

# Managing downscaling

*a social plan for the mining industry*

The South African mining industry currently employs less than 500 000 workers. In 1987, the figure stood at over 750 000. The majority of workers in the industry are employed on the gold mines.

During the last year and a quarter over 30 000 workers have been retrenched. A further 10 000 were dismissed.

The crisis in gold mining is the result of a gradual downscaling process. While South Africa still enjoys large reserves of unmined gold, it is buried up to five kilometres underground. This makes mining much more expensive. It is possible that, in 50 years time, the mineable ore will have been depleted.

## Summit

Employers have laid the blame for the most recent job losses on the decline in the gold price.

While this factor cannot be ignored, the NUM believes that, in many instances, it has not been the main reason. At the Hartbeesfontein mine in Klerksdorp, for example, 5 000 jobs are currently under threat. Last year, the mine was forward-selling its gold at \$320 an ounce, well above the January 1998 price of \$280-\$290.

It seems that employers have been using the gold price as an excuse to mechanise and lay workers off. Profit maximisation, rather than the interests of

*Early this year, the NUM initiated a gold summit to deal with the current crisis in the gold mining industry. A social plan to manage downscaling was at the heart of the union's demands. Devan Pillay reports.*

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workers, their families and communities, is their primary concern.

In response to this crisis, the NUM called for a gold summit at the end of February. In January, the union sent invitations to the summit to seven government departments (Labour, Minerals and Energy, Public Works, Finance, Education, Water Affairs and Trade and Industry) and the Chamber of Mines. Fraternal organisations, including COSATU, the SACP, the ANC, the NGO Coalition and smaller mining unions, were invited as observers. The union then set about working on its proposals for the summit.

## Background

In 1991 a mining summit was jointly convened by the NUM and the Chamber of Mines. Job losses were mounting at the time, and the union foresaw further losses in the years to come.

At this summit, the union called for a

social plan to manage the gradual downscaling of the industry. The union wanted a planned process to:

- Minimise job losses by making management more efficient, and prolonging the lives of marginal mines for as long as possible.
- Generate alternative forms of employment in mining towns and labour-sending rural areas in the short-, medium- and long-term.
- Cushion the effects of retrenchment through counselling and retraining.

This proposal was met with firm opposition from both the Chamber and the apartheid government (in particular the Department of Minerals and Energy, which, until 1996, was under the control of the National Party). Their view was that the downscaling should be left to market forces, and the piecemeal efforts that went with that. In the end, the summit issued a broad declaration of good intentions, and locked the parties into endless working groups. The working groups eventually folded, having achieved very little.

Since then, the union has made repeated attempts to get government and the employers to take up the need for a co-ordinated downscaling plan, as occurred in Northern Europe, particularly Germany.

### **Fund**

In 1993 the union marshalled its forces to try and persuade employers to agree to a social rehabilitation fund. This was intended to meet the costs of future restructuring and retrenchments at mine level. Demands around the fund were taken to the annual wage negotiations. They met with solid resistance from employers. Some mines - Durban Deep, Harmony, ERPM and Grootvlei - gave the union the right to negotiate on a social plan, but no formal agreements were

reached, as these marginal mines could not see how they could build up the reserve funds needed for such a plan.

It became clear that a social plan needed to be accepted for the industry as a whole. Healthier mines needed to start immediately to build up reserves for when they, too, became marginal.

After the election of the ANC-led government in 1994, the NUM succeeded in getting the social plan - amended to apply to all industries - onto the Nedlac agenda. After almost three years of negotiations, a much watered-down version, which places little obligation on employers, may be agreed upon.

The union also took the plan to the Labour Market Commission, where it was discussed and incorporated into the Commission's 1996 report. Strong opposition from employers resulted in a proposal that the funding of the plan be left to foreign donors and government.

The NUM also sought to ensure that a social plan for the mining industry was incorporated into the Green Paper on Mining and Minerals, a draft of which was submitted to the new ANC Minister of Minerals and Energy, Penuel Maduna, in September 1996.

By the end of 1997 the Green Paper was still sitting with the Minister. The piecemeal, unco-ordinated approach to downscaling remained the rule, with little change in the thinking of mining employers and, seemingly, the state.

### **Demands**

The NUM felt that another summit was needed to spur things on and arrest the growing crisis in the industry. This time around, the union was determined to avoid the 1991 experience. It wanted a summit that dealt with concrete proposals, with binding commitments on each party. The union declined the Chamber's offer to



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jointly host the summit. It wanted to control the proceedings from start to finish. The expectation was that, given the nature of the crisis, and the high profile it occupied in the media, there was little chance that the Chamber or government would spurn an invitation to attend.

During the run up to the summit, the NUM released an outline of its key proposals, and circulated this to the Chamber and government. The Chamber in turn released its 16-point plan, which the union felt was little more than a 'motherhood and apple-pie' statement, containing nothing of substance. The NUM's proposals were much more specific. They revolved around the following proposals (many of which were expansions of the 1991 submissions):

- Minerals are a national asset. Private mining companies are mining these minerals, in the first instance, on behalf of the country as a whole. Unlike in manufacturing, where shareholders can expect a maximum return on their

investment, through the sale of value-added commodities, mining should be conducted in such a manner that profit maximisation is subordinated to the national interest.

