Between a rock and a hard place

productivity agreements in gold mining

Andries Bezuidenhout *examines productivity agreements in gold mining and identifies lessons that can be learnt.*

The South African gold mining industry is a declining industry, partly because there is a limit to the amount of gold that can be extracted from the ground. But the process of downsizing has been aggravated by a steady decline in the gold price since the late 1980s. In May 1999, the gold price fell to a 20-year low of around US$272/oz. When Britain's central bank started to auction off gold, the price fell to below $260.

Annual gold production decreased along with the gold price. In 1996, South African gold mines produced 494 tons of gold. In 1997, this declined to 492,5 tons. In 1998, they only produced 473,7 tons. In 1990, 37 gold mining companies operated in the industry. Now, there are only ten gold mining companies operating.

Throughout the 1990s, NUM has tried to use collective bargaining to slow job loss. In 1997, for example, NUM and the Chamber of Mines signed an agreement that linked wage increases to productivity deals at the mines they covered. But this agreement was overshadowed by the gold price plunging to record lows in the same year. Instead of increased production and job security, mineworkers got large-scale retrenchments and subcontracting. This resulted in NUM, mining employers and the government setting up the Gold Crisis Committee. How can we understand what happened? What lessons can we learn?

Early attempts

From the early 1990s, NUM experimented with different ways of improving productivity. Why? Since the decline of the gold price from the 1980s onwards, NUM realised it would have to attempt to save mines from closing down before absolutely necessary. The union also saw the agreements as potential opportunities to improve its members' working and living conditions.

During the 1980s, when the gold price was relatively high, mining houses did not have many incentives to change the basic mode of operation. Working conditions remained very bad and mines continued to operate with white supervisors getting jobs only because they were white.

The decline in the gold price in the late 1980s and the 1990s changed this.

As NUM became more powerful and the gold price fell, management was forced to engage labour in discussions on productivity. NUM saw this as an opportunity to win certain trade-offs. These trade-offs included concessions on health and safety, organisational rights, improving training, and new approaches to job grading. This could potentially strengthen the position of NUM and improve mineworkers' working conditions. In 1991, NUM signed an agreement with the Chamber of Mines linking wages to performance. They agreed to a lower minimum wage supplemented by production bonuses. Talking about the principle of linking wages to productivity in the 1991 agreement, Marcel Golding, a former general secretary of NUM said:'For us it was not a case of being persuaded to accept productivity – we've actually gone on the offensive and changed the perspective on productivity by having these principles accepted... They [ie management] have always operated on the basis of authoritarian management, with the assumption that it is their unilateral right to determine targets and not disclose information.'

But the next year, NUM rejected linking bonuses to performance. The union felt that management still saw setting targets and measuring output as areas of managerial prerogative. The approach was also not broadly debated within the union, but was agreed upon in a small working committee. In 1992, the NUM Central Committee reaffirmed its commitment to a campaign for 'a living basic wage for all mineworkers'. But there was a problem with marginal mines. If minimum wages were too high, some marginal mines could close down. So in 1992, NUM signed a profit-sharing scheme instead.

Martin Nicol, then head of the NUM's collective bargaining unit, explained:'The wage bill is a large part of mining costs – about half on most gold mines. A modest increase of 10% in wages immediately translates into an increase of 5% in the cost per kilogram of gold mined. And these greater costs can easily push a marginal mine into a loss... Lower increases could slow down the contraction of the industry, while the profit sharing scheme means that mines which are profitable and can afford to pay more, do so.'

Other agreements in the 1990s addressed broader issues related to productivity. For instance, the 1995 NUM and Chamber of Mine's agreement addressed grading and subcontracting. NUM also agreed that certain mines could move to different shift systems, such as full-calendar operations (FULCO), where the mines would operate every day of the year. They agreed that individual workers and their unions would work with mine management to restructure their workplaces to ensure the long-term viability of the industry. But the agreements were not always successful. Mines continued to subcontract to cut costs. Many union branches were not empowered to take up the issue of subcontracting. Also, the 1996 agreement had to re-address the issue of job grading, because very little happened as a result of the 1995 agreement.

1997 productivity agreement

The 1997 agreement between the NUM and the Chamber of Mines had major new innovations. An article in the *Bulletin* referred to the agreement as a 'ground-breaking, industry wide productivity deal'. What did this agreement do?

