

## Patterns of empowerment and disempowerment in the South African mining sector

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### **Abstract**

Recent conflicts in the South African mining sector tend to be explained entirely in rational choice theory. This paper utilises grounded theory, where the primary method was the collection of semi-structured and exclusive interviews triangulated with secondary data consisting of existing literature, government and company reports. The findings challenge the rational choice approach which is used to explain the root cause of mineral conflicts on the African continent. The research makes two contributions; first it shows that empowerment policies have worsened the socio-economic disparities of mineworkers and their respective communities in the North West province of South Africa. Second, it demonstrates inequality has led to a recurrence of labour unrest due to poor labour standards, wage disparities and poor living conditions for mineworkers.

**Keywords:** Empowerment; Mining; Rational Choice.

## **1. Introduction**

In 2014, South Africa experienced its longest and costliest strike, a five-month long stoppage in the platinum industry, which resulted in the economy contracting 0.6 per cent. The stoppage affected mines in the North West province of South Africa, where the bulk of production took place, representing 40 per cent of international production (*Financial Mail*, 2014). Similarly, in 2012, the 0.5 per cent contraction of the South African economy was mainly due to the labour unrest in Marikana in the North-West province where 34 mineworkers were killed. The South African platinum mine companies, Anglo American Platinum Limited (Amplats), Impala Platinum Holdings Limited (Implats) and Lonmin PLC (Lonmin), control more than 80 per cent of the global platinum reserves. Lonmin Executive Vice President of Communications and Public Affairs, Lerato Molebatsi (2015) stated, ‘The Marikana tragedy ... at Lonmin should serve as a platform to learn [from] the unfortunate mistakes [of] all players within the industry so as not to repeat them; however, with the 2014 platinum strike, it seems ... we did not learn’.

Theorists such as Collier and various other authors would posit the Marikana conflict in terms of rational choice theory: the “opportunity for political elites to loot the resources of their countries” (Obi, 2009 p.108). Yet according to Bond (2014), the Marikana massacre exemplified the society’s more general resource curse when the ruling party (collaborate via the mining and police ministers) allow the police force to serve white-dominated multinational capital by killing dozens of black workers to end the strike. Rational choice theory emulates a lack of economic growth trajectory and poor development which theorists argue is the resource curse that occurs in mineral rich African countries. The resource curse is a multi-dimensional phenomenon that focuses on the relationship between natural resource endowment and poor economic performance, civil war and authoritarianism (Rosser, 2006). Obeng-Odoom (2012) however asserts that in the “real world’ blessings, uncertainties and curses co-exist, intermingle and co-evolve differently across the social groups and classes, thereby dismissing the assertion that there is a trade-off between resource wealth, economic performance and conflicts. Rosser (2006) concurs that the evidence that natural resource abundance is associated with various negative development outcomes is inconclusive, its explanations for the resource curse inadequately accounts for the role of social forces or external political and economic environments, prognosis of addressing the resource curse ignores the issue of political feasibility

and scholars failed to acknowledge that the political and social variables are shaped by a range of historical and other factors in each case. Obeng-Odoom (2010) indicated that studies in Niger Delta revealed that mono-causal models are inadequate explanations for the resource curse framework because they are ahistorical and failed to factor in contemporary factors that include local and international dimensions. The root causes of conflict in Africa are complex and beyond mono-causal or cultural explanations and should include the role of global processes and transnational forces (Obi, 2009) thus further research is required. This paper argues that the recurrence of labour unrest in the mining sector between 2007 and 2014 is beyond explanation of traditional rational choice theory; an alternative discourse regarding the causes of conflict within the South African context that factors in global processes, historical and social forces particularly that of labour instability.

In South Africa there is a gap with respect to empirical studies on rational choice theory; studies often focused on resource based African countries such as Sierra Leone, Nigeria, and Angola. This study cannot be confined to rational choice theory as there are other dynamics that have caused conflict within the South African mining sector. According to Fine (2008, p.21), ‘the emergence of a new black elite through Black Economic Empowerment (BEE) or, more exactly, Black Elite Economic Enrichment, BEEE’, is primarily ‘through the gains spun off through financial restructuring. It represents a (fraction of a) class in the making, one that is entirely dysfunctional and parasitical for development’. Much has been written that Black Economic Empowerment (BEE) has only succeeded in widening the inequality gap by making a few politically-connected black individuals wealthier at the expense of the greater society (Cargill, 2010; Emkes, 2012; Tangri & Southall, 2008).

