

1972

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### Recommended Citation

Beryl Unterhalter, The "Polaroid Experiment" in South Africa--A Progress Report, 6 *Vanderbilt Law Review* 109 (2021)

Available at: <https://scholarship.law.vanderbilt.edu/vjtl/vol6/iss1/7>

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# THE "POLAROID EXPERIMENT" IN SOUTH AFRICA— A PROGRESS REPORT

*Beryl Unterhalter\**

## I. INTRODUCTION

The business activities of the Polaroid Company in South Africa came under attack in October of 1970, when a small group of Polaroid workers who called themselves the Polaroid Revolutionary Workers' Movement received wide publicity for their protests concerning an alleged anomaly in the company's annual report. According to the Polaroid Revolutionary Workers' Movement, the report, while alluding to the company's role in combating racism and in providing equal opportunities for all employees, described its expanding field of operations and increased profits in South Africa, a country in which racial discrimination is widespread. The Movement further pointed out that part of the Polaroid profit in South Africa was earned from the sale of photo-identification units to the South African Army, Air Force and Non-European Affairs Department. The sale of these units to the last-mentioned group constituted the most serious indictment of the company's policies because the equipment was being used by the department to photograph Black South Africans for the much hated "reference" books or "passbooks," which control the movements of Blacks into urban areas in the Republic of South Africa. If a Black is without one of these documents he is subject to imprisonment, a fine, or deportation from the urban area in which he was found.<sup>1</sup> A further criticism of the Polaroid Company made by the Movement concerned alleged racially discriminatory employment practices by Frank and Hirsch Pty. Limited, the South African company that is the exclusive distributor of Polaroid products in South Africa.

The Polaroid Company proved sensitive to these criticisms, particularly when the Movement suggested an American boycott of the company<sup>2</sup> after reportedly demanding that Polaroid disengage com-

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1. According to the Annual Report of the Commissioner of South African Police, 621,380 Blacks were sent for trial under the laws and regulations relating to the production of documents between July 1, 1969 and June 30, 1970.

2. An advertisement that appeared in a number of leading American newspapers illustrates this point. Under the heading "What's Polaroid doing in

pletely from South Africa "since all United States companies doing business there reinforce the system of that country."<sup>3</sup> Polaroid announced that the sale of identity systems and all photographic equipment to departments of the South African Government would be discontinued.<sup>4</sup> Of greater importance for the Black industrial worker in the Republic was Polaroid's decision to send a four-man team (two of whom were Blacks) to South Africa to study the situation. The result of this investigation was an announcement in January of 1971 that the Polaroid Company would not disengage from South Africa but would embark on what has come to be called the "Polaroid Experiment"—a one year scheme for the improvement of the wages and status of all Black workers employed by Polaroid's South African distributor, Frank and Hirsch Pty. Limited. Before examining the features of the "Polaroid Experiment" and before evaluating its first year, it would be appropriate to establish the social, economic and legal backgrounds against which this plan was conceived and implemented.

## II. DOMINATION THROUGH LEGISLATION

Adam<sup>5</sup> aptly summarizes the South African situation when he says that "the South African Whites, who at present determine the racial policies of their country, have almost perfected their domination over the non-White labour potential, and they will continue to do this in their own interests." He emphasizes that the present system is not "fumbling towards its end," and he describes the Whites as "effective technocrats who are establishing an unshakeable oligarchy in a society where the wealth of an advanced industrialization in the hands of a few Whites coexists with the relative deprivation of the non-Whites."

### A. *The Legal Framework*

The primary means by which the South African Whites effect their racial policies is a group of laws regulating labor practices and wage scales. Among the most important of these laws is the Industrial Conciliation Act No. 28 of 1956, which creates machinery for

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South Africa?", the following appeared: "Recently a group who called themselves revolutionaries have demanded that we stop doing business with our customers in South Africa. . . . Why was Polaroid chosen to be the first company to face pressure about business in South Africa? Perhaps because the revolutionaries thought we would take the subject seriously. They were right. We do."

