

THIS is GOLD

FACT SHEET JULY 2018

CENTRALISED COLLECTIVE BARGAINING IN THE SOUTH AFRICAN GOLD INDUSTRY

CENTRALISED COLLECTIVE BARGAINING – THE RATIONALE

Centralised negotiations on wages and conditions of employment are held between the Minerals Council South Africa (Minerals Council), representing the majority of gold employers, and recognised trade unions – representing their members – comprising of the majority of the companies' employees.

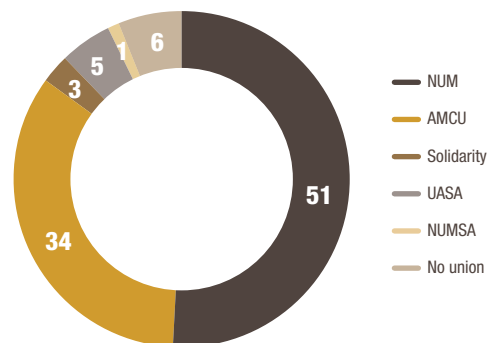
Centralised collective bargaining dates back to 1915, when the Minerals Council (then the Chamber of mines) was first assigned the role of negotiator on behalf of its members. The National Union of Mineworkers (NUM) began participating in centralised negotiations after it was recognised in 1983, the year after its establishment.

This practice of centralised collective 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), providing a platform for both parties to harness their best and most appropriate negotiating expertise, skills and resources, and fosters the standardisation of remuneration and conditions of employment across the mines.

CENTRALISED NEGOTIATIONS – WHO PARTICIPATES?

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

Gold industry union representation figures as at 24 June 2018 (%)



To be recognised, a union usually needs to represent a significant number of employees in a recognition or bargaining unit on a mine, as parties to the centralised negotiations should be reasonably representative of the employees in question. Gold companies have an inclusive approach to recognition, seeking to engage with all their recognised unions. This level is decided on a company-by-company basis and is usually incorporated into on-mine agreements.

2018 GOLD WAGE NEGOTIATIONS – PARTICIPATING GOLD COMPANIES



CENTRALISED BARGAINING – THE PROCESS

Historically, the bargaining process for wage negotiations was conducted annually. However, wage agreements for longer periods, up to five years, have been struck in the broader mining industry. The most recent collective bargaining process in the gold sector was concluded in October 2015, and signalled a three-year agreement. Historically, agreements have been extended to apply to all employees who form part of the bargaining unit.

Centralised negotiations aim to standardise wages and conditions of employment. However, the agreements often provide for variable rates, to provide for flexibility in the interest of sustainability in a sector where certain mines are less profitable than others.

The Minerals Council process also makes provision for dealing with certain issues at company level. From time to time, these take the shape of so-called framework agreements being concluded at the centre, which allow for further negotiations to take place at the respective companies on a specific issue.

INCLUSIVITY

Gold companies have an inclusive approach to recognition, seeking to engage with all unions that represent a significant number of employees.

While historically, negotiations have taken place between the Minerals Council, representing its gold mining members, and the NUM, UASA and Solidarity, AMCU gained recognition in 2013 at a few operations

of the gold mining companies. As the collective bargaining process is an inclusive one, AMCU has been invited to participate since 2013, and has since been recognised by the majority of gold companies.

CONSTITUTIONAL COURT RULING BRINGS CERTAINTY ABOUT THE BINDING NATURE OF 2013 WAGE NEGOTIATIONS

In September 2013, a wage agreement was reached with unions NUM, UASA and Solidarity who at the time represented 72% of employees covered by centralised collective bargaining in the gold sector.

Throughout the 2013 negotiations, AMCU did not move from its initial demands, which would have crippled the gold mining industry, and did not sign the agreement. At the time, AMCU represented 17% of employees in the bargaining unit.

The September 2013 agreement was applied to all employees who formed part of the bargaining unit, irrespective of trade union affiliation. These wages were backdated to 1 July 2013 and all employees, including AMCU members, benefited from the outcome on implementation of the agreement.

The agreement contained a 'peace clause' which determined that:

- there could be no strike action about terms and conditions of employment during the existence of the agreement;
- the issue of conditions of employment has been settled for the duration of the agreement; and
- no demands may be made during the course of the agreement.