## **2. The data and methods**

The research utilised grounded theory, where the primary methods were the collection of semi-structured and exclusive interviews with mining houses, key politicians, businesspersons, policy-makers, trade unionists and political commentators (refer to Appendix A for a detailed list of interviews and explanation of research methodology). The study sought to investigate whether the shift towards social awareness by mining firms is focused evenly between black ownership and socio-economic development in the mining sector? The study adopted an inductive approach where the data emerges from the ground

(key role players across the classes) and provides a theoretical explanation from the insider perspective. The inductive approach was amenable to allow the emergence of an alternative theory from key role players in the South African mining sector. Instead of starting the data collection with the possible potential leading of explanations gained from the existing literature which is often guided by the positivism stance the study adopted a constructivist approach where explanations are constructed through role-player perspectives. The resource curse was birthed from a positivist orientation insistent on economic growth and market extension with limited attention to challenging capitalism (Obeng-Odoom, 2015). This study adopted an approach that goes beyond the positivist orientation that allows for other factors such as the historical and social factors in the relationship with natural resource needs to be taken into consideration. Thus the research question was broad without clinical narrow hypothesis that could have confined the study to existing rational choice explanations. The primary fieldwork was conducted between July 2009 and December 2010, with subsequent research undertaken between 2012 and 2015, due to the changes in B-BBEE legislation (RSA, 2012), the Marikana strike in 2012 and the 2014 Platinum strike.

This paper analysed the mining sector's empowerment policies (the Mining Charter), which aims to transform the working and living conditions of mineworkers and their respective communities, through the use of exclusive interviews triangulated with secondary data. The research shows that empowerment policies have made limited inroads into addressing the socio-economic conditions of mineworkers and their respective communities. Since the new democratic dispensation in 1994, laws aimed at empowering the majority of South Africans have empowered only a select few wealthy black South Africans. The emphasis of empowerment policies is on skills and socio-economic development while simultaneously enfranchising black South Africans to own or manage mines; however, this has led to the recurrence of labour unrest within the mining sector.

### **3. Results**

The results of this paper provides a brief overview of the Mining Charter. Thereafter, the asymmetric nature between the intended purpose of the mining charter and the emergence of a black elite. This is followed by arguments that empowerment policies aimed at the upliftment of mineworkers and surrounding

communities have been accompanied by patterns of disempowerment due to deteriorating labour standards, poor socio-economic conditions and wage disparities. The final section highlights the imbalance between black ownership and the socio-economic elements of empowerment.

### *3.1 Labour empowerment in the South African Extractive Industries*

The BEE policy was initiated by the South African government to redress the legacy of apartheid. The policy's purpose is to bring about economic transformation by increasing the number of black people that manage, own and control the country's economy thus creating sustainable employment, addressing the inequality gap and alleviating poverty (BEE Com, 2001; Herringer *et al.*, 2009; Viviers *et al.*, 2009), therefore the existing wealth within the South African economy will be redistributed in order to benefit the majority of the population. (Tangri & Southall, 2008). Madi (2006) subscribed to the argument that black empowerment in the South African context is a discourse with an 'evolution of terminology [used] towards integrating blacks into the mainstream South African economy' (p. 7); in other words, not merely ownership of private enterprise, but also the socio-economic upliftment of workers and their respective communities. According to Obeng-Odoom (2016) libertarian paternalism nudges actors towards behaviours that will empower indigenous labour without the negative impact on the industry, BEE policy is characterised by libertarian paternalism which has however institutionalised systemic inequality and labour exploitation within the mining sector.

#### *3.1.1 The mining charter*

Post 1994, the empowerment strategy saw an increase from zero per cent to over twenty per cent of Black stakeholders on the Johannesburg Stock Exchange. With reference to the mining sector, over the last 10 years, the transfer from white ownership to black ownership increased from 15 per cent to 26 per cent (Mathews, 2012). Bezuidenhout (2008) argues that the intention of 'narrow' or 'top down' BEE was the transfer from white to black ownership in the mining sector as opposed to the subsequent legislated Broad Based approach which envisioned to transform the shop floor of the mining sector; instead there have been an immense number of employment cuts since 1994.