3. RAMPARTS, Sept. 11, 1972, at 48.

4. *Polaroid Newsletter*, Feb. 12, 1971.

5. H. ADAM, MODERNIZING RACIAL DOMINATION 181 (1971).

collective bargaining about wages and conditions of employment by means of industrial councils. These councils consist of representatives of employers' organizations and trade unions that are registered bodies in terms of the Act. Trade unions for Black workers, however, may not be so registered. Therefore Black workers are not represented on the industrial councils and, consequently, have no say concerning wages payable to them, which are established in the industrial agreements.<sup>6</sup> If the Minister of Labour is satisfied with the scale of wages and the conditions of work proposed for Black workers, he will promulgate these, but he does not consult Black trade unions before doing so. Again, if industrial disputes arise, the industrial council makes the first attempt at settlement, but if the matter concerns Black workers, they may not be represented by their trade union officials in discussions with employers. Thus, while Black trade unions are not illegal, the fact that there are only thirteen such unions attests to their impotence.

The Industrial Conciliation Act also controls the reservation of skilled work for specific race groups. An industrial tribunal makes recommendations to the Minister of Labour and he may then publish a determination, the effect of which is to permit the employment of members of one race group for the performance of only certain types of work. For example, various tasks in the building industry may be undertaken only by White artisans, unless the Minister grants an exemption for certain areas and periods in special circumstances. This is only one example of many such determinations. One authority has concluded:

whereas on paper, job reservation can be applied for the protection of any race . . . determinations will be designed to afford the White group another legal barrier against non-White encroachment, thus further preventing the non-White from rising to higher and more responsible positions in industry.<sup>7</sup>

When an industry is not governed by an Industrial Council, the wages for that industry are laid down by a Wage Board under the terms of the Wage Act No. 5 of 1957. The Board hears information from employers and workers, and representatives of Black trade

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6. Apart from the law, the attitude of many White workers is that they will not permit the employer to allow a Black worker to perform skilled work even if the high wage paid to the White worker is offered to the Black worker. In order to avoid disputes with White workers the employer acquiesces, and thus the Black worker is excluded from remunerative skilled work even when no determination of an industrial tribunal operates.

7. G. DOXEY, *THE INDUSTRIAL COLOUR BAR IN SOUTH AFRICA* 143 (1961).

unions can make submissions. Wage determinations are then made and operate until they are revoked or amended. In recent years there has been considerable criticism of the Boards for allowing wage determinations to continue for many years before they are updated. A recent article by Hume<sup>8</sup> concluded that while White wage increases were perpetually inflationary, Black wage increases were almost never inflationary.<sup>9</sup>

The right to strike is denied to Blacks by the Bantu Labour (Settlement of Disputes) Act No. 48 of 1953, which also establishes statutory works committees for Blacks. Section 7 of the Act provides that whenever in any establishment there are employed not less than twenty employees and such employees advise their employer that they are desirous of electing a works committee, the necessary arrangements for the establishment of such a committee must be made. The committee must function under the chairmanship of a local official of the Department of Labour. In practice, few of these committees have been established.<sup>10</sup> According to Doxey,<sup>11</sup> Black workers find the Labour Department officials more sympathetic to the views of the employers than to those of the workers, and Black workers allege intimidation and the threat of removal from the urban area if they voice complaints.

Although there is no explicit provision in the Apprenticeship Act No. 37 of 1944 that prohibits Black workers from being apprenticed and from receiving training for a skilled trade, there are several factors that, in fact, prevent such training. The first obstacle is the minimum educational standard required—one that very many Black children cannot attain in the absence of free compulsory education. The second difficulty is the hostile attitude of many White workers to the training of non-Whites as apprentices. An additional barrier in the mining industry is the Mines and Works Act No. 27 of 1956, which forbids the performance of certain skilled mining work by Blacks. Finally, there is the Bantu Urban Areas Consolidation Act No. 25 of 1945, which regulates the entry of Blacks into the towns and, together with the Bantu Labour Act No. 67 of 1964, channels the flow of workers. In effect, these two laws buttress the system of migratory

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8. Hume, *Notes on South African Wage Movements*, SOUTH AFRICAN J. ECON. 240 (Sept., 1970).

