

# Mining wage Settlement: *another step sideways?*

by HOWARD GABRIELS\*

In 1987 an old miner stood up in the national strike committee discussing whether the union should call off the strike or not. He used an analogy that was very pertinent at the time. He said: "For five years the miners were chipping away at this huge rock, the Chamber of Mines. The union did an extremely good job and the rock is about to fall. The only problem is that if this rock falls now it will fall on us." He then eloquently advised the strike committee to take a step sideways, so that the rock would not fall on the miners.

When the 1987 strike was publicly called off, NUM assistant general-secretary Marcel Golding said "it was a tactical manoeuvre sideways."

The strike by 340 000 mineworkers produced many unsung heroes whose stories will be told in time. The cost of that 21 day strike was high. About 50 000 miners dismissed, 11 dead and several hundred injured. At the same time, it was 21 days that shook the very foundation of the mining industry.

The NUM will never be the same after that strike. It has made much progress to regain its membership and to develop its organisation on the mines. However, the question must be asked in

1991, now that the wage settlement is concluded: is this another step sideways?

## The crisis in the gold mines

The gold mining companies are in one of their worst-ever crises. The gold price dropped significantly and the *Financial Mail's* Mining Survey warns: "There could be much worse to come if the gold price remains where it is and has been for the last three years, at around R31 000/kg."

Already, this year some of the smaller mines have been liquidated. About 100 000 workers over the last three years have been retrenched and more retrenchments are expected.

For example Harmony mine reduced its workforce over the past three years from about 35 000 to approximately 16 000, according to Martin Nicol of NUM.

The Mining Survey says: "An unpleasant fact of life is that 40% of SA's gold is produced at a loss, at a price of R30 000/kg, and unprofitable mines employ about 190 000 workers out of a total of about 400 000."

1991 was indeed an eventful year for NUM. From marches against retrenchments to a mining summit with the bosses and the government. At the summit NUM warned: "We are facing nothing less than a national catastrophe," and that "200 000 jobs in

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The 1987 strike rocked the mining industry; now economic crisis requires new strategies from the unions

Photo: Eric Miller/Southlight

mining and R12 billion in foreign exchange could be lost by 1995 if current policies persist."

The NUM press statement says that "the innovative agreement ... takes full account of the poor economic climate that confronts the gold industry. The NUM suspended its pursuit of its national wage policy for 1991."

Nicol explained this wage policy in October 1989 (*SA Labour Bulletin* Vol 14 No4)

"The policy says, in part:

1. The mining industry must take progress towards a living wage for all mineworkers by 1991.

2. The union must negotiate a national minimum wage for all mineworkers.

3. All workers must receive

a good increase even if they are already paid above the minimum in their grade.

4. The gaps between grades must be narrowed.

5. Underground workers must be paid more than surface workers in each grade.

6. Wage demands must be set in money terms and not in percentages."

### What is the 1991 wage settlement?

#### Wages

It is a complicated settlement. The different mining houses "did not table consistent offers." It is also a very low wage increase. "It provides for an average increase in basic pay of about 6%.

But this is between 1,8%

and 9,3%. [see table 1 and 2 for the new wage rates].

#### Gold Price Bonus

The NUM Press statement explains:

"Anglo, JCI, Genmin and Rand Mines have agreed to pay a gold price bonus to workers on certain mines if the gold price is higher than expected."

"This bonus will not be paid at 'sick' mines where less than 5c in every rand of gold sold is profit (after deducting capital expenditure)."

The fact that GFSA and Anglovaal are not part of this bonus scheme is significant, as some of the most profitable mines, such as Driefontein and Kloof, are in GFSA. They did, however,



give marginally better rand increases.

No bonuses will be paid if the gold price is lower than R33 750/kg on average over a period of 3 months. The bonus will be paid as a percentage of the basic wage up to a maximum of 7%. This trigger price will be adjusted upwards by 2% at the end of each quarter. This agreement is very much a trial scheme and will be valid for one year only.

The rationale for the 2% adjustment is not clear. Either the NUM and the Chamber of Mines know that we can expect a sudden rise in the gold price or it is a way to prevent the workers from being able to substantially supplement their low wages with a high bonus.