- As in 1991, the agreement set a low basic wage increase to be supplemented by a productivity-linked bonus.
- The parties agreed to increase annual gold production by 90 tons. They set

Subcontracted workers work in dangerous conditions.

measurable targets for each mine. The reasoning was that productivity improvements would not lead to job loss if you increased production.
- The parties agreed to negotiate productivity agreements at mine level. The wage increase was only to be implemented once these deals were concluded.
- Unlike the tradition in the industry, the agreement was signed for two years, instead of one. It aimed to provide stability in the industry to help implement productivity agreements.

As a result, NUM concluded productivity agreements with most of the mines affiliated to the Chamber of Mines. The mines that did not conclude agreements were mostly marginal mines. Some of the marginal mines closed down before any agreements were signed. These productivity agreements typically included:
- introducing additional shifts or FULCO;
- introducing productivity monitoring forums;
- broad-banding and upgrading lower categories of employees;
- introducing multi-skilling;
- linking a bonus system to production targets;
- monitoring training.

Disputes concerning interpretation and application of agreements were generally referred to arbitration to reach a final settlement without strike action. Some mines, however, used the ordinary deadlock breaking mechanisms included in the Labour Relations Act of 1995, where unresolved disputes are usually referred to the CCMA. Should this fail, the option of industrial action can be used.

Some agreements at mine level also included a clause on subcontracting. This clause reaffirmed an agreement reached in 1995 between NUM and the Chamber of Mines which gave the union:
- access to information on existing subcontracting arrangements;
- the right to be consulted on new areas considered for subcontracting.

Crisis proportions

The unexpected collapse of the gold price at the end of 1997 did not contribute to

NUM's general secretary, Gwede Mantashe.

the stability and increased production that the parties hoped for. Instead, the collapse of the gold price led to large-scale retrenchments and shafts closing down. Members of the Chamber of Mines in the gold mining industry had employed 518 419 mineworkers in 1987. By 1993, this number declined to 366 248. Between 1996 and 1997 alone, employers in the mining industry retrenched about 61 000 mineworkers. But, these figures seem small when compared to job losses in 1998 when the industry shed 90 000 jobs. This crisis diverted attention away from the productivity agreements. Instead, mines seemed to opt for short-term cost-cutting strategies, such as retrenchments and subcontracting.

The Chamber of Mines and the government finally recognised that a formal process was needed to cushion society from the effects of rapid job loss. In fact, NUM had been calling for a social plan since the early 1990s, but to no avail. After threatening strike action, NUM finally succeeded in calling a Gold Mining Summit on 26 and 27 February 1998. The idea was to formulate a long-term strategy to co-ordinate efforts of the union, government, the development sector and mines to lessen the impact of downscaling. NUM also wanted to pressurise mines to seek alternatives to retrenchments.

NUM, the Chamber of Mines and several government departments attended the summit. The Chamber of Mines agreed to place a moratorium on retrenchments until the Gold Crisis Committee was formed. This committee's main task was to 'receive notice of all large-scale retrenchments from employers, and to oblige the affected parties to seek alternatives to retrenchment'. Three Cabinet ministers (the minsters of Labour, Minerals and Energy Affairs, and Public Works), representatives from the Chamber of Mines and three representatives from NUM were represented on the Gold Crisis Committee.

The Committee set up task teams to investigate, amongst other things:

- state assistance to marginal mines;
- beneficiation;
- developing a market for gold;
- gold price stabilisation;
- efforts to ensure 'the correct balance between labour-intensive mining and labour saving technology'.

The Gold Mining Summit consisted of different commissions. One commission dealt with issues of workplace organisation and restructuring, while another looked at creating and preserving jobs. The commissions reached consensus on a number of issues, including:

- the need for a social plan;
- greater worker participation at all levels;
- initiatives to improve production efficiency.

The parties did not reach an agreement on subcontracting. The declaration adopted by the Gold Mining Summit stated:'the issue of subcontracting will need to be discussed as a matter of urgency by all stakeholders, notwithstanding the current agreement'.