9. It should be noted that there is no wage regulating machinery for farming and domestic service.

10. Only 18 such works committees were functioning in 1971 according to a field officer of the Institute of Race Relations. Trade Unions Special Report, Rand Daily Mail (Johannesburg), Aug. 18, 1972.

11. G. DOXEY, *supra* note 7, at 152.

labor and assist in maintaining the artificial shortage of manpower for industry.<sup>12</sup>

### B. *The Socio-Economic Background*

A logical assessment of the socio-economic conditions existing in South Africa at the time Polaroid embarked upon its experiment begins with a brief examination of the Poverty Datum Lines (PDL) for Black families living in the urban areas of the Republic. The PDL is calculated by estimating monthly expenditures for an average family of five persons at the lowest current prices for rent, food, fuel, lighting, clothing and transportation. It is a bare minimum standard making no allowances for items such as school fees, medical and dental care, insurance, recreational needs, taxation or contributions to churches. A precise PDL will always be a matter of debate, but in Johannesburg, the largest industrial city of the Republic, three minimum monthly budgets published during 1971-72 gave similar estimates of between R70 and R80 per month for Black families of five persons.<sup>13</sup> It is recognized that the PDL is not an adequate living wage and that a household's income should be at least 1.5 times the PDL to realize a minimum effective income level (MEL). On even the lowest of the PDL's of R70 per month the minimum effective level would be R101 per month.

The depressed state of Black wages in manufacturing and construction industries is confirmed by recent figures published by the South African Council of Churches and the Christian Institute of South Africa.<sup>14</sup> This report indicates that Black earnings are approximately 25 per cent of White. In the mining industry, Anglo American Corporation, the largest of the mining companies, is reported to pay Black miners an average wage of R21.84 per month, to which must be added the value of free food, accommodations and medical services that is variously estimated to be the equivalent of an additional R16 to R25 per month. The average monthly pay of a White miner is

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12. It should be noted that the dates of the Acts referred to are those of the Consolidation Acts—the original legislation with similar principles became law many years ago, e.g., the Industrial Conciliation Act in 1924, the Bantu Urban Areas Act in 1923, and the Mines and Works Act in 1911.

13. Poverty Datum Line: R70.82 (S. A. Institute of Race Relations); R75.80 (Johannesburg Chamber of Commerce); R76.76 (Johannesburg Non-European Affairs Department). *Financial Mail*, July 7, 1972. One rand is the equivalent of \$1.23 at current exchange rates.

14. POWER, PRIVILEGE AND POVERTY, REPORT OF THE SPROCAS ECONOMIC COMMISSION 21 (Johannesburg, 1972).

reported to be R360 per month.<sup>15</sup> A recent article in the *Financial Mail*<sup>16</sup> suggested that this gap, which can be called the skilled-unskilled wage ratio, is presently 5.7:1.<sup>17</sup> It is likely to increase, notwithstanding the beneficial effects of individual wage increases paid by American and other firms, because of the shortage of White labor that is endemic to South Africa. This shortage leads to a steady increase in White wages as employers find themselves in competition for the limited number of skilled White workers available. This situation exists because of the labor laws and practices in the Republic mentioned earlier, which preclude Blacks from working in most skilled categories of work.<sup>18</sup>

It would seem from this evidence that unless American companies are paying a minimum wage of approximately R100 per month, workers are living in poverty. This is particularly true since Black families are rarely as small as the five persons for whom the PDL is calculated.

A final consideration among these socio-economic conditions is the racial composition of the South African urban population. According to the 1970 census of the Republic, the number and percentage of each race group living in the urban areas was as follows:<sup>19</sup>

Race Group	Number in urban areas	Percentage in urban areas	Total population in the Republic
White	3,257,805	86.84	3,751,328
Colored	1,494,490	74.04	2,018,453
Asians	538,536	86.80	620,436
Blacks	4,989,371	33.13	15,057,952
TOTAL	10,280,202		21,448,169

15. Johannesburg Sunday Times, Aug. 15, 1971.

16. *Financial Mail*, May 26, 1971.