### The Harmony deal

Although Harmony gold mine falls under the Chamber agreement, it agreed to a different deal which is contained in an appendix to the main agreement. Harmony is in real trouble, having slashed employment by over a half over a three year period, and declaring no dividends this year.

The Harmony deal includes a profit sharing scheme. Each worker will receive a R25,00 per month increase in basic pay.

If the mine makes a profit, 15% of the profits will be set aside for the workers, up to a maximum amount of R4 million. The first R1 million set aside for workers will be

Table 1: The new wage rates

#### Non-staff on Gold Mines

Grade	AAC		Genmin		GFSA	
	Surf	U/G	Surf	U/G	Surf	U/G
1	507	572	470	534	413	-
2	565	646	513	598	512	-
3	643	731	598	694	628	-
4	732	837	685	785	761	836
5	828	962	797	931	914	1005
6	972	1106	934	1087	-	-
7	1138	1266	1125	1274	1090	1199
8	1318	1469	1380	1532	1293	1423

Table 2: The new wage rates

#### Staff on Goldmines

Grade	AAC		Anglovaal		Genmin		RandMines		GFSA	
	Surf	U/G	Surf	U/G	Surf	U/G	Surf	U/G	Surf	U/G
1	-	-	519	-	-	-	-	-	-	-
2	-	-	617	-	618	689	-	-	-	-
3	670	734	752	-	696	785	665	665	628	-
4	772	850	888	-	785	879	768	768	761	-
5	882	978	1046	1152	1344	1344	868	868	914	-
6	-	-	1229	1352	1405	1405	1025	1025	-	-
7	-	-	-	-	1521	1521	1175	1175	1090	-
8	-	-	-	-	1542	1542	1470	1470	-	-

shared between all the workers equally (if the mine's profit is R1 million after capital expenditure, this will mean a bonus of about R60 per worker)."

If more than R1 million profit is made, the rest will be shared according to the basic wage of workers, ie workers who earn more will get a greater portion of the profits.

The mine has agreed to full disclosure of information on a monthly basis. In addition a voluntary shift will be introduced every month for underground workers. Those who work this shift will get a monthly bonus of 5% of basic pay.

### The Ergo deal

The Ergo deal was concluded early in June 1991. This deal was negotiated separately by NUM, as Ergo is not covered by the Chamber negotiations. The agreement provides for a 5% wage increase across the board. In addition workers could benefit from a performance bonus and a profit sharing scheme.

The performance bonus appears to be a very complicated formula. Nicol says it takes into account grade, tonnage, revenue and costs. Apparently this bonus has been in existence for some time, but it is the first time that NUM accepted it as part of the wage agreement.



Should workers achieve performances equal to 100% of the targets, they could earn another 5,5% of their basic wage as a bonus. Nicol himself is concerned that there are "too many variables" and says "we will have to see what happens".

The profit sharing scheme only benefits the workers when the company makes more than the R2 million profit in its first six months.

### Social and trade union rights

The settlement brings important victories for NUM in securing basic trade union rights on the mines. In the past, the actions of management, and especially the mine security, left much to be desired. It is to be hoped that this agreement changes that. Management has undertaken that they, and their security personnel, will "act with utmost impartiality and due regards for the rights contained in the agreement."

The mines have now agreed to a very simple verification procedure and to the increase in subs decided at the NUM congress of 1% of earnings. In other words, for every R100, members will pay one rand. The increase in subs will stabilise the union financially and members can expect an improvement in its servicing. We could also see a sharp rise in NUM's paid-up membership. Historically, there has been a big discrepancy between paid-up and signed-up members.

**Table 3: Gold Price Table 3rd Quarter 1991**

**Trigger price: R33 750/kg (R1050 per ounce)**

Gold Price	Bonus Level	2% adjustment
1050	0%	1071
1059	0,5%	1080
1073	1,5%	1094
1100	3,25%	1122
1125	4,8%	1148
1150	6,5%	1173
1160	7,0%	1183

Source: NUM Press statement 31 July 1991

The Chamber has also agreed to a host of principles that would facilitate the growth of a more mature relationship on the mines. These include basic rights such as freedom of association and movement, health and safety, protection against unfair dismissals, peaceful picketing during lawful strikes, and disclosure of "relevant" information.

