A brief history of collective bargaining in the South African mining industry

Centralised bargaining – the rationale

Centralised negotiations on wages and conditions of employment are held every two years between the Chamber of Mines, representing the majority of gold and coal mine employers, and recognised trade unions, representing their members. The Chamber provides a venue for the negotiations, which are often referred to as the “Chamber negotiations”.

The platinum, diamond and base metal mines, along with some of the smaller gold and coal mines, negotiate on a decentralised basis.

Key definitions and acronyms

Collective bargaining – negotiations on conditions of employment between employers and employees represented by their unions.

Centralised collective bargaining – agreed bargaining system in which the gold mines, (represented by the Chamber of Mines), and the trade unions (representing the majority of employees in the gold mining industry), conduct collective bargaining at industry level rather than at mine or company level.

Unprotected or unprocedural industrial action – often referred to as wildcat strikes. Since strikes of this nature fall outside the provisions of the Labour Relations Act, employees who participate in such strikes are not protected from disciplinary procedures in the event that the company issues ultimatums, court orders or other notices, to facilitate a return to work.

Labour Relations Act – Act No 66 of 1995 as amended, which regulates collective bargaining and labour relations issues.

Bargaining unit – the centralised negotiations take place in respect of employees who fall within the bargaining unit. The bargaining unit excludes management and consists of three employee groupings i.e. the Category 4 – 8s, the Miners & Artisans, and the Officials.

Category 4 - 8 employees – various unskilled and semi-skilled employees graded in line with the Paterson Job Grading System. (Category 3 was eliminated in 2013 in order to increase wages at the bottom of the band).

Miners and artisans – the next tier of employees, consisting mainly of certified artisans and miners with blasting tickets.

Officials – supervisory employees.
To be recognised, a union needs to represent at least 30% of employees in a “recognition unit” on a mine as parties to the centralised negotiations should be reasonably representative of the employees in question.

Centralised bargaining – the process

The 2013 centralised bargaining process (or wage review) begins formally in July 2013, on expiry of the two-year agreement reached in 2011. The Chamber’s Industrial Relations Services conducts these centralised negotiations on wages and conditions of service on behalf of the Chamber’s gold mining members. Any settlement reached will apply in respect of the three recognition units within the bargaining unit (Category 4-8 employees, Miners and Artisans, and Officials). Centralised negotiations do not apply to management employees.

The three recognised unions in the gold mining industry (the NUM, UASA and Solidarity) are already party to the prior agreements. AMCU has been invited to join the centralised bargaining process. The gold industry hopes to continue to engage in a single forum, but this is not necessarily a foregone conclusion.

Until 2005, separate negotiations were held between the Chamber and each of the three recognition units, but agreement in the lead-up to the 2005 bargaining round led to an all-inclusive process that has since continued. Consequently at present, while the Category 4-8, Miners and Artisans, and Officials remain distinct categories, negotiations for all three categories now take place simultaneously in one forum.

While centralised negotiations have tended to standardise wages and conditions of employment, occasionally the agreements provide certain variable rates, particularly in the case of marginal mines or those facing acute financial constraints. This introduces a necessary degree of flexibility that takes into account the differing profitability of individual mines.

Centralised bargaining dates back to 1915, when the Chamber was first assigned the role of negotiator on behalf of its members. The NUM began participating in centralised negotiations after it was recognised in 1983. This practice of centralised bargaining has evolved over the years and the system’s success has been attributed to its flexibility. It is a time-efficient process (compared to decentralised negotiations at mine level), enabling a pooling of resources and expertise, and fosters the standardisation of wages and conditions of employment across the mines. As a result, it helps ensure that the best-possible negotiating skills are available and present at substantive negotiating sessions.

Centralised negotiations – who participates?

For a union to be able to represent its members in centralised negotiations it needs to be a registered union, recognised on one or more of the mines.

**UNION REPRESENTATION IN THE GOLD INDUSTRY PER RECOGNITION UNIT (AS AT JUNE 2013)**

<table>
<thead>
<tr>
<th>Union</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUM</td>
<td>64.3%</td>
</tr>
<tr>
<td>AMCU</td>
<td>17.2%</td>
</tr>
<tr>
<td>Other or non-unionised</td>
<td>8.9%</td>
</tr>
<tr>
<td>UASA</td>
<td>6.9%</td>
</tr>
<tr>
<td>Solidarity</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: Chamber of Mines

The facts:

The average entry-level basic wage, excluding accommodation, housing and bonuses, in the gold industry for underground employees is around R5,000. With the inclusion of bonuses, variable pay and allowances, this average for category 4-8 employees worked out to about R123,146 annually or R10,261 per month in 2012. The average all inclusive pay of surface employees tends to be 10% below that of underground workers.

Underground employees constitute 85% of the workforce.

By way of comparison, entry-level workers in the construction sector earn a basic monthly salary of between R3,994 and R4,534. The annual entry level salary for a high-school teacher in South Africa is R82,000, or R9,000 a month, and the median is R155,000 a year.

To be recognised, a union needs to represent at least 30% of employees in a “recognition unit” on a mine as parties to the centralised negotiations should be reasonably representative of the employees in question.

