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Is Marikana a forerunner of national labour market instability and disruption?

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The tragic events at Marikana raise the question whether the events and subsequent developments are indicative of a fundamental change in labour market relations and wage bargaining relationships in South Africa - and whether such patterns of behaviour are likely to spread beyond the mining sector. We identify five contributing factors that are specific to the mining sector. These relate to labour relations, public services and migrant labour. Since these factors do not characterise the rest of the economy, we conclude that a spreading of Marikana-type bargaining is unlikely.

Introduction

The recent violent strikes at various platinum and gold mines in South Africa have caused concern about the country's economic future and its ability to deal with the triad of poverty, inequality and unemployment. A question that arises is whether the events at Marikana and the subsequent developments are indicative of a fundamental change in labour market relations and wage bargaining relationships in South Africa.

The Marikana events: a synopsis

The violent protest and illegal strikes within the mining industry originated in the interaction between workers and police at Lonmin Platinum Mine in the town of Marikana, some 114km north-west of Johannesburg. These events witnessed the death of 34 miners when police fired on them during a wildcat strike at the mine. Quickly thereafter, illegal strike action spread to other platinum mines within the country's 'platinum belt', as well as to a number of gold mines.

The bargaining chamber – in which the employers were represented by the chamber of Mines, and the unions by the National Union of Mineworkers (NUM) – was caught off-guard. Herein lies the key concern about these strikes, namely that large representative trade unions and employers who bargained annually through a semi-formal structure within a well-established set of regulatory norms, did not foresee such a huge disruption in their industry.

Events have unfolded fairly quickly since the Marikana incident. A few weeks after the initial event, wage deals were signed and agreed upon with all workers at the respective gold mines. Most gold mines returned to normal operation fairly quickly; however, platinum, remained in disarray, as some mines (for example those owned by Amplats) were deadlocked in wage negotiations with some 12 000 of its workers for some time. Notably, the NUM and the independent workers appear to be in parallel negotiations with Amplats.

There can be no doubt that the strikes have been very costly to both platinum and gold mining revenues. Quarterly returns from the corporate entities with exposure to these assets show this deleterious economic effect. For example, AngloGold Ashanti's profits dropped by $215m, or by 49%, into the 3rd quarter of 2012. Platinum mines have suffered hugely. Apart from the spectre of shortages in the supply of platinum over the next few years, platinum revenues have been hit hard. Lonmin has asked shareholders for an $800m rights issue and is facing a hostile takeover bid. The National Treasury also revised it growth forecasts for 2012 downwards from 2.7% to 2.5%, citing in part the role played by the strikes in the mining industry as a reason.

Mines will need to restructure to remain profitable and there will almost certainly be job losses in the platinum and gold sectors. Clearly then the harshest trade-off in economics will be evident in the employment data: as wage bills rise for mine-owners, so will employment be reduced. The short-run costs of these violent, illegal strikes to the South African economy and workers have been, and will be, significant.

The causes of Marikana: are they specific to mining or general?

To evaluate the im plications of the Marikana strike, it is important to step back from the immediacy of these events to assess what factors may have contributed to the strikes in the mining industry – and whether these are specific to mining or general. We would argue that there are at least five mining-specific determinants of the events in this industry.

1. *A weak representative trade union*: It is generally accepted that the NUM had lost its base at Lonmin by increasingly representing workers higher up on the job ladder and by being organisationally weak. More generally, it seems clear that over time the NUM has become a weak representative trade union that has lost its base in the platinum belt and on the gold mines – and perhaps in other components of the mining industry.

2. *An independent trade union*: Into this void stepped a fast-growing independent union that was not bound by existing collective bargaining agreements. Lonmin had for years witnessed the growth of the non-COSATU union, the AMCU. The independent union (or, in some cases, independent groups of workers) sought to engage outside formal wage agreements and clearly beyond the ambit of the law – arguably out of desperation. In the case of Marikana, the workers' concerns and demands easily came to be channelled through this new union. Not bound by previous collective bargaining agreements, the AMCU could easily feed the excessive wage demands of workers.

