COUNTERPOINT

GOLD FIELDS
OF SOUTH AFRICA LIMITED

Why Gold Fields opposes *profit sharing*

The Gold Fields Group has refused to go along with NUM's profitsharing proposals. The company explains why it is opposed to profitsharing.

- Gold Fields believes that a long term view is essential with regard not only to operating viability and job retention but also to employee relationships. Short-term expediencies which jeopardise the long-term should be avoided.
- Wage policies should be based on broad long-term labour market factors rather than on the ability to pay, if certainty of wage and employment is to be assured in what is a highly cyclical business. It is vital that economic realities are faced and that ore resources are not rendered uneconomic and that the ability to fund their realisation is preserved with consequential job preservation. If the profit windfalls, which in mining by its very nature occur in dollops, are skimmed off in the good times this has a longer term effect on the returns to the providers of capital and survival of the company in the downturns.
- Gold Fields mines believe in a consistent application of wage policy. Wages are based on graduated scales which recognise the value of the contribution of jobs to the operation across the skills spectrum and are founded on the primary principle of equal pay for work of equal value.
- The wages of employees should preferably be certain and consistent as against the possibility of a larger but variable bonus the basis of which is not easily understood. For this reason a small but certain premium in basic wage increase has been paid, as against an uncertain and variable share in profits as an integral part of earnings. It should also be borne in mind that employees do not share in shortfalls during the downturns. Thus the skimming of the cream during good times is prejudicial to shareholders.
- Earnings differentials between profitable and unprofitable mines are not justified against employee performance differential and results in different earnings for the same work. This is manifestly unfair as

between employees on neighbouring mines where, for example, the sole basis for differential earnings for the same work could be the quality of the ore resource.

- Where bonus schemes are in place they are aimed at rewarding directly measurable performance. Such schemes are implemented at mine level in response to specific production needs. A good example of such a scheme is shaft-sinking bonuses where there is a need to get to the revenue producing ore as soon as possible, particularly bearing in mind the high capital costs of shaft sinking.
- Employee sharing of incremental profits, without sharing in shortfalls prejudices shareholders, the companies and future developments and gives rise to a conflict between the need for maximal returns to shareholders, fair compensation to employees and adequate reserves particularly needed for uncertainties inherent in the business of mining where development costs are high.
- The primary reason for the existance of a company is to reward the shareholders who are prepared to invest in it and take the risks. The viability of the company, growth of the industry and provision of job opportunities depend on ensuring returns to the providers of capital.
- A fair balance has to be struck between the stakeholders, which, it is believed, is achieved by the existing wage policy. ✩