

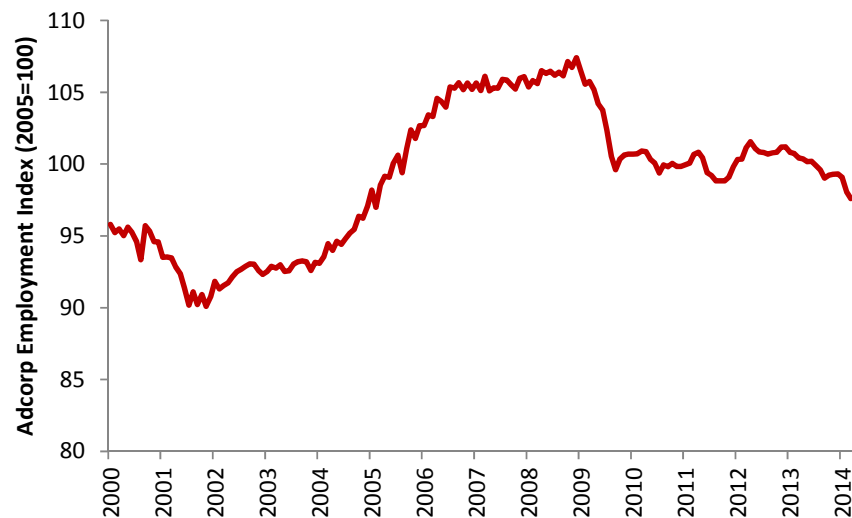
Adcorp Employment Index, March 2014

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Salient features

- The economy shed 48,066 jobs during March. The biggest losses occurred in temporary (excluding agency) work, which lost 48,241 jobs during the month, and permanent work, which lost 13,784 jobs during the month. Only the informal sector created jobs, numbering 13,959 for the month.
- Significant job losses were observed in mining (-26.5%), construction (-12.7%), wholesale and retail trade (-6.9%), and transport and logistics including communications (-11.0%). Only the public sector created jobs during the month, amounting to 16,000 in government and 4,000 in state-owned enterprises.
- Among occupations, only professional occupations created jobs during the month (10,000).
- This month, we analyse the platinum sector strikes within the context of South Africa's history of trade unionism, illustrating how our past provides us with a severe warning for our future labour market. When government policy is formulated based on the narrow special interests of trade unions, a political tragedy is inevitable.

Adcorp Employment Index



Source: Adcorp (2014)

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Analysis: Platinum sector strikes

Many parties are culpable in the ongoing platinum sector strike. Trade unions are making unrealistic wage demands based on a lack of insight in the platinum industry's strained financial position, the South African economy's jobs crisis, and the movement of trillions of United States dollars of capital away from emerging markets over the past year.

The government has displayed a lack of leadership, which in this case refers to the executive capability of leading an unwilling group towards a positive end.

However, no-one has asked whether management is in some way culpable. Mining sector unionisation, at 78% of the mining sector workforce, is an anomaly in South Africa. Average unionisation in the private sector as a whole is just 12%. As a rule, workers join trade unions in order to obtain better benefits, higher wages and job security. But here, too, the exception marks the rule. Many companies are poor at communicating employment policies and procedures, benefits and work rules to their workers. Many have no documented disciplinary procedures, let alone a policy of progressive discipline. There is a culture of not asking or caring how employees feel about their work place – not in frivolous terms such as the modern 'corporate values' movement, but in concrete terms such as following up on employee questions or requests, or timeously resolving payroll errors. Employees are only notified to changes in policies, rules and management via email or office noticeboards.

Presuming employers are generally poor at these things, one can question why, mining unionisation so high? The answer lies in the history of mining unionization in South Africa which can be traced back to 1904, when (mainly white) workers employed union structures observed in their native Europe to exclude (mainly black) workers from the workplace.