The degree of transformation in ownership transfer has seen gains for only a few South Africans. The bone of contention is that economic empowerment policies such as the Mining Charter, 'sought to end the situation in which the

historically dominant mining houses stockpiled minerals rights' (Gumede, 2008, p. 252). According to Former Finance Minister, Trevor Manuel (2010):

Starting with mining it was agreed that the mineral rights would be returned to the ownership of the people that was done as a very first and an important step in the content of the Minerals and Petroleum of the Resources Development Act (MPRDA). The rights were transferred and anybody who wanted access of those rights needed to secure a licence. If they (mining houses such as Anglo American, De Beers etc.) wanted that right, they would need to take black partners to ratio.

Consequently the 'impetus for mining firms to qualify under the charter essentially set up a race on empowerment grounds, [no company wanted to be viewed as rejecting transformation and] therefore risking the government viewing their applications in a dim light' (Ponte, Roberts & Van Sittert, 2006, p. 25). Former Minister in the Presidency and Head of Policy Formulation, Joel Netshitenzhe (2009) argues:

There will be those industries, such as mining, where in the first instance to operate you will have to conform to government regulations and meet deadlines. These are the conditions on which you have to get a licence, and these licences will be reviewed on an on-going basis.

The Mining Charter was accompanied by scorecard codes of good practice, which scored a company from an excellent Broad-Based Black Economic Empowerment (B-BBEE) contributor to a non-compliant one. Companies that achieved the targets would obtain government contracts and licences. The Mining Charter had relatively few concrete targets, as the scorecard was a mere 'tick box' approach rather than a concerted effort to overcome socio-economic disparities in post-apartheid South Africa. Due to the Mining Charter's focusing on black ownership, which was a top-down approach, more stringent measures by the government were legislated to include a bottom-up approach, based on the B-BBEE Act of 2003.

The revised charter stipulated that mining companies allocate 51 per cent of their spending to Historically Disadvantaged South Africans (HDSA's) (who were disenfranchised prior to the democratic dispensation in 1994) to address the poverty barrier through social and community development, 23 per cent towards skills development and business opportunities, and the remaining 26 per cent is weighted in accordance with creating economic opportunities for

black South Africans (DTI, 2012). Should mining houses fail to comply with the targets, their licenses may be revoked. Prior to the revised charter, 'Mining companies agreed, among other things, to offer all employees the opportunity to become functionally literate and numerate by 2005; to aspire to 40 per cent black participation in management within five years; to upgrade hostels and convert them to family units; and to promote home ownership for mine employees' (Kane Berman, 2014, p . 9).

All the interviews conducted between 2014 and 2015 discussed the Mining Charter, as a transformational tool that was designed to address the unique challenges within the South African mining sector with reference to ensuring black ownership of mines and socio-economic development of Historically Disadvantaged South Africans (HDSA's). Since 1997, mining companies have spent more than R340 billion on economic transformation programmes in South Africa. The Chamber of Mines claims to spend more on social programmes than any other sector of the economy, an estimated R1.3 billion in 2011-2012 alone (Kane-Berman, 2014, P10). According to Lonmin, in 2014, the platinum company transferred 18 per cent of the operations to HDSA's consisting of 'three broad based economic empowerment deals with the Bapo Ba-Mogale, Marikana Community and Employee Share Trusts' (Lonmin, 2014, p.10). While Implats invested 'R71 million in socio-economic development projects, and an additional R261 million towards improving accommodation and living conditions for employees' (Implats, 2014, p.7).

According to the National Union of Mineworkers (NUM) Transformation Manager, Luthando Brukwe (2015) 'the challenge does not lie with the Mining Charter and the Acts, but rather with industry and government. Industry is reluctant to comply and government is reluctant to enforce'. While some mining companies agree with NUM's assertions that there are challenges with the Mining Charter, Implats' Head of Transformation, Lusani Nevhutalu (2015), contends that there needs to be less of a tick box approach and more qualitative measures:

B-BBEE started off as BEE. With BEE the beneficiaries were a few politically connected individuals. Despite being broad-based with the different pillars, the outcome does not lead to the desired effect. You still find people who have not seen or experienced the changes. The challenge lies in the fact that quantitative measures have been used whereas we need to use qualitative measures. Those who implement B-BBEE do the very minimum and often do it for compliance purposes.