3. *A poor bargaining unit:* Mining has inherited a weak bargaining forum which originated in the 1980s and continued after 1994. All wage and non-wage agreements between NUM and employers were signed at the national level. This centralised bargaining system is completely ineffectual in dealing with plant-level specificities. Worker demands that are specific to the mines in which they work cannot be dealt with through national bargaining. Marikana was very much about the plant-level, local concerns of workers. Over multiple bargaining rounds, these issues accumulated and went unnoticed by those bargaining at the central level. The existence of an ineffective industrial relations unit which had removed itself from the demands of workers at the plant-level was one of the key reasons for the mining unrest.

4. *An absence of adequate public services:* People do not always realise that platinum is a relatively 'new metal' in the global economy. Being relatively new themselves, platinum mining operations in South Africa often have not been accompanied by adequate provision of housing and basic municipal infrastructure. The platinum belt in South Africa does not have well-serviced roads, water, energy, housing units and so on. The water supply in these areas often is poor or non-existent, there are no schools and municipal services, and basic housing does not exist. Local government has failed these communities. In addition, in areas where there are indeed some services such as electricity, government-mandated price increases have significantly reduced the disposable income of these workers. The demand for a higher wage was effectively a demand for a higher *social wage.*

5. *A migrant labour force:* The workforce in mining, unlike that in any other sector in South Africa, is heavily dependent on migrant labour, often with long work cycles – up to 12 months – which contribute to family and social disruption. These are traditional workers drawn from rural areas – a pattern going back to the 1800s which has not changed much. It remains a male-dominated, culturally-conservative work force. In Marikana, this made the work force prone to influence by traditional healers and simplistic arguments about how to obtain a just wage from the mining bosses or government.

The meaning of Marikana: will it spread beyond mining?

These five factors combined to create a perfect storm in the form of the events at Marikana. The fact that many of these contributory factors are present in the broader mining industry means that such stormy conditions are likely to spread in the mining industry, as indeed they have already done. Real wage drift and labour disruption are likely to be features of this industry over the next 6-12 months. This seems unavoidable as the NUM and the employers grapple with a workforce that they no longer are able to manage.

However, few of these factors are present in the rest of the South African economy. Firstly, the majority of the non-mining, non-agriculture workforce is urban, fairly well organized and with representative trade unions. This is borne out by the 10% wage increase demanded by transport unions in the wake of the mining strikes – substantially lower than the Marikana wage increase.

Secondly, the country's largest employer – the public sector – has secured a three-year wage agreement from the Public Sector Bargaining Council. The 7% wage deal (CPI+1% in years 2 and 3) will hardly be seen as a sufficient reason to take to the streets. There is no indication that public sector unions will want to re-negotiate this 3-year wage agreement. Thus, there is little likelihood of major public sector strikes – often seen as a trend-setter in the economy.

Accordingly, Marikana-type wage-setting patterns are unlikely to spread to other sectors. Nevertheless, the events in the mining industry point to the importance of ensuring that representative trade unions truly reflect the needs and aspirations of workers at the firm level. Failure to do so can be very costly. Sectors where unions have lost sight of workers' demands, or where unions are poorly represented, can be prone to unpredictable strike action. The recent events on farms in the Western Cape are testimony to this danger.

Conclusion

In the long run, the South African economy clearly faces a series of economic challenges, perhaps best encapsulated by the welfare triad of poverty, inequality and unemployment. The recent events on the gold and platinum mines, and worryingly, after that on some Western Cape farms, are a microcosm of an economic development trajectory that has generated growth in a manner which has neither generated employment sufficiently nor been sufficiently inclusive.

Unemployment levels in excess of 25% and unsustainable levels of income inequality are reminders that the demands of those on the mines should not be ignored. The events at Marikana require a serious revisiting of the bargaining council arrangements in the mining industry, which appear to have broken down. Although other sectors may be different, it would be wise to evaluate them as well.