tractor, Ford, and IBM have been contacted for violations of laws related to labor practices. No corporation in which the University holds stock has been fined or prosecuted under these laws.

Contrary to the assumptions of many anti-apartheid activists, Principle 2 does not compel U.S. corporations to recognize or negotiate with black trade unions. The wording elegantly avoids this:

"Support the elimination of discrimination against the rights of Blacks to form or belong to government registered unions, and acknowledge generally the right of Black workers to form their own or be represented by trade unions where unions already exist."

This phrasing is not accidental. The words "government registered trade unions" play into the hands of the apartheid government. Registration of trade unions

brings them under section 8(6) of the Industrial Conciliation Act of 1956 which prohibits a union or employers' organisation from affiliating with or granting financial assistance to or incurring expenditure in connection with a political party. The Wiehann Commission report has recommended "the extension of this prohibition to bodies not included in the provision" and recommends registration of trade unions if there is "any factor which would serve to maintain peace and harmony within the undertaking industry, trade or occupation, and the national interest in general." This would exclude the South African Congress of Trade Unions and the Black Allied Workers Union (among others) which are also committed to ending apartheid.

#### Principle 3:

Equal pay for equal work should almost be taken for granted. Most companies abide by this in theory. The only possible exceptions, according to the 1978 Senate survey, are Mobil and Monsanto (who refused to answer the question on equal pay), and Kellogg and Smithkline (who stated that they do not pay equally).

In practice, however, equal pay is irrelevant for many of the companies where blacks and whites are not in the same salary grades, or where newly-promoted blacks do not have the same seniority (and hence salary) as whites in the same job category. The data for specific firms is available in the IRRC service.

The final relevant category under Principle 3 states that minimum wages should be well above the local minimum economic living level. According to the 1978 Senate survey, the following firms were in violation of this aspect of Principle 3: American Express, Colgate Palmolive, American Cyanamid, Eli Lilly, Firestone, Ford, Goodyear, Deere & Co., Kellogg and Smithkline.

#### Principle 4:

Almost all corporations are training but the training tends to be sparse, haphazard, and generally not oriented towards preparing Africans for supervisory and managerial roles. Popular training for Africans tends to focus on safety and literacy, while white employees receive the more lucrative sales and managerial training. The Arthur D. Little report indicates that only 10% of all firms have managerial training for Africans. Of the 304 blacks in Ford training programs in mid-1978, 261 were being trained for the lowest level of skilled work, that is, operating machines. Some corporations' concepts of the scope of this principle are rather broad. CPC International, for example, states that it has trained 380 blacks in:

"Basic economics -- orientation to Western systems, household budgeting and health, including family planning, hire purchase, etc..."

#### Principle 5:

The corporate record concerning Principle #5 is extremely poor. In 81 percent of the reporting companies, the majority of managerial/official positions are held by whites. Sixty-eight percent of the companies hiring blacks have no black managers or officials, and the number of black managers and officials hired by the remaining 32 percent is not disclosed. In those companies that do have blacks in supervisory positions, the actual number of black supervisors is not indicated. One-quarter of the companies hiring blacks failed to answer this section of the questionnaire. In regard to other skilled positions, 57 percent of the companies hiring blacks have no black artisans; 45 percent have no black technicians; and 25 percent fail to respond to the question altogether.

Three basic techniques exist for reducing the impact of this provision:

1. Create new salaried job categories for blacks.
2. Put blacks in public relations or in personnel management where they only supervise other blacks.
3. Promote blacks in the plants in the bantustans where the corporation must eventually have an all-black operation anyway.

In my March 1979 report to the Regents I concluded that: "South Africa will be liberated from apartheid by force long before the U.S. corporations achieve proportional representation of Africans in managerial positions."

#### Principle 6:

All corporations which have provided adequate responses are doing something that pertains to Principle 6. This Principles, however, is so open-ended that it would be absurd to attempt to quantify corporate responses or aggregate any of the data provided. General responses include such things as home improvement loans, educational assistance for the employees' children, and charitable contributions to schools, hospitals, and foundations.

A new and particularly popular form of corporate charity has been the development of industrial training centers for black South Africans. These have been developed not out of altruism but because the shortage of skilled white labor and the Sullivan Principles have forced U.S. corporations to employ more Africans in skilled positions. However, the discriminatory education system in South Africa has produced a man-made shortage of skilled African labor and the companies must compensate for this.

The consummate irony of these training centers can only be understood when we realize that the corporations contribute to the inadequate education system by their support of the South African government through:

- direct loans
- corporate taxes
- taxes on gasoline supplied and refined by American companies
- S.A. government bonds held by banks operating in South Africa.

Therefore, while the U.S. corporations contribute to the education of 1% of the black population, their activities undermine the education of the remaining 99%. How far these contradictions lie from Sullivan's objective:

"education and training of large and telling numbers of blacks and other non-whites as quickly as possible. The ultimate impact of this effort is intended to be of massive proportion, reaching millions."

#### Conclusion

The contribution that U.S. corporations make towards upholding the South African government and the standard of living of the white minority far outweigh any activities they might engage in on behalf of the black majority under the Sullivan Principles. The Sullivan Principles are too little compensation for the harm done to black South Africans by these corporations which, in the words of one black South African leader, "favor profits over human aspirations." The Sullivan Principles are too late to avert the course of the freedom struggle in South Africa.

Therefore, and recalling the voices of those who cannot speak before you today -- Albert Luthuli, Nelson Mandela, Stephen Biko, Sally Motlana, Desmond Tutu, Drake Koka --, I express my fervent hope that the Michigan Legislature will pass this package of divestment bills because, in the words of Chief Luthuli:

"The economic boycott of South Africa will entail undoubted hardship for Africans. We do not doubt that. But if it is a method which shortens the day of blood, the suffering to us will be a price we are willing to pay."

Amandla Ngawethu! Power to the People! Mayibuye i Afrika! Freedom for Africa!

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