17. It is of interest to compare the South African skilled-unskilled wage ratio with that of other countries. According to the article quoted in note 16 *supra*, it is less than 1.5:1 in the U.S.A. and Canada and 1.25:1 in Western Europe.

18. For a full discussion of the operation of these laws the reader is referred to G. DOXEY, *supra* note 7.

19. M. Horrell, *A Survey of Race Relations in South Africa, 1971* at 59 (published by South African Institute of Race Relations) (Jan., 1972).

From this table it can be seen that a third of the Black population is in the urban areas, although it should be noted that not all Black workers are employed in industry or commerce. A substantial number, for example, are employed in domestic service.

### III. THE POLAROID EXPERIMENT

The first year of the experiment has ended and it has now been extended for an additional year. Polaroid will continue to distribute its products in South Africa through Frank and Hirsch, and each year applications for extensions of this distributorship agreement will be submitted to the Polaroid company.<sup>20</sup>

Since the commencement of the Polaroid Experiment, there have been increased efforts not only to increase Black wages considerably, but also to upgrade Black employment opportunities. The present situation is that no Black employee of Frank and Hirsch begins work at a wage below R70 per month. After one year of work his minimum wage is increased to R80 per month. The average wage paid to Black employees in 1972 is R116 per month. Moreover, while 69 per cent of the Black staff earned between R70-R130 in 1972, 31 per cent of the staff earned more than R130 per month. These figures evidence the upgrading of the quality of positions available to Black employees.<sup>21</sup>

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20. For this information, as well as for the information concerning wages and employment practices in Frank and Hirsch Pty. Ltd., the writer is indebted to the company's managing director, Mr. Helmut Hirsch.

21. The following table summarizes the improvements in wages and status of the Black staff of Frank and Hirsch Pty. Ltd.

	%	1970	1971	1972
<i>Minimum monthly pay for employees with one years service has increased by</i>	46%	R56	R70	R82
<i>Average Salary has increased by</i>	37%	R84.41	R101.62	R115.97
<i>Number of employees in the highest pay category (Over R130) has increased by</i>	123%	22	37	49 men
<i>Number of employees in the lowest pay category (Under R70) has decreased by</i>	100%	98	39	158 men

Frank and Hirsch Pty. Ltd. has always been considered an "enlightened" employer. For example, its Black staff has had a works committee for the last seven years. Blacks have always worked in certain clerical and supervisory positions, and pensions and schemes were available to all workers.



In addition to these wage increases, the following fringe benefits were made available to Black workers: (i) a bursary fund for the dependents of employees; (ii) a pension fund; (iii) free loans of up to R700 to employees for the purchase of capital items; (iv) free consultations with a house doctor; (v) free canteen services.

While it is against government policy in the Republic for Blacks to supervise Whites, Frank and Hirsch now has eight Black supervisors and there are departments staffed and supervised entirely by Blacks. The managing director reports no friction between Black and White staff members.<sup>22</sup> The general experience has been that the upgrading of Black occupations has engendered a new respect for Black employees in the company.

