



Michelle Taal, Saliem Patel, Trenton Elsley: 28 August 2012

## **A Mineworker's Wage:**

### **The only argument against the R12 500 is greed.**

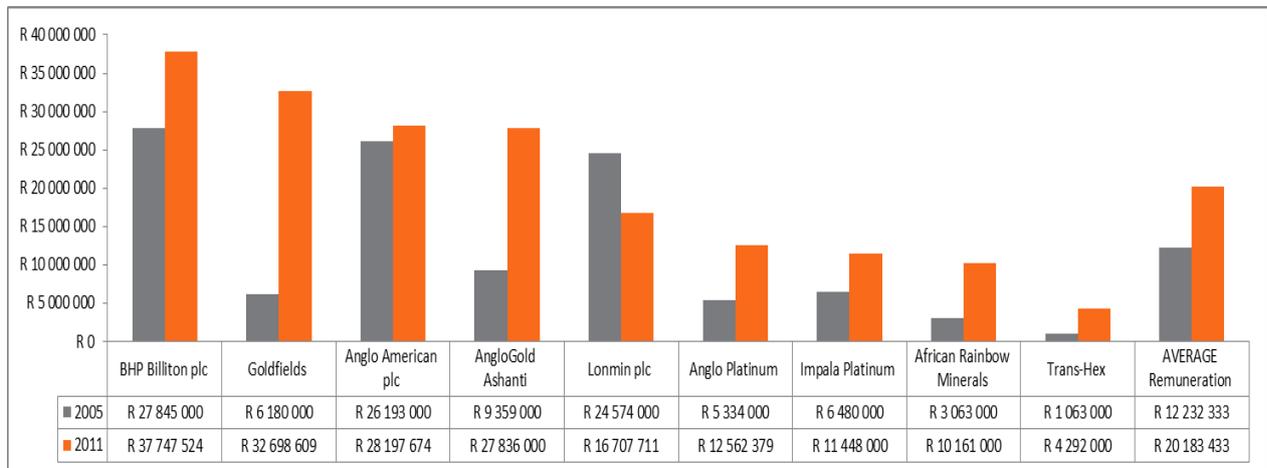
The nation is in awe with all that has happened at Marikana and everyone is hoping that the Judicial Commission of Inquiry set up by President Zuma will shed light on what led to the killing of 34 workers by police in less than three minutes on the 16 August 2012. Lest we forget, 8 workers and 2 policeman were killed in the week before. Over a week later, the survivors remain on strike and this means no pay on top of the trauma of the loss of their comrades. Many of these workers still face prosecution and have now been dismissed by Lonmin for taking up this struggle. The core demand of the workers at Marikana is an increase of wages to R12 500. While attempts at allocating blame, positioning to capture a political base or preventing a loss of institutional and management legitimacy has almost drowned the voice of workers, their steadfastness has ensured that the core issue remains alive. In fact they are teaching South Africa a lesson and prepared to sacrifice for it.

The lesson is that South Africa cannot continue to develop on low wages, or as we used to say, on cheap African labour. Marikana reveals in no uncertain terms that difficult choices and hard sacrifices will have to be made to change this reality which remains entrenched, even if not spoken about. These brave workers are saying what nobody dares to say anymore - our democracy sits on top of a cheap African labour system whose time has also got to pass.

But is this demand unreasonable?

There is the spurious accusation, coming mainly from people earning more, that R12 500 would be too much money. If it is too much, what can be said of the remuneration of CEOs in the sector? In the LRS Directors Fees Survey, the average remuneration of CEOs in the mining sector during 2011 was R20,2 million per annum and amounts to R55 000 a day.

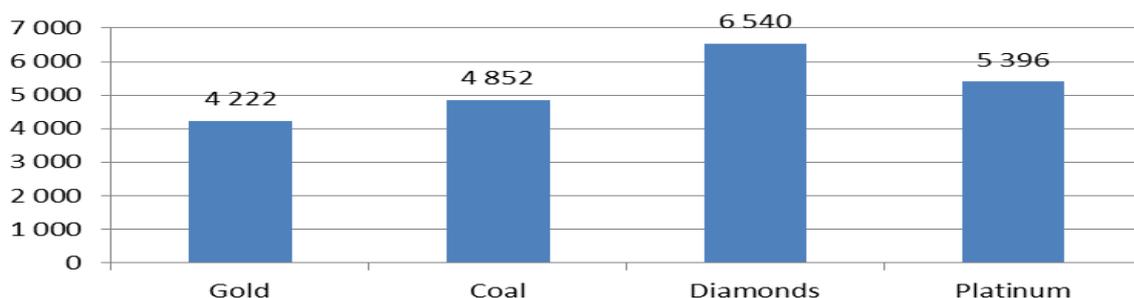
### CEO Remuneration of Selected Mining Companies: 2005 & 2011