### *3.1.2. The asymmetric nature of 'economic' empowerment*

This paper contends that the asymmetric nature of economic empowerment sees the emergence of a black elite and the prominence of clientelist relations, rather than the intended socio-economic upliftment of mineworkers and their respective communities in the North West province mining belt.

Based on the KPMG Annual report which measures economic empowerment, the Mining Charter is a worthy policy document however it is weak on implementation, as it favours a narrow-based approach that focuses on the black ownership element. More recently, the consolidation of the black elite has rendered the broad-based approach to empowerment unsatisfactory. According to Price Waterhouse Cooper (PWC) 2014 report, 'most mining companies are on track to meet most of the Mining Charter requirements specifically that of black ownership. However, Housing & Living Conditions, Services Procurement and Employment Equity (Senior Management and Middle Management) still seem to be a challenge' (PWC, 2014, p.21).

#### *3.1.2.1 The emergence of a black elite*

The mining sector was the first to implement empowerment policies and one of the largest BEE contributors to the transfer of ownership from white to black stakeholders. The ownership deals, estimated at a quarter of a trillion rand, have benefited a select few black elite; few of these benefits have filtered down to the majority of mineworkers, who earn an estimated R10 000.00 per month.

The mining sector positioned itself as the key driver of BEE (Bezuidenhout, 2008) aimed at overcoming historical and social inequalities. According to former Minister of Trade and Industry, Alec Erwin (2010):

There was no doubt that the mining sector was a path breaker; by and large the charter is pretty good. When government was creating the scope for empowerment, it was probably the most comprehensive intervention made by any government.

Subsequently, companies opted for 'fronting' to ensure compliance with the policy; this can be described as a white individual requesting a black individual (regardless of their business acumen) to set up a company as a front to obtain lucrative government contracts. The Department of Trade and Industry (DTI) reported 22 cases of fronting from January to December 2006, and a further 15 cases between January and July 2007. Former Trade and Industry Minister, Mandisi Mpahlwa said, 'one of the bigger problems that BEE has thrown up so far is fronting, which is under the microscope and tougher legislation was in the

pipeline' (Terreblanche, 2007, p. 2). Economist, Reg Rumney (2010) comments: 'BEE, which has now been changed to that of B-BBEE, tends to be a 'soft' law. In other words, it rewards [compliance] rather than punishes those who do not comply'. The difficulty exists that while a company that does not comply will be at a disadvantage when doing business with government, the law does not dictate that failure to comply will lead to prosecution. Erwin (2010) concurs:

...black people did not have capital, so one of the dangers with ownership structures, and even with the Charter, is that you tend to get a fairly high level of heavy loans, or you got a danger of fronting. One inevitably was to get a Charter, which is more complex to avoid some of those problems.

Despite the Mining Charter of 2003, seven years later the mining sector continued to implement a narrow-based approach to empowerment (a top-down approach) as their priorities included primarily black ownership, management control and enterprise development (KPMG, 2009; 2010). According to the KPMG (2012) report, which measures the progress of B-BBEE, the focus on ownership and management control in the sector could be 'based on the strong links with government and its previous focus on narrow-based BEE (ownership and management control) as opposed to B-BBEE (which focuses on all scorecard elements/weightings including skills and socio-economic development)'. Thabo Mosombuka (2009), former official of South Africa's Department of Trade and Industry, argued that 'The mining codes [Charter] focus more on ownership. I would say that because of the peculiarity of the industry, where your mineral resources are the main source of investment'.

As a result of the inadequacies of the B-BBEE Mining Charter, political analysts such as Moeletsi Mbeki argued that the, 'BEE policy was flawed from the outset, the real idea was to buy off the leadership of the black resistance movement' (Mathews, 2012; Borraine, 2014; Tangri & Southall, 2008). Indeed senior members who were part of the ruling party, the African National Congress (ANC) concur, former ANC National Executive Committee Chairperson, Mosiuoa Lekota (2010) argued, 'you must remember BEE was to open existing wealth and enable black sections to cash'. The most notable BEE deal took place in the mining sector, Patrice Motsepe's African Rainbow Minerals (ARM) teamed up with Harmony Gold to buy AngloGold's Free State gold mining assets for R2.2 billion in a 50/50 venture. Tokyo Sexwale's Mvelaphanda placed its stakes on diamond mining by raising its interest in Trans Hex to 24.5 per cent (Gumede, 2007). 'The biggest transaction was the unbundling of Anglo-

American (reflected in the significant fall in its control of JSE listed companies in the 1990s) and the sale of identified assets to black investors' (Ponte, Roberts & van Sittert, 2006, p. 35).