Centralised bargaining – the process

The 2013 centralised bargaining process (or wage review) begins formally in July 2013, on expiry of the two-year agreement reached in 2011. The Chamber’s Industrial Relations Services conducts these centralised negotiations on wages and conditions of service on behalf of the Chamber’s gold mining members. Any settlement reached will apply in respect of the three recognition units within the bargaining unit (Category 4-8 employees, Miners and Artisans, and Officials). Centralised negotiations do not apply to management employees.

The three recognised unions in the gold mining industry (the NUM, UASA and Solidarity) are already party to the prior agreements. AMCU has been invited to join the centralised bargaining process. The gold industry hopes to continue to engage in a single forum, but this is not necessarily a foregone conclusion.

Until 2005, separate negotiations were held between the Chamber and each of the three recognition units, but agreement in the lead-up to the 2005 bargaining round led to an all-inclusive process that has since continued. Consequently at present, while the Category 4-8, Miners and Artisans, and Officials remain distinct categories, negotiations for all three categories now take place simultaneously in one forum.

While centralised negotiations have tended to standardise wages and conditions of employment, occasionally the agreements provide certain variable rates, particularly in the case of marginal mines or those facing acute financial constraints. This introduces a necessary degree of flexibility that takes into account the differing profitability of individual mines.

**Key definitions and acronyms**

- **Living-out allowance** – a set amount paid to employees who prefer to provide their own accommodation rather than being accommodated in mine residences.
- **Chamber of Mines** – mining industry employer representative body founded in 1887, drawing members from across the South African mining industry.
- **Representative unions** – the unions which represent the employees in the bargaining unit
  - NUM – National Union of Mineworkers
  - AMCU – Association of Mineworkers and Construction Union
  - Solidarity – Solidarity Trade Union
  - UASA – formerly United Association of South Africa
- **Recognition unit** – there are three recognition units in the gold sector:
  - category 4-8 employees
  - Miners and Artisans
  - Officials
- Each of these recognition units has its own conditions of employment, but since 2005, bargaining in respect of all of them has taken place simultaneously in one bargaining forum at the Chamber of Mines.
A further feature of the Chamber process is that not all issues are dealt with at centralised level. In 1996, a two-tier agreement was concluded, which stipulated that bargaining on basic wages and conditions of employment would take place at Chamber level, while bargaining on organisational, operational and workplace issues would take place at mine or company level. From time to time so-called framework agreements are concluded at the centre, which allow for further negotiations to take place at company or mine level on a specific issue.

As relationships between the unions and employers have matured, both sides have accepted that successful bargaining needs to be based on openness and understanding of the other’s starting point. On this basis, and on request, the industry provides the recognised unions with information needed for informed participation in the negotiations.

**KEY ELEMENTS OF THE 2011 WAGE AGREEMENT FOR THE GOLD MINING INDUSTRY**

The unions and gold mining companies concluded a two-year wage agreement on 2 August 2011, ending a strike which had lasted three to four days. Agreement was reached on:

- Wage increments, which ranged from 10% a year for entry-level employees to 8% (7.5% on some mines) for the Miners and Artisans and Officials categories.

- Employers agreed to increase the monthly living-out allowance of R1,400 by R120 from 1 September 2011 and by a further R120 from 1 September 2012.

- The parties agreed to a home ownership allowance for employees earning R10,000 or less per month, provided they were first-time home owners.

- In an effort to assist low-income earners to access medical aid schemes, employers agreed to increase their contribution to the medical aid scheme from 50% to 60% and reduce the employee contribution from 50% to 40% for a period of five years.

The parties also concluded a framework agreement entitling the parties to meet after the completion of the wage negotiations in order to co-design working arrangements aimed at more effective use of mining assets. The intention was for the companies and the unions to jointly develop ways to sustain the gold mining industry.

2013 AND BEYOND

The gold producers’ offer for 2013 will be a realistic one, in line with official inflation figures. The offer will also reflect the challenges of lower production, rising costs and a significantly lower US$ gold price.

The gold producers’ view is that unions and management have a common interest in achieving a sustainable outcome to the negotiations. This would be the most rational approach and would secure an outcome without strike action which would further undermine the industry.

A draft protocol is currently being developed by the industry that includes an objective of reaching a settlement as soon as possible, in recognition of the impact of instability on employees, the industry and the market as a whole.

"Both sides have accepted that successful bargaining needs to be based on openness and understanding of each other’s starting points."

No winners...

The cost of one day of industrial action in the South African gold mining industry

Companies and employees both lose during strikes. The Chamber of Mines has calculated that a strike across the gold industry will result in:

- Loss of revenue of R349 million per day
- Loss of taxes of R9 million per day
- Loss of wages and salaries of R100 million per day
- Loss of sales by suppliers to the mining industry of R43 million per day

Contact details

Elize Strydom
Senior executive: employment relations
Tel: 011 498 7409
Email: estrydom@chamberofmines.org.za

Charmane Russell
Communications consultant
Tel: 082 372 5816
Email: charmane@rair.co.za