An especially important feature of Polaroid's experiment was its decision to devote a portion of the company's profits each year to the improvement of educational facilities for Blacks. An annual sum of 50,000 dollars has been allocated to a special trust fund known as the American South African Study and Educational Trust (ASSET). It provides bursaries for Black scholars, teachers and university students and in 1973 will also provide bursary assistance for the first three Blacks to study at the School of Business Administration of the University of the Witwatersrand. ASSET is controlled by a racially mixed Board of Trustees and is administered by the South African Institute of Race Relations. In 1972 the Pepsi-Cola Company donated 50,000 dollars to this trust, and there is a possibility that further donations will be made by American companies through either this or other trust funds. There is little doubt that the promotion of Black education is crucial to the advancement of the Black population of the Republic, and donations by American companies can prove very effective. Black South African school children, unlike White children, must pay for their own education and books. In the primary classes payments are from R9 to R16 per annum and in the secondary or high schools from R25 to R37 per annum.<sup>23</sup> While these amounts appear insignificant, they are high when considered in relation to wages. A decision to contribute money to Black education, if carried out by a substantial number of American companies, could be an effective method of creating educational opportunities for Black children in a country where only 0.36 per cent of the Black school population are in senior secondary classes, and the majority of the school population (68.76 per cent) drop out of school after only four years of elementary schooling. Furthermore, much could be accomplished by

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22. Frank and Hirsch has 300 workers, of whom half are Black.

23. Horrell, *supra* note 19, at 257.

giving bursary assistance to Black teachers to improve their qualifications. Only 1.5 per cent of these teachers have a university degree and only 10 per cent have themselves completed high school.<sup>24</sup> Assistance to Black university students is also necessary; there are only 5,407 Blacks enrolled at South African universities as compared with 77,221 Whites.<sup>25</sup>

Another beneficial effect of the Polaroid Experiment has been the increased concern among other American firms in the Republic about the wages and working conditions of Black employees. The South African Institute of Race Relations (an independent nonprofit organization) reports that since the Polaroid controversy it has been inundated with requests for information about Black wages and working conditions, as well as for copies of its memorandum dealing with the problems of United States corporate investment in the Republic of South Africa.<sup>26</sup> According to a newspaper report,<sup>27</sup> there are 300 American companies with direct investment of about R690 million in the Republic of South Africa. These firms provide employment for 250,000 non-White workers.<sup>28</sup> Other American companies that have reacted positively to the need for change include the Coca-Cola Company, which is reported to have a team of Black salesmen earning the same basic salaries as Whites, and Lilly Laboratories, an American-owned pharmaceutical company in which some skilled Black workers are reported to earn more than their White workmates. Among the largest of the American companies operating in South Africa is General Motors, with 2,327 non-White employees. Mr. Richard Gerstenberg, the company chairman, is reported to have said after his visit to South Africa that Black and Colored employees of his South African company had received substantial increases in wages (averaging 33 per cent in the past year), that seven non-Whites had been appointed to salaried positions, and that 140 were presently on training schemes within the company, which would make it possible to upgrade their status.<sup>29</sup>

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24. *Id.* at 261.

25. *Id.* at 289.

26. D. Horner, *United States Corporate Investment and Social Change in South Africa* (published by South African Institute of Race Relations) (for restricted distribution only) (May, 1972).

27. *Business Times of the Johannesburg Sunday Times*, Sept. 17, 1972.

28. The term non-White in South Africa is used to denote both Blacks and Coloreds, who are persons of mixed Black-White descent.

29. *Johannesburg Star*, April 15, 1972.

## IV. AN EVALUATION OF THE EXPERIMENT

The increases in Black wages and the donations to educational trusts discussed above have benefited a number of Blacks in South Africa, but two questions must be asked in assessing the value of the Polaroid Experiment: (i) Are the wage increases sufficiently substantial? (ii) Has the example of American companies led to a general increase in Black wages in the Republic?

It is this writer's opinion that while there have been some increases in wages due directly or indirectly to the Polaroid Experiment, these increases have often been insufficient to raise the standard of living of Black industrial workers beyond the barest subsistence level. It should be kept in mind that according to the annual report of the South African Reserve Bank, the annual rate of increase of the consumer price index accelerated considerably during 1971. The increase from June of 1970 to June of 1971 was 6.1 per cent. Food prices increased by 4.7 per cent, and it is generally accepted that Black families are hardest hit by such increases, as they spend proportionately more on food than do White families. American parent companies cannot, therefore, be satisfied with wage increases for their Black employees unless these increases are tied realistically to the PDL or, preferably, to the MEL.