According to Former Finance Minister, Trevor Manuel (2010), 'Anglo-American was one of the largest mining houses due to its monopoly on surface rights'. Anglo-American sold off JCI (a mining firm) and Johnnic (an industrial group), after setting aside for itself what proved to be the most successful component, Amplats (the world's largest platinum company).

Ernst and Young Management Services reported in 2003 that close to R54 billion worth of BEE deals were made. The beneficiaries of these deals were largely the politically well-connected elite: 60 per cent was accrued to the companies of two individuals, Patrice Motsepe and Tokyo Sexwale. The mining sector was the first to ensure black empowerment deals, creating billionaires such as Cyril Ramaphosa, Tokyo Sexwale, Patrice Motsepe and Saki Macozoma (Ponte, Roberts & van Sittert, 2007).

### *3.1.2.2 Clientelist relations*

The patterns of empowerment include that of patronage and clientelism, which can be illustrated by the top millionaires who are politically connected and have acquired wealth through empowerment policies. Ramaphosa is one of South Africa's most well connected corporate leaders and the Deputy President of the country. According to the Forbes listing, Ramaphosa is the 29th richest man in Africa, due to Shanduka Group stakes in mining entities. He is also a former shareholder and director of platinum company, Lonmin. His fellow South African, tycoon Patrice Motsepe, is the 10th richest man in Africa. He made his money in mining as a result of the purchasing of low-producing gold mine shafts in 1994, which he made profitable. Since then, he has built ARM, benefiting as a result of South Africa's BEE laws (Forbes, 2012; 2013; News24, 2010). One of the largest empowerment deals in 2003 was between ARM Gold and Avmin. Analyses revealed that at least 72 per cent of the total deal value benefited six of the narrow-based black consortia, namely ARM Gold (60 per cent owned by Motsepe family trust), Mvelaphanda (Sexwale), Shanduka (Ramaphosa), Safika (Macozoma), Kagiso and Tiso (Dunnigan, 2005). Based on the research, it is evident that most BEE deals (including the broad-based approach, which advocates a bottom-up approach) involved the same individuals, i.e. the recurrence of an elite class.

According to McGregor (2005), there were eight black entrepreneurs in the top 50 directors, in terms of the value of their shareholdings on the JSE. These were led by the Elephant Consortium, with an estimated R40 billion stake in the former state utility, Telkom and Patrice Motsepe, with his estimated R13 billion ownership of ARM. Others include Tokyo Sexwale, the Royal Bafokeng Nation and the Mineworkers Investment Corporation (the investment arm of the NUM). The wealth of black business magnates is still predictably small in comparison to that held by families such as the Oppenheimer's and the Rupert's that have dominated South African business since the early twentieth century (Ponte, Roberts & van Sittert, 2006). The mining sector operates in an oligopolistic manner, as it is difficult for new firms to enter and expand without the connections of the existing dominant players. The focus on overall ownership and control is emulated in the concentration found in individual industries. Characteristically one, two or three firms dominate any given industry or sector with their positions entrenched through vertical relationships upstream into sources of inputs, and downstream into distribution and marketing (Ponte, Roberts & van Sittert, 2006; Van Wyk, 2009).

Van Wyk (2009) illustrates a strong consolidation of the black elite class within the South African context, i.e. those who are in a position of power, such as businesspersons and family members. By definition, the perpetuation of the black elite is 'the turnover in power of socio economic classes' (van Wyk, 2009). This process includes:

[1] *Circulation via family connections*: By 2007, Patrice Motsepe, the executive chairperson of ARM and brother of Bridgette Radebe (wife of the former Minister of Transport, Jeff Radebe), was considered the third richest South African, with an estimated fortune of £1.4 billion. In South Africa, one of the 183 people worth over £5.6 million is Tutukile Skweyiya (wife of the former Social Development Minister, Zola Skweyiya). Tutukile Skweyiya is also a major shareholder in Continental Africa Power Supplies, which was awarded a lucrative Eskom (the South African power utility company) contract.

[2] *Redeployment*: An increasingly common example of elite circulation is 'redeployment' to the private sector, as a way to resolve political tensions within the African National Congress (ANC). Tokyo Sexwale was once the Gauteng Premier, then became a businessman, and was subsequently co-opted as South Africa's Minister for Human Settlement; a cabinet reshuffle

saw his return to business. Cyril Ramaphosa, ANC stalwart and negotiator in South Africa's transition to democracy and former businessman.

