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# Newsbits

## Mining retrenchments: Where does the responsibility lie for this outrage?

*The mining industry has announced the possibility of huge job losses partly as a result of the strengthening of the rand. **Frans Baleni** expresses his view on the latest developments.*

Retrenchments are, and always have been, a scourge in the mining industry. Workers have devoted the best years of their lives to the production of minerals on which the wealth of the whole society depends. They acquire skills that are specific to mining which are not transferable in most instances. They work under the most dangerous conditions where their lives are constantly at risk and their health is almost certain to suffer. Yet with a slight fall in the price of gold, or, for some reason, an increase in production costs, they are retrenched without even a second thought and dispatched to their homes in the neglected, rural areas where there is no alternative work, and an appointment with poverty is guaranteed.

The lives of these workers and their families have changed for the worst. They will now be discriminated against by society since they do not have resources to participate in the economic system. The dependents will now venture in the new trade of being beggars and smile even when they have no intention to do so as long that act can result in some work being offered. It is a pain to be unemployed in our society.

This is what has happened to the 2 700 mineworkers who were

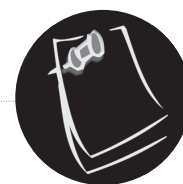
retrenched at Harties, the Durban Roodepoort Deep (DRD) mine in Klerksdorp in the last few weeks. This is a particularly bad example of the inhumanity of a society where the profit margin is God and workers make all the sacrifices. It is put into context by the obscenity whereby the chief executive of DRD not only does not share in the sacrifice but also is rewarded for his cost-cutting exercise and receives an income that is 504 times greater than the minimum wage in mining. He is paid R38 630 a day as stated by one of our daily newspapers.

However, the Harties case is not an isolated one. It is all too common. In the last 15 years, retrenchments have decimated the mining industry and have ravaged our society as a whole. The situation in which mineworkers subsidise the production of vital minerals with their lives and get no reward or even recognition for that fact, has to end. The depth of the tragedy in the lives of the former Harties mineworkers can be understood if we look at the situation they now face. They joined an ever-increasing queue of unemployed workers. That is not all. Their homes are in the rural areas where families of mineworkers subsist from the remittances they send home. It has been estimated that every

mineworker is responsible for the welfare of up to 10 family members. Job losses will spell poverty, maybe starvation for families of mineworkers. There is no question about it; you stop paying salaries to 2 700 workers the whole community will suffer and lapse into even greater social and economic depression and deprivation.

Time and time again the following issues have been raised at summits and conferences: the power of employers to retrench at will must be curbed; temporary financial help, sufficient to maintain their families, must be provided automatically to all retrenched workers; retraining schemes on hand; and jobs. We must ensure that workers are rewarded for their contribution to the prosperity of the country and not penalised. We must deplore a system that, in the narrow interests of an elite, inflicts pain and suffering on innocent women and children. These big issues reflect the way in which we run our society. The plight of those who lost their jobs at Harties is a reminder of this. We must ask, therefore, where does the blame for perpetuating such a heartless system lie and who has the responsibility for rectifying it?

*Baleni is NUM's national education co-ordinator.*



# Jobs and income

*The quarterly Labour Force Survey provides figures on earnings which mostly go unnoticed. **Greta Steyn** argues that the earnings numbers deserve more attention, because they demonstrate what an unequal society SA is.*

About 7,3-million people, or 63% of people with jobs in the formal and informal sectors of the economy, earn less than R2 500 per month. Of them, there are 2,5-million people who earn less than R500 per month. By contrast, only 764 000 people earn more than R8 000 a month, although the figure could be higher because 780 000 people refused to pick a category. At most, only about 13% of SA's working population earns more than R8 000 a month.

Despite these numbers, it is still often said that SA's workers earn too much. It is argued that SA cannot compete with low wage countries and that its wage-setting is inflationary. It is also said that, if wages were lower, the demand for labour would rise and more people would have jobs.

It is, of course, true that the higher the price of labour, the less the demand, and vice versa. But the slope of the demand curve is also important – one has to take into account the price elasticity of the demand for labour. Wages may need to drop substantially before the situation makes any meaningful difference to the demand for labour. For the vast majority of working people who earn less than R2 500 a month, imagine the disaster if wages were to drop substantially. For these people, who have more than one mouth to feed, making ends meet on R2 500 a month is difficult enough.

It is also important to note that, if

wages dropped substantially but more people have jobs, the total wage bill may be the same or lower. That means that the spending power of working people will be unchanged or even less. This could have negative macroeconomic consequences.

If wages drop and more people obtain jobs, there will have been redistribution from working people to the previously unemployed. More people will have jobs, but everyone will be earning a pittance. It may solve part of the problem, but not all of it.

The difference between wages in the formal, unionised sectors of the economy and in the informal sector is stark. In the unregulated economy, three quarters of people with jobs earn between nothing and R1 000 a month. They are often referred to as under-employed – they do not earn enough. Having a job does not necessarily feed all the mouths.

But, without wanting to endorse a 'low wage economy', there is some agreement that job creation schemes will not be viable unless wages are kept low. The labour movement mentions a payment of R800 a month for participants in public works programmes in its draft position paper for the Growth and Development summit. Labour is, however, careful not to refer to these payments as 'wages', calling them 'allowances' instead. The paper says that, at an average allowance of R800 a month, the cost of

providing jobs to 500 000 people would come to R5bn per year.

As far as public works programmes go, the creation of 500 000 jobs is an ambitious target. But even if this target can be met, millions will remain unemployed. As can be expected, most of the unemployed are relatively unskilled. Interestingly, a matric qualification seems to be of little use, as more than 2-million of the expanded definition of unemployed have a Grade 12 qualification. People with no education to matric account for 95% of the unemployed. This suggests that SA's schooling system, particularly its matric qualification, does not equip people to be employed.

In the long-term, SA needs an education system that will equip people to find jobs. But more immediately, a combination of economic growth, job creation schemes and welfare transfers is needed to deal with the problem. Wage moderation is not a viable option, partly because so many people earn such low wages. The vast gap between employees at the bottom and the top end of the income scale is likely to continue, as the skills shortage drives salaries up at the top end. Only when South Africans become more skilled will SA be a more equal society.

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*This is an edited version of an article which appeared in Finance Week during October 2003. Steyn is a journalist.*