



JOB LOSSES IN THE MINING INDUSTRY

MINERALS AND PETROLEUM
BOARD

INTRODUCTION



- The mining industry is quick to directly equate the low profit to job cuts without any qualification. The Chamber of Mines argues, for example, that if Eskom increases power tariff rates by 8% to bring the overall annual tariff increase to 16.6% in 2016, this will increase the overall operation costs of mining businesses. As a result, some 40,000 jobs may be lost in the gold and the platinum sectors (CoM, 2015).
- An impression is created that jobs in mining depend on immediate profits of a mining business. But is this true or can it be justifiable?
- Even if remotely true, how profits are determined in the mining business becomes a key aspect of interest for job sustenance

PUBLIC STATEMENTS ON JOB LOSSES IN THE INDUSTRY



- The SA mining sector cut 47,000 jobs between 2012 and early 2015 as the industry grappled with soaring costs and low commodity prices - Roger Baxter, CEO of the CoM
- Mineral Resources Minister Mosebenzi Zwane - 32,000 jobs were under threat, and the industry was working closely with the government and labour to minimise job losses (Business Day, 8th February 2016)
- The mining and quarrying industry reported a quarterly decrease of 4 000 employees (-0,9%) in March 2016 compared with December 2015 (Stats SA)
- Job losses in the mining is a fact but it causes and the solutions thereto are grey areas.



NUM PERSPECTIVE ON CAUSES OF JOB LOSS IN THE MINING INDUSTRY

- **MISMANAGEMENT**
 - Lack of strategic, forward looking and patriotic leadership
- **LACK OF INVESTMENT**
 - Especially in greenfield operations and in exploration
- **TRANSFER PRICING** (External profit shifting)
 - Intra companies trade of commodities
- **CREATIVE ACCOUNTING** (Internal profit shifting)
- **DRIVE TO MECHANISE MINING**



MISMANAGEMENT

- Foreign ownership and management of many companies leads to unpatriotic appointments
- Marketing and Trade Agreements in Tax Safe heavens
- Mining Works Programme misaligned with Geological location of ore bodies and employee ramping
- Misallocation of Financial budgets
- Lack of Board oversight on Executive decision making

TRANSFER PRICING



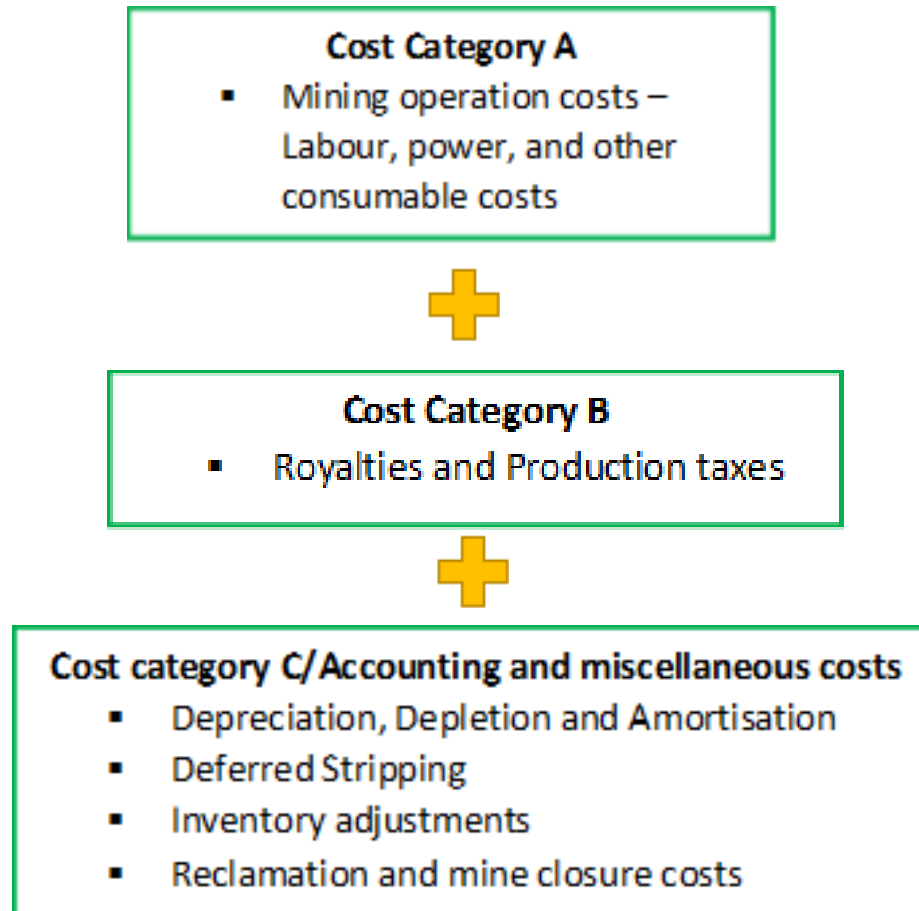
1. Transfer pricing = Bloated overheads / cost ratio's
2. Bloated overheads = Reduced revenue
3. Reduced revenue = Lack of expansion on Developmental greenfields exploration
4. Reduced revenue = Pressure on labour costs
5. Pressure on labour costs = Retrenchments
6. Retrenchments = Reduction in base income for a family of five

CREATIVE ACCOUNTING



Companies can introduce a variety of costs that do not strictly apply to a period under consideration in profit calculation – especially under cost category C

Cost categories the mining business profit calculation





DRIVE TO MECHANISE MINING

- Mining companies have been strongly advocating for mechanization of mining based on profits, safety consideration and extending the life of mines
- Labour position has been that we do not support unqualified mechanization that does not incorporate the people element. Jobs need to be protected. In the inevitable circumstances, the mechanization process has to be managed and safety measures need to be put in place for those at risk of losing their jobs
- There is a strong possibility that low commodity prices and cost pressures are being used as a short time excuses to drive down headcount as part of the mechanization agenda.



Way forward

1. All stakeholders including the DMR need to devote more effort and resources in understanding how the mining business work, and pro-actively collect information pertaining thereto – in order to engage with business from a strong and informed position
2. Implement fully the Leadership Declaration on Job Losses know as Ten point plan and activate CCMA led Crisis intervention team to deal with companies in distress
3. Capacitate adequately the DMR's Mineral Regulation Branch to deal with non compliant companies
4. Align of Section 52 and Section 189 processes by DMR and CCMA
5. Support shareholder activism by all minority shareholders, in ensuring that companies appoint the correct executives
6. Revamp of the current Training Lay off Scheme, with relaxed requirements on Tax compliance and with increased budget



Thank you !!!!!!!