Similarly, Ashman, Fine and Newman assert, 'the formation and incorporation of a small new black elite in South Africa, often out of former trade union leaders and political activists, has been an important part of the changes which have occurred since 1994' (2011, p.184). The above illustrates that empowerment policies aimed at improving the lives of the majority of South Africans have benefitted only a few individuals. There are conflicting views from BEE consortia, policymakers and trade unions on what empowerment in South Africa advocates. Netshitenzhe (2009), former Head of Policy and Coordination in the Presidency, maintains that BEE needs to address ownership; 'it will be incorrect to argue that the level of ownership of the mining sector is representative. We still have a long way to go, let alone meet the targets of the mining sector charter'. Mike Spicer (2010), a businessperson and former Anglo-American executive who was involved in many BEE transactions, disagrees, arguing that a large amount of potentially productive capital has gone into financing BEE deals, which represent a redistribution of wealth, not ownership through the creation of new wealth, new factories, or new mines.

Significantly, unions and various politicians and businesspersons agree with Spicer's view. Patricia de Lille (2010), former leader of The Independent Democrats, who was a whistle blower with reference to corrupt empowerment transactions, concurs with Spicer that where there is an opportunity for mining rights, the same people benefit, 'its like a revolving door'. Businesspersons such as Spicer and Anglo American/Zimele Managing Director, Nick Van Rensburg (2010), have argued that BEE was not doing what it was intended to do, that is, improving the lives of South Africans. Van Rensburg (2010) states that Anglo-Zimele empowers the entrepreneur and it is his/her job to assist the community:

There is no rule that states you cannot hire your family, which ultimately negates the process of empowering the community [and allows for nepotism, which has been a common occurrence in empowerment deals]. BEE is probably not what we are seeing in South Africa right now. BEE in my book is to reach the masses unbanked in South Africa and to tap into the entrepreneurship spirit of those people that want to get into their own business, but cannot access finance.

While Erwin (2010) contends that B-BBEE was not designed to transform South African society, Higher Education Minister, Blade Nzimande (2010) and de Lille (2010) argue that B-BBEE is aimed at addressing inequalities, so that

the black majority can have a meaningful stake in the South African economy. Detractors, such as mining magnet, Saki Macozoma (2010), have questioned ‘how broad is broad?’ and stated that black business stands at a disadvantage, questioning and doubting whether white companies would adhere to B-BBEE.

From the exclusive interviews which were cross referenced with various literature and reports, the above section provided evidence that since 1994 certain politically connected individuals have acquired significant BEE deals in the mining sector. The consolidation of these elites has seen barriers to entry within the mining sector; consequently there are limited opportunities for black emerging companies to enter the market which inherently defeats the intended purpose of economic empowerment.

### *3.2. Patterns of disempowerment*

Chamber of Mines Head of Transformation Vusi Mabena (2015) asserts that the Marikana strike emanated from the socio-economic conditions moving beyond a labour relations issue to a community issue, ‘Lonmin had to take responsibility for it all and at the end of the strike; no one got what they wanted’. The 2012 and 2014 mining strike in the North West province was not one associated with low wages as rock drillers, the lowest earning faction of mineworkers, receive approximately R10 000 per month, together with contributions made to their pension fund, medical aid fund and Unemployment Insurance Fund (Brand, 2014). However, the true causes associated with the strikes include living wages and working conditions (Twala, 2013). This has been the expectation of mineworkers and families living in the mining areas of South Africa, with the unintended consequence of labour unrest, which can be attributed to the limitations of the mining charter in practice.

The Mining Charter has stressed the importance of social and community empowerment through investments made in areas such as housing and living conditions and mine community development. NUM Transformation Manager, Luthando Brukwe (2015) argues that the Mining Charter is unique, in comparison to existing industry charters in South Africa, as it is required to ‘address not only skilling their employees but also up skilling the communities in which their operations are found in addition to those communities where they source their labour from’.

Analysts have argued that there needs to be a concerted effort on the part of government to re-examine how labour standards, working and living conditions of mineworkers should be improved, taking into account the role

that empowerment policies have played in the mining sector (Leon, 2013). The salient problems within the mining sector are a decline in labour standards, wage disparities and the living wage, all of which are examined in the sections that follow.