The subcontracting problem

Mining companies blame the large-scale retrenchments on the decline in the gold price. But NUM feels that management used the drop in the gold price as an excuse to lay-off workers, increase subcontracting and mechanise. Several mines are introducing subcontracting whilst retrenching workers. NUM sees the trend towards increased subcontracting as the mines' strategy of following a 'low road' approach by cutting costs. NUM believes that management should instead follow a 'high road' approach based on worker involvement in productivity improvements.

Guy Standing from the ILO says that the mining industry is using more subcontracted labour to try and get higher productivity, more flexiblity and cut costs. Contract workers are generally not unionised and do not receive wages negotiated by unions and mining companies. (Contractors often discourage workers from joining unions.) Contract workers are generally not covered by benefits negotiated by unions and mining companies. While regular mineworkers earn most of their money through a wage, contract workers' income is often entirely bonus-related – they get paid for measured output.

A NUM press release expressed the union's anger at the coupling of retrenchments with subcontracting at Vaal Reefs Gold Mine:'Workers are angry at the company's replacement of permanent workers with contract labourers on less wages and worse working conditions. Management are cutting costs by employing people on the cheap. This is in a bid to increase profits but with little care for the safety of workers in what has become an infamous mine. Some sections of the mine underground are being divided off and given to contractors to mine, completely cutting out permanent workers and NUM members.'

Subcontracting has subsequently become a major point of contention between NUM and the Chamber of Mines. It has become a central part of NUM's core demands for the 1999 round of negotiations.

Lessons

Attempts to increase productivity implied wide scale experimentation with various new measures, such as introducing FULCO or additional shifts, multi-skilling, and bonus systems linked to output. On the one hand, the NUM felt that it had to agree, since the 'guns' of more retrenchments and subcontracting were held to its head. On the other hand, it saw the agreements as holding the potential of moving away from the authoritarian ways in which mining work is organised and to win certain benefits for its members. The dilemma for the union is whether to actively get involved in increasing productivity. This can prevent marginal mines from closing down, but it can also undermine the union's identity as an opposition to management.

But NUM's dilemma, even though quite stark in the gold mining industry, faces many other unions in many other industries as well. Unions all over the world will have to find sophisticated responses to these challenges.

The involvement of unions in attempts to improve productivity can potentially be very destructive. New forms of work organisation which unions agree to can impact significantly on unions themselves.

Unions may want to take the following into account:

- Agreements to changes in work organisation must be rooted in the experiences of workers. They must be mandated agreements. When negotiations around issues such as bonus systems become complex, unions must empower their members to remain in control of negotiations. If unions sign deals which workers do not feel part of, workers may turn against the union itself. Incentives, such as linking a wage increase to the striking of a productivity deal, may motivate negotiators to move too fast during negotiations. Lack of worker participation in the negotiations may result in the union losing credibility among its members and being weakened in the process. This can be aggravated by management's telling workers to take grievances about work reorganisation up with the union when they are unhappy.
- If unions agree to team working arrangements, they will have to find a sophisticated response to linking bonuses with performance. For example, linking bonuses to team output without taking into account the number of members in the team, may lead workers to reduce the size of teams so that individuals get more money. In effect, workers help management downsize. This also undermines solidarity.
- Multi-skilling usually means multi-tasking. It is often used to make workers work harder, without making work more interesting or expanding worker control. It also enables firms to reduce the number of skilled workers. When multi-skilling is introduced, there must be a clear and guaranteed movement away from racist and authoritarian supervision along with that. If teams cannot challenge supervisors and management on work organisation, or if workers become 'supervisors' of other workers, the system boils down to 'management by stress' and does not hold many advantages for workers in the long run.
- Unions will have to find effective ways of responding to subcontracting. One must not be fooled that seemingly worker friendly forms of flexibility, such as multi-skilling and team work, will stop management from using casualisation and subcontracting. The two are often used in combination – as carrots and sticks. In the end, both can become sticks.

This year, NUM is taking a cautious approach to productivity. The gold price is still very low. But they are not linking the wage agreement to productivity deals. These issues will be negotiated at mine level. Negotiators will not be forced to strike productivity deals under pressure that the wage agreement will only be implemented once a productivity deal is concluded. These negotiations can build on the experience the union has built up over the decade. Issues of work reorganisation should constantly be linked to job security and the fight against undermining forms of subcontracting.

The challenge again this year is to save jobs while at the same time making working conditions more humane and expanding worker control, even in a context where it looks almost impossible. ★

Reference

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