The second question that arises is whether there has been a general improvement in Black industrial wages in the Republic as a result of the Polaroid Experiment. While it can be argued that it is too soon to evaluate the effects of the Polaroid Experiment when it is in only its second year, it is of some value to examine national trends to see if there are any signs of change in South African industry as a whole. In 1972 the Productivity and Wages Association, a South African nonprofit organization that has as its aim the improvement of Black wages and productivity, conducted a national survey of 1,086 companies with 188,233 Black employees.<sup>30</sup> Survey returns were obtained from 13 per cent of the companies asked to participate, and it is likely that the companies that gave returns were those that provided optimum conditions for Black employees in terms of wages and working conditions. The survey showed that 80 per cent of Black employees earn less than R70 per month (the lowest of the PDL figures already quoted). It also showed that although Black wages have increased by approximately ten per cent in the last year, about one third of Black employees are still paid between R40-R45 per month. Thirteen per cent of the sample earned more than the PDL (estimated

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30. D. Horner, *Major Wage Survey—A Fund of Information*, RACE RELATIONS NEWS, Sept., 1972, at 1.

at the time of the survey at R70 per month) but less than the MEL (estimated at R105 per month). Only seven per cent of the sample earned more than the MEL. There is possibly some distortion of these results because no distinction is made between male and female employees and some of the females might be secondary breadwinners, but in general the survey shows Black wages to be deplorably low.

#### V. CONCLUSIONS

An evaluation of the Polaroid Experiment in the South African context indicates that the experiment has been successful in increasing both wages and status of Black employees within Frank and Hirsch. A number of other American companies operating in the Republic have followed Polaroid's example, and there is a new sensitivity among American, British and South African companies to the need for further improvements in the wages and working conditions of Black workers. There are at this time, however, no indications of changes of a more general nature within South African industry. Inequalities remain and without change in government policies only a small proportion of the Black labor force can acquire skills. As long as the exclusion of Blacks from effective union bargaining power remains a feature of government policy, it is unlikely that enlightened companies operating in the Republic can bring about fundamental changes in either working conditions or labor relations. Competition from companies basing their costs on the lower wages will remain an inhibiting force preventing an upward adjustment of scales of pay; only if higher minimum wages are uniformly prescribed<sup>31</sup> can the problems of poverty become capable of general solution for all workers.

The radical view heard with increasing frequency is that American companies should disengage entirely from South Africa despite the profitability of investment in the Republic.<sup>32</sup> This approach has not found favor with Black leaders in the Republic, who maintain that economic boycotts of this kind inflict direct harm on Black workers. They have on numerous occasions expressed publicly their preference for American companies to remain in the Republic while proceeding vigorously with fair employment practices.<sup>33</sup> A further point to be

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31. It is important to note that governmental action is critical since the Government is one of the largest employers of Black labor.

32. According to Adam the abundance of cheap labor in South Africa allows a profit rate twice as high as the world average: roughly 15 to 20 per cent annually between 1961 and 1965. H. ADAM, *supra* note 5, at 32.

33. Chief Gatsha Buthelezi, Bishop Zulu, and Mr. T. Moerane, editor of the largest Black newspaper in the Republic, all are reported to have made statements of this kind. Johannesburg Star, Sept. 28, 1972.

noted is that economic boycotts of South Africa would harden White attitudes and thus remove the possibility of American companies exercising even limited influence on the South African system from within. An American investment boycott of South Africa would also create a vacuum that would inevitably be filled by foreign investors from other countries. The possibility cannot be excluded that these investors might have less awareness than their American counterparts of the need for Black advancement in the Republic.

Today, informed observers in South Africa say that it is imperative that Black workers be educated and be permitted to acquire the full range of skills required in an industrialized society. The present shortage of such skills is preventing the proper economic development of the country, and White immigrants cannot contribute adequately to reduce this shortage. If the Polaroid Experiment goes even a small way toward showing how better wages and better conditions of employment improve productivity, and hence the wealth of the nation, it will have been a valuable pointer to the need for a change in government industrial relations policy.