As Thomas Hazlett has shown, the South African gold rush of the late 1880s made the natural synergy between white-owned capital and abundant black labour overpowering. "The gains from cooperation between eager British investors and thousands of African workers were sufficient to bridge gaping differences in language, customs, and geography. At first, however, the white capitalist could deal directly only with the few English and Afrikaner managers and foremen who shared his tongue and work habits. But the premium such workers commanded soon became an extravagance. Black workers were becoming capable of performing industrial leadership roles in far greater numbers and at far less cost. Driven by the profit motive, the substitution of black for white in skilled and semiskilled mining jobs rose high on the agenda of the mining companies."

For this reason, when the first racial segregation ("Colour Bar") legislation was promulgated in 1911, it was hotly opposed by the Chamber of Mines, which favoured a growing and better skilled black workforce on the mines. Hazlett concludes: "The conventional view [of apartheid] is that it was devised by affluent whites to suppress poor blacks. In fact, the system was largely the creation of white workers struggling against both the black majority and white capitalists. Apartheid was born in the political victory of radical white trade unions."

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While this is historically interesting, what recommendations arise from it? There are several.

- Platinum producers should immediately and unilaterally implement their best affordable offer to workers and use SAPS or, properly armed and trained private security personnel to offer protection to workers who wish to return to work.
- A key player in the mining industry's R600 million damages claim against the Association of Construction and Mineworkers Union (Amcu) is an important first step and it should be immediately joined by their peers. This company alleges that striking workers have caused damage to its property and loss of production due to intimidation of non-striking workers.
- Other mining companies should equally sue the CCMA and the Minister of Labour for failing in their legal duty to 'promote greater worker/employer co-operation and industrial peace.' The World Economic Forum now ranks South Africa's level of conflict in labour/employer relations as 148th out of 148 countries in the world.
- If a settlement is reached, the platinum producers should refuse to pay striking workers a return-to-work bonus. The practice of paying strikers 'back pay' for their time on strike makes a mockery of the 'no work/no pay' principle, and acts as a serious economic incentive to turn out on strike.

Hazlett's account of the origin of racial segregation in South Africa gives us a severe warning about the future. When government policy is formulated based on the narrow special interests of trade unions, a political tragedy is inevitable. Trade unions in South Africa deliberately raise wages to protect the vested interests of their (mainly older, skilled and experienced) members, for whom unskilled people (mainly youth) are a competitive threat. In the same way that white mineworkers tried to keep black mineworkers out of the mines, skilled black workers are now trying to keep unskilled black youth out of work. The political and economic history of South Africa in the 21st century will be the story of how that untenable struggle pans out.

Loane Sharp is labour economist at Adcorp. Professor Hazlett's full analysis can be found at <http://www.econlib.org/library/Enc/Apartheid.html>.

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Additional Data

Employment by Type

Type	Employment Mar 2014	Percentage change vs. Feb 2014*
Unofficial sector	6,489,301	2.59
Official sector	12,571,591	-5.89
Typical (permanent, full-time)	8,695,531	-1.90
Atypical (temporary, part-time)	3,876,060	-14.75
- of which agencies	988,013	-2.87
Total	19,060,892	-3.02

* Annualized

Employment by Sector

Sector	Employment Mar 2014 (000s)	Percentage change vs. Feb 2014*
Mining	221	-26.55
Manufacturing	1,257	-5.70
Electricity, gas and water supply	105	11.54
Construction	469	-12.66
Wholesale and retail trade	1,726	-6.91
Transport, storage and communication	539	-11.03
Financial intermediation, insurance, etc.	1,628	-5.87
Community, social and personal services	2,774	6.96

* Annualized

Employment by Occupation

Occupation	Employment Mar 2014 (000s)	Percentage change vs. Feb 2014*
Legislators, senior officials and managers	1,128	-3.18
Professionals	784	15.50
Technical and associate professionals	1,635	-5.12
Clerks	1,499	-3.19
Service workers and shop and market sales workers	1,844	-4.54
Skilled agricultural and fishery workers	88	0.00
Craft and related trades workers	1,326	-5.41
Plant and machine operators and assemblers	957	-9.95
Elementary occupation	2,288	-1.57
Domestic workers	809	-4.43

* Annualized

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