**Source:** MaNiaC, LRS MNC Database. NB: CEO Remuneration excludes share options exercised.

To be sure, winning the demand of R12 500 a month would not turn mine workers into tycoons. Let us demonstrate using the example of housing costs. A low cost house with an average value of R300 000 has a bond repayment of about R2 702.53 per month (Standard Bank Bond Calculator, 27 August 2012). Now while there is no agreement about what percentage housing costs should be of total household expenditure, a modest estimate is that it should be no more than a quarter to ensure that the family can pay for other items like health, education, transport, municipal services, food, etc. (A Housing Based Living Wage, LRS, 1989) This would amount to a Living Wage of R11 702 a month, which is not far off from the Marikana workers' demand.

### Minimum Wages in Mining by commodity group 2012 (Rands per month)

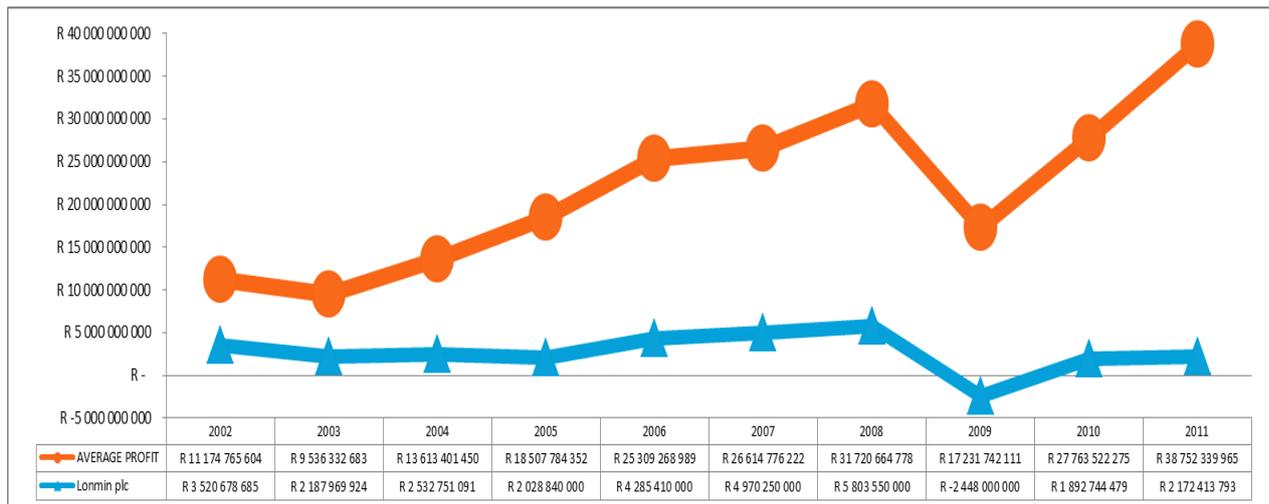


**Source:** Actual Wage Rates Database, LRS.

Admittedly it is still much higher than current pay. According to the LRS analysis of collective bargaining agreements in the mining sector, the table above shows that there is a variation of wages paid to workers mining different commodities. Starker, in the table, is the low minimum wage level across the board which maintain mine workers in perpetual poverty.

There is an argument that the R12 500 is unaffordable and will lead to the collapse of companies and result in joblessness. The average profits made by the 9 mining companies, in the LRS company database, amount to almost R39 billion. Their profits collectively, of just these 9 companies, was enough to pay the 327 000 people employed in the formal and informal mining sector during last year (Statssa, QLFS, July 2012) over R88 000 per month. Alternatively, they could have employed 2.3 million people at R12 500 a month with these profits. These profits were made after all costs of operations were paid for!