However, on 20 January 2014, AMCU indicated its intention to proceed with strike action at certain operations owned by AngloGold Ashanti, Harmony and Sibanye-Stillwater in respect of the 2013 wage agreement.

Strike action would have had a severe impact on the sustainability of the industry and would have further undermined the industry and threaten even more job losses and could have resulted in mine closures.

The Minerals Council, acting on behalf of the three companies, approached the Labour Court for an urgent interdict. On 30 January 2014, the Labour Court issued an order declaring the strike called by AMCU to be unprotected, on an interim basis, as it was not compatible with the requirements of the Labour Relations Act (LRA).

On 24 June 2014, the Labour Court ruled to uphold the interim order preventing AMCU from embarking on protected strike action in respect of the 2013 wage agreement. On 21 February 2017, the Constitutional Court found in favour of the gold producers and the ruling by the Labour Court to uphold the urgent interim order issued on the basis that AMCU was bound by the collective agreement reached for the period 1 July 2013 and 30 June 2015.

Historically, the gold industry has always conducted wage negotiations at a centralised level and the process has always been inclusive and fair.

The decision by the Constitutional Court brought certainty to the binding nature of the 2013 wage agreement which was in the best interest of employees, the industry and the country.

WAGES AND BENEFITS – THE NUMBERS

Wages and benefits account for between 50% and 55% of operating costs across the gold sector and clearly have an impact on the companies' cost structures. Annualised payments to employees by gold employers rose by some R5 billion to R30 billion a year following the 1 July 2015 wage increase.

2015 SETTLEMENTS:

The 2015 negotiations concluded in October of that year, with three-year agreements reached between the parties. Settlements ranged for increase of between 10% and 13% in basic wages for entry level employees in each of the three years of the settlement (or an increase of between R25,000 and R30,000 per employee over the three-year period). Guaranteed wages for entry-level employees were increased to between R97,000 and R106,000 (excluding bonuses and overtime) in the third year of the settlement.

Additional settlements:

- Increase in medical incapacity benefit from R40,000 to R55,000 over three years;
- Increase in guaranteed minimum severance pay from R20,000 to R30,000 over three years;
- Extension of retirement age for surface workers to 63 years, subject to various conditions;
- Task team to investigate extension of retirement age for underground employees to 63 years;
- Increases in funeral cover; and
- Agreement to engage over a three year period on the issue of securing the sustainability of the sector and operational efficiency.

This is Gold is an industry initiative started by South African gold producers to provide insight into the gold industry, its processes and its contribution. We aim to provide honest, balanced information that can be used to understand the history of gold mining in South Africa, the work being done by the industry now and the plans in place for the industry's future.

KEY DEFINITIONS AND ACRONYMS

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| Collective bargaining | Negotiations on wages and conditions of employment between employers and employees represented by their unions. | Minerals Council South Africa | Mining industry employer representative body founded in 1887, drawing members from across the South African mining industry. |
| 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. | Representative unions | <p>The unions which represent the employees in the bargaining unit</p> <ul style="list-style-type: none"> • AMCU – Association of Mineworkers and Construction Union • NUM – National Union of Mineworkers Solidarity – Solidarity Trade Union • UASA – United Association of South Africa |
| Unprotected or unprocedural industrial action | Since strikes of this nature fall outside the provisions of the Labour Relations Act, employees who participate in such strikes are not protected from company disciplinary actions, and may also face ultimatums, court orders or other notices to facilitate a return to work. | Recognition unit | <p>There are three recognition units in the gold sector which collectively make up the bargaining unit:</p> <ul style="list-style-type: none"> • Category 4 – 8 employees • Miners and artisans • Officials <p>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 at the Minerals Council.</p> |
| Labour Relations Act | Act No 66 of 1995 as amended, which regulates collective bargaining and labour relations issues. | Bargaining unit | <p>The centralised gold sector negotiations take place in respect of employees who fall within the bargaining unit. The bargaining unit excludes management and consists of three employee groupings or recognition units:</p> <ul style="list-style-type: none"> • 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. |
| Living-out allowance | A set amount paid to employees who prefer to live in private accommodation rather than being accommodated in mine residences. | <h3>CONTACT DETAILS</h3> <p>Email: info@thisisgold.co.za Tel: +27 (0) 11 880 3924 Web: www.thisisgold.co.za</p> | |