NUM comment
on AngloGold Ashanti Esop

Jeff Magida, a participant in working out the details of the AngloGold Ashanti Esop, emphasises the necessity for full worker participation.

As a signatory to the Mining and Construction Charters, the National Union of Mineworkers (NUM) is one of the organisations that called upon companies to establish Employee Share Ownership Schemes (Esop) and community empowerment initiatives as part of addressing broad based socioeconomic empowerment in the industry.

Given the controversy generated by companies when they unilaterally attempted to establish Esops in the 1980s, two consecutive NUM congresses, in the years 2003 and 2006, vigorously debated the political wisdom of endorsing and participating in Esops. The deliberations were frank and honest, guided by the need to empower and enhance the economic welfare of the workers in the mining and construction industries. Delegates argued for the establishment of Esops as a way of boosting savings and enhancing workers' earnings. It was argued, however, that it was important to maintain a firewall between collective bargaining issues and Esop affairs. With the congress having settled the political debate surrounding Esops, the only question remaining was how to establish Esops such that they created value and real benefit to workers.

When the AngloGold Ashanti (AGA) chief executive officer, Bobby Godsell, met former NUM general secretary Gwede Mantashe, with the intention of establishing an Esop for their 31 000 employees, the organisation was ready to engage in the process.

As there were no South African case studies to learn from, the parties realised the need to establish a task team to deal with a host of issues ranging from the Esop financial model, trust deeds, administration of the Bokamoso Trust (as it is named) and communication to workers. Esop SHOP played a vital role in facilitating the process, ensuring convergence of ideas and discussions to the stated objectives of economically empowering workers. Whilst the parties adopted an open minded approach, they realised the damaging effect the process would have should it fail.

The members of the task team, NUM, AGA, Solidarity and UASA, adopted a set of principles that would guide discussions. One of the most important principles was participation of workers, through their representatives, in the process that would give birth to the Esop product.

The parties also realised the need to minimise the risks of creating a trust that would be of no value to workers. As a union we could not afford to be associated with this. Safeguards had to be put in place to ensure that the value of the trust would not be at the mercy of the stock market. Because of these stock market uncertainties, AGA allocated 30 of the 120 shares issued to each worker as 'free shares' and the remaining 90 shares as loan shares. The loan shares were also issued to the trust at a 10% discount. Such 'free shares' would guarantee workers a gain at any time when they were exercised.

Whilst we are satisfied with the fundamentals of the AGA trust in benefiting workers, we are concerned about its seven year life span. A limited time period underlies all the Esop schemes that are in the process of being established by mining companies. We want parties to explore ways of extending Esops to the life of companies. On the whole however we commend AGA in blazing the trail by setting an industry benchmark for worker empowerment.

In conclusion, we want to caution mining companies that have a paternalistic approach to the establishment of Esops without worker involvement. It's an old school management philosophy that says, 'we know what is best for our employees'. In some cases mining companies subordinated the worker Esop interest under some control of a BEE partner, working against the ideals of worker empowerment. Such Esops deprive workers of their voice and have neither legitimacy nor the blessing of their organisation. LB

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