A set of guidelines was agreed upon to promote participation of hostel dwellers in the decision-making process. Conditions for visiting wives will be improved, where possible.

Union officials will have reasonable access to the mines. Shaft stewards will get four days paid study leave for union training. The content of the training will be fully under union control.

Medical doctors can no longer recommend repatriation of workers on medical grounds.

Both parties agree to further talks in the summit steering committee on retraining retrenched workers. Discussions will

continue on a government inquiry into health and safety. Also a national policy on aids will be negotiated.

Nicol says that "the agreement gives us new ammunition to struggle."

"The agreement on social and trade union rights, coupled with the stop order verification procedures and the increase in subscriptions will make NUM a much more powerful weapon of its members" says NUM statement.

### Critique

The NUM agreement poses a set of complex questions now facing the labour movement. Some of these are:

- 1. Should extremely low wage offers be supplemented by bonuses?** Until now COSATU's policy on the living wage was that the basic wage of the workers should ensure a decent living standard. Workers should not have to rely on bonuses, over-time pay, etc, to earn a decent wage. It appears that the NUM agreement deviates



from this policy.

This gold price bonus was negotiated for an industry in crisis. The crisis throws up very complex questions about how the trade union should respond. Should the union push for higher wages and watch mines close down and workers lose jobs? Or should it hold back wage demands in order to save jobs? Faced with such problems a union may well be unable to adhere to its policies.

The gold price bonus is an interesting variation of the many bonuses in operation. Unlike attendance, production or profit bonuses, the gold price bonus depends on market factors outside the control of management or workers. Only time will tell what the real impact will be on wages and negotiations in future.

## 2. What about productivity bonuses?

The unions will need to develop a careful policy as we will see more and more labour productivity and production-linked bonuses appear on the negotiating table. After the Ergo deal newspaper editorials congratulated NUM on its "new approach". In its negotiations with NUM, De Beers immediately tabled a demand for a similar productivity deal, and we will see the same thing in manufacturing.

My view is that these bonuses should be separated from wages at industry bargaining, as they undermine the struggle for a living wage. In fact NUM

says that it "is opposed to productivity bargaining as this has to be done at enterprise level and thus undermines centralised bargaining and the setting of national minimum standards."

For these reasons it is unlikely that the Ergo deal is the start of a new trend.

However, unions will be prepared to discuss productivity separately from wage negotiations.

## 3. Profit sharing schemes.

In 1988, when Anglo introduced an employee share ownership scheme, Ramaphosa said "it stinks". Many unionists agreed with him. Some of the reasons were that there was no consultation and that the scheme did not increase workers real participation or power.

Workers do have a real interest in the well-being of their companies, but the profit-sharing scheme negotiated by NUM holds some of the most serious questions for the labour movement. New Nation commented that: "Arguments being advanced for profit sharing agreements point out that they are justified in the context of the 'goldmine difficulties' which are resulting in massive retrenchments.

This, however, does not seem to be the case with Ergo, which in March 1991, recorded an annual profit of R60 million. Shareholders also earned millions in dividends."

The irony of these unusual agreements is that when the

mines were making profits and paid huge dividends the workers were excluded from sharing in those profits. Now that it is unlikely that mines will make a profit workers are asked to accept low wages and share in the profits or losses.

## Conclusion

Nicol says that "the mineworkers are not satisfied – the wage offer is too low. They feel that the mining industry is taking advantage of the present (economic) situation and their inability to strike. There are mines that can pay a better wage. The union has argued that the healthy mines should be separated from the sick mines, but the industry refused to accept this."

Wage negotiations are a reflection of the power of the different parties at the table and on the ground. The NUM will have to use the new space it gained from the social and trade union rights to build its power in the shafts.

Mineworkers should not spend too much time watching the TV's in the hostels to check on how the gold price is performing. They should rather use the time to organise and build their power in the shafts and the hostels.

*Business Day* said in an editorial that the Ergo agreement is a "qualitative leap forward." The old man in the 1987 strike committee may say that this years negotiations are another step sideways or even a temporary step backwards. ☆