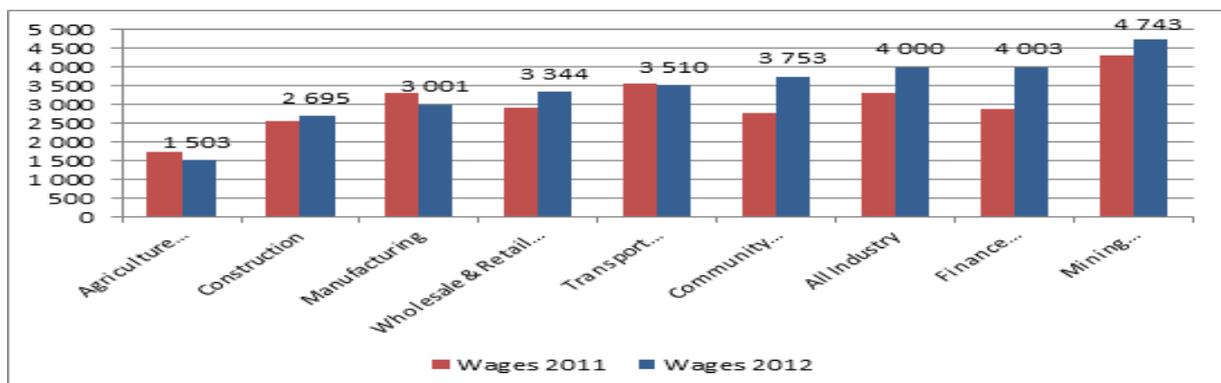
### Average Profits of Selected Mining Companies 2002 - 2011



**Source:** MaNiaC, LRS MNC Database.

What about creating inequality? R12 500 is way above the current average minimum wage in the country and specifically in other sectors. The LRS Actual Wage Rates Database shows that the median minimum wage finally reached R4 000 a month in 2012 with variations between sectors. The median in mining, as shown in the table below, is sitting at R4 743 a month and already higher than other sectors. This is an issue that unions constantly raise with government and companies when they call for centralised bargaining and a National Minimum Wage. Perhaps ears will be more receptive to union rationality for equity and fairness in the workplace.

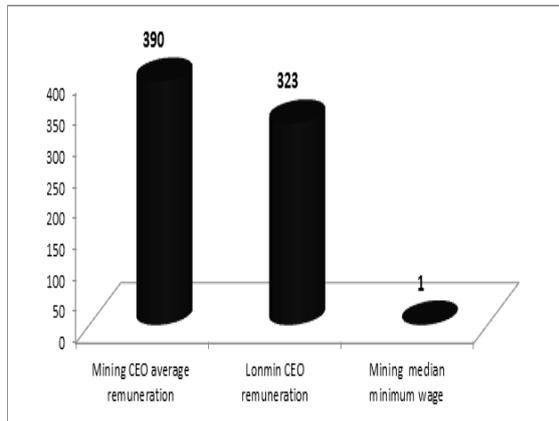
### Median Minimum Wages Across Sectors: 2011 & 2012



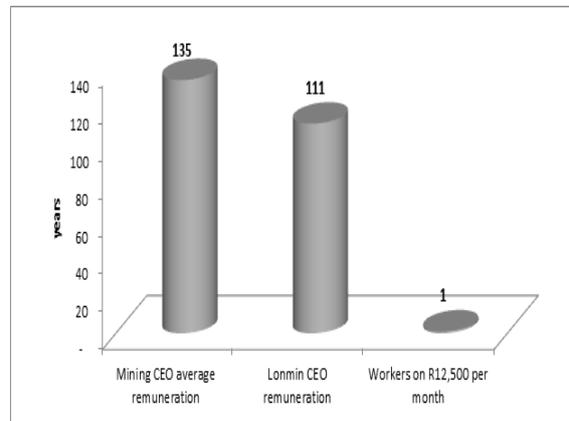
**Source:** Actual Wage Rates Database, LRS.

There is the question of the gross inequality between company board members and the average worker. There seems to be no movement when it comes to this. The 2011 wage gap between the CEO and the average worker in the mining industry was 390 to 1. Although it is smaller at Lonmin, the average worker still had to work 325 years to earn the value of the CEO's remuneration in 2011.

**Wage Gap 2011**



**Wage Gap After Wage Increase to R12 500**



If Marikana workers win their demand of R12 500 and this victory is generalised in the mining sector, the graph shows a tremendous decline in the sector's wage gap to 135 to 1. Although still high, given the uniformly high executive pay in mining, the result is that it would bring the wage gap in line with other sectors.

In short, the argument against the demand of R12 500 is flawed by the very premises it is based on. Continuing to pay low wages entrenches poverty, joblessness and inequality rather than providing solutions. The only real argument against the increase is greed and only a few are courageous enough to put this on the table and to challenge it openly. The brave Marikana workers remain on strike and deserve the support not only of trade unions but society at large so that they can achieve what they set out to and in so doing prepare the South Africa economy to rest on a better system than cheap African labour...requiring excessive force to maintain!

[www.lrs.org.za](http://www.lrs.org.za)

***Knowledge is too important to be left in the hands of the bosses***