- The mining industry needs a social plan, which makes provision, well before workers are retrenched, for the future well being of workers and society at large. The plan must be an integral part of the long-term management of downscaling in the industry, as opposed to the current *ad hoc* approach adopted by employers.

#### *Moratorium*

In order to implement the social plan, the NUM sought a moratorium on retrenchments, and greater government intervention - initially through a 'gatekeeper', which grows into a statutory national commission on downscaling. The role of the gatekeeper would be to ensure that employers seek alternatives with government and the union before they

make a final decision on retrenching workers

The NUM's experience has been that, where the union has intervened and conducted its own investigations into blockages to performance at mine level, it has often prevented retrenchments. The union wants employers to embrace the concept of world class mining, which, amongst other things, means flattened management hierarchies, more efficient management practices and greater worker empowerment for informed decision-making.

For this to succeed requires an industrial relations system that embodies respect for human beings that our new Constitution entrenches - human dignity, equality, freedom and democracy.

The union also supported continued state assistance to marginal mines. However, unlike in the past, where government merely doled out a subsidy, it argued for targeted, socio-economic investment, where the social plan is an integral part of the prolongation of the life of a mine and the community that surrounds it.

If, after all avenues have been pursued, workers are still retrenched, the union felt that this must happen at the point when counselling and retraining has already been embarked upon. Retraining and reskilling needs to occur within a wider strategy of stimulating alternative economic activities in the rural areas and towns that retrenched workers return to.

The Mineworkers Development Agency (MDA), an off-shoot of the NUM's Development Unit, had been experimenting with these alternatives for a number of years on a small scale, with some success.

The newly-established tripartite body, the Mining Qualifications Authority, is another arena within which the NUM is

operating to improve education and training on the mines.

The union noted that the Green Paper on Mining and Minerals, Department of Minerals and Energy, which was finally released for public discussion in early February, had placed the social plan and an advisory body to deal with downscaling on the agenda. These are, however, very broad proposals.

Firmer agreements needed to be reached that would prevent the destruction of work, save jobs, create new jobs and ensure the implementation of the social plan.

The NUM also noted that labour for South African mines is sourced from countries in the southern African region - Lesotho, Mozambique, Botswana and Swaziland. These countries raised funds abroad in the name of these mineworkers, but such funds rarely benefited the workers or their families. The union argued that there is a burden of responsibility on the government of these countries to channel such funds into social plans that will benefit mineworkers and their families.

## The summit

The union kept contact with key individuals in government and the Chamber during the run-up to the summit, so as to ensure its success. The idea was to try and reach agreement on as many issues as possible prior to the summit, and to issue a joint declaration pointing to areas of agreement, and areas that still needed further discussion. Right up until the eve of the summit, however, it became clear that the Chamber had little to offer. There seemed to be wide differences amongst Chamber members regarding the NUM's proposals.

Government, on the other hand, pulled itself together, and, to the union's surprise,

accepted most of the proposals. It supported the establishment of a gatekeeper, calling it the Gold Crisis Committee (GCC), which would act as a forerunner to the Advisory Board mentioned in the Green Paper. The only issue it differed on was state assistance to marginal mines.

This strong support from government threw the Chamber into confusion. During the evening of the first day of the summit, the union met with government and produced a draft declaration, which, after prolonged caucusing amongst employers, was eventually adopted by all three parties. Government agreed to investigate the feasibility of state assistance to marginal mines.

The declaration also placed a moratorium on retrenchments until the establishment of the GCC.

This was a momentous victory for the NUM, after years of frustration. Finally, all parties agreed to the management of downscaling in the industry - although further agreements still have to be reached regarding the details and the funding.

## The GCC

The GCC consists of three cabinet ministers (Labour, Minerals and Energy and Public Works), three NUM representatives and three Chamber representatives, with alternates. It meets most Mondays.

A secretariat comprising all three parties has been formed to ensure continuity between meetings. The chairpersonship is rotated amongst the government ministers.

The main task of the GCC is to receive notice of all large-scale retrenchments from employers, and oblige the affected parties to seek alternatives to retrenchment. Many jobs have already been saved as a result of this (through measures such as extended leave and job

sharing).

Where retrenchment is unavoidable, a second notification has to be given, leading to the implementation of the social plan (details of which still need to be agreed upon).

Things began very smoothly. However, it soon dawned upon the union that some mines were intent on using the GCC to rubberstamp retrenchments. The NUM voiced strong disquiet at such attempts to undermine the GCC, prompting a bilateral meeting between it and the Chamber.

## Task teams

The GCC has also set up task teams to investigate areas contained in the declaration, including

- state assistance to marginal mines,
- adapting the Nedlac social plan to the mining industry,
- beneficiation and market development of gold,
- ensuring the correct balance between labour-intensive mining and labour saving technology,
- gold price stabilisation.

The NUM now awaits the publication of the White Paper on Mining and Minerals, which will hopefully specify the terms of reference of the proposed Advisory Board. The union would like to see a dedicated statutory body which will take over from the GCC and manage the full process of downscaling - including stimulating alternative industries, small and large, in mining towns and rural areas where mineworkers come from.

Gold mining has 30 to 50 years of life left. If the gradual demise of the industry is properly managed, much hardship - for mineworkers, their families and the economy as a whole - can be averted. ★

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