Time to end poverty for those who dig SA's wealth

Business Report

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By Jo Seoka

Almost 14 months ago, on August 16, 2012, conflict between capital and the state cost the nation 44 lives. Thirty-four workers were killed in a labour dispute with their employer, while another 10 workers, including police and security personnel, died violently.

The oft-asked question is: "What did this massacre change in the mining industry?"

I must hasten to tell you that, just after the Marikana massacre, the Bench Marks Foundation was asked by the Chamber of Mines what our recommendations for the industry were.

We responded by submitting short-, medium- and long-term proposals, which we thought would immediately help the industry become more socially responsible. Safe to say, that was the last time we heard from the chamber.

We wonder what the motive was to even ask then, when nothing was to be done. We can now assume it was another public relations exercise to give the impression that the mining houses have the interest of workers at heart.

The Bench Marks Foundation and most South African citizens thought that Marikana opened a window of opportunity for the mining houses to really improve the lives of their workers and surrounding communities.

This window seemed to have closed after the ANC Mangaung conference, where business heavyweights linked to mining were elected onto the ruling party leadership. Not so long thereafter, in January this year, Harmony Gold locked out workers, saying: "We are now seizing the agenda." This acrimonious act was followed by Anglo American Platinum (Amplats) threatening to cut 14 000 permanent jobs. We must remind you, by then Amplats had already dismissed 36 000 contracted labourers between 2007 and 2011.

These voiceless workers had no recourse to the so-called protection of the labour relations framework. Un-unionised and unorganised, they have been forgotten, and not compensated for the loss of their livelihoods. All this is of equal concern to us. This response by mining and the backlash for last year's strikes tells of an industry that is completely insensitive to the needs of its workers and their communities.

If we examine the need for retrenchment of workers from the side of the mining industry, and then compare it with the agenda of sustainable development, we immediately see huge contradictions. For instance, in January Amplats announced the possible retrenchment of 14 000 workers, which was reduced to 6 000 by May, due to union and public pressure.

The reason for retrenchments was said to be unprofitability of operations. The plan was to mothball some mines, such as Khuseleka and Khomanani in Rustenburg. This announcement gave the public a perception that these mines were unprofitable but, ironically, in June last year, the Amplats interim report gave a different picture. This confirmed the workers' belief that the two mines were productive and contributed positively towards the balance sheet. The ore milled per worker and refined platinum group metal output per worker was level with the rest of production and had risen by 20 percent. At the time, Amplats said productivity at the two mines was double the average productivity levels of all its mines.

This has taught us that unprofitability does not mean making a loss but making less profit. Historical records show us that over 20 years before the 2008 recession, the three biggest platinum producers made close to 30 percent average returns on their operating margins. The return on equity was high and the International Monetary Fund said last year that the return on equity for South Africa's non-financial firms was highly profitable, with average returns of about 12 percent to 13 percent, coming third among 19 developing countries.

The only real stakeholders that benefit are the shareholders and the government, to some extent, in the form of taxes. It is also worth noting that taxes to the government have been curtailed since the recession began and that about 60 percent of mines pay no taxes. It is further worth noting that mining areas are some of the most undeveloped areas in the country.

Why are wages and income of workers not part of sustainable development and sustainability reporting? In the northern hemisphere, wages of workers are part of the sustainable development paradigm as a living wage provides for social stability, security and economic development. In South Africa, this is counted as a cost to the industry and to shareholder value, while in terms of the national income of the country this is counted as income. Therefore, we must ask: "What happens when mass retrenchments take place in order to restore high profitability margins?"

According to our information, we concluded that during the boom years the big three platinum producers' returns going to shareholders was 70 percent and only 30 percent to workers – this is a discrepancy that cannot be left unchallenged. There is no evidence that during good times, of high profits, wages matched workers' contribution to the economy, yet we wonder why workers are fed up waiting for the trickle-down effect.

Turning to the question of how communities benefit from mining, we remain shocked that not much is budgeted for developmental work compared to executive salaries. Our research informs us that nine to 12 top executives at Lonmin up to 2010 earned more than what the company contributed towards tens of thousands of people in surrounding communities. Lonmin is not the highest payer when it comes to executive management, yet for a Lonmin worker, it will take 325 years to earn the value of what the chief executive earned in one year. This is a wage gap or inequality of 325 to 1.

This is what we mean when we say: "Never again Marikana, we are watching you." We are watching how returns to shareholders override the national interest of the country, of workers, communities and the environment. It's outrageous that one person can be afforded so much while others live in dire straits.

South African-born Ivan Glasenberg, the chief executive of Glencore Xstrata, was, according to Forbes in 2012, worth $7.2 billion (R72bn), while Gold Fields chief executive Nick

Holland earned R45.3 million last year. These excessive packages have dire consequences and come at the expense of communities. It is unacceptable that communities' welfare, water and air quality and livelihoods are sacrificed at the altar of ever-increasing profits.

Are profits unethically earned? How can chief executives sleep at night knowing they are benefiting at the cost of communities' welfare? We have to ask uncomfortable questions when we become aware that the wages paid do not meet the needs of workers. We have to challenge this when communities are deprived of their land and health, and when about 66 000 workers in the platinum sector are sub-contracted employees and get paid 60 percent of what other workers earn, who themselves cannot survive.

We have to ask how things can be done differently to ensure a more equal and just society. These are moral and ethical questions that the church and all justice-loving people must ask. We must say, whichever company we look at, we see words, intentions, targets set then broken, discarded or new ones set, only to be broken again. Jobs that are promised to locals do not materialise and in the end it is the communities who are sacrificed for shareholder returns.

Friends, more questions must be asked and answers sought. We need to continuously ask what the value of sustainable development reports or integrated reporting is if these reports are not adequate measurements of what is truly happening. It seems to us these reports are written by scriptwriters and/or public relations people and are aimed at creating a good perception of the corporation.

Finally, we have to ask what has changed since Marikana. Are workers better off? Was the sacrifice of lives enough to jolt the industry into action to address poverty wages, dangerous working and appalling living conditions? Are communities better off? Is their land, water and air being managed properly?

We conclude with some comments arising out of our studies over the years that show corporations inflict huge damage on society. We believe companies represent a danger if they inflict damage on society. This is a critical issue that the state needs to confront. It seems once large investment becomes operationalised, the state is weakened as to what it can do. Small and large transgressions take place.

With all our studies so far, companies contravene this or that law or countless laws, yet their social licence to operate remains in place. Socially, environmentally and politically unsustainable industrial projects eventually reach a breaking point. They accumulate pollution, sickness and anger among the many in the project and surrounding communities. There are no excuses. There are only culprits and victims; there is only the arrogance of power, with community members and workers suffering the consequences.

This is a challenge for us here today – to end poverty for those who dig the wealth of this country.

* Right Reverend Dr Jo Seoka is the chairman of Bench Marks Foundation. This opening address at the showcasing of the work of the foundation on Monday has been edited for length.