### *3.2.1. Labour standards*

Theorists have argued that labour standards have deteriorated despite empowerment policies; this is due to the acquisition of marginal mines, which were costly to maintain post-1994. According to Bezuidenhout (2008), labour standards fell as BEE increased; marginal mines transferred to a select few black individuals, required more input and to ensure a profit there was a reduction in the cost of labour. The running cost of marginal mines is high and often such mines can only be profitable if they take a ruthless approach to cutting costs. Empowerment activist, Joe Mthimunye (2014) concurs, ‘deep drilling is required due to depleting resources. Deep drilling is associated with an increased operating expense and [is] hazardous’.

The labour standards also deteriorated due to outsourcing, as black beneficiaries of BEE employed labour brokers who were commissioned to employ mineworkers. The dominance of labour brokers in the mining sector indicates a high level of subcontracted mine employees who receive wages considerably lower than permanent employees, with no medical aid or pension fund contributions. It demonstrates, ‘the empowerment of some is often built on the disempowerment of others’ (Bezuidenhout, 2008, p. 186). University of Witwatersrand Vice Chancellor and Political Analyst, Professor Adam Habib (2009 and 2010) concurs:

All the mines do is pay the labour broker, so the cost of labour is lowered. And if anybody goes on strike, the mines say that I have nothing to do with this, I gave the contract to XY labour broker, and this has nothing to do with us. The way they have actually done it is by contracting out. That is what COSATU (Congress of South African Trade Unions) has come out against heavily, and, in that context, if you end labour brokers what happens to the cost of labour? [Labour costs will increase; the profitability of mines will decrease]. A lot of the mines that got sold off to black entrepreneurs were marginal mines, basically, Anglo American etc. To make a profit on it was to drive down labour standards and they started to do this in quite a dramatic way.

Labour unionist, Zwelinzima Vavi (2010) contends that the thrust of empowerment was to ensure ‘decent work meaning both quantity and quality

of jobs, rights of workers to be treated fairly in the workplace, the right to collective bargaining, the right to health and safety and improve the standard of life of all ordinary people'. However, there appears to be a disconnect between empowerment policies, the implementation thereof and the expectations from mineworkers. The achievements of black owners within the mining sector outweigh the success of the socio-economic development of mineworkers and their respective communities.

### *3.2.2. Wage disparities*

Rospabe (2001) states that one of the biggest challenges that face post-apartheid South Africa is the racial relations in the workplace. Wage discrimination to favour whites, although legally done away with in the 1980s, is still prevalent in many organisations (Hinks, Macun & Wood, 2007). In addition, much of the black workforce is still largely unskilled in comparison with their white counterparts. Rospabe (2001) conducted an econometric study on the role trade unions are playing to reverse these historical imbalances. The research found that trade unions have significant wage bargaining power for their members, and that the racial earning gap, where whites are paid more than their black counterparts on equivalent levels, occurs in the non-unionised sectors. This trend notwithstanding, the mining sector had realised gains in real wages since the advent of democracy. Workers in the mining and quarrying industries saw real median pay rise from an estimated R3 000 per month in 1997 to R5 500.00 in 2013 (LRS, 2014).

Despite the real wage increase, the 2014 platinum strike began on 23 January after the Association of Mineworkers and Construction Union (AMCU) reached a deadlock in separate negotiations with Amplats, Implats and Lonmin over wages and conditions of employment (ENCA, 2014). In contrast to the wave of strikes that had swept the platinum belt during the previous two years, the 2014 action was protected. Of the approximately 200 000 workers employed, 70 000 embarked on a strike demanding that the basic, entry-level salary for underground mine workers be increased to R12 500 per month (Sosibo, 2012; Hartford, 2014). This amount the miners declared a 'living wage' (Mantshantsha, 2014), which was more than double the wage estimated at R6 000 paid at the time of the stoppage (Barron, 2014). The median national living wage in South Africa stood at R3 033 per month in 2013, while the poverty line for an average household of 3 to 4 people is a wage of R2 108 per month (LRS, 2014). Two months into the strike marked the beginning of the negotiation process. The platinum producers initially offered a nine per cent increase, followed by 10 per

cent; nevertheless, the negotiation process arrived at a deadlock. On 24 June 2014, a three-year wage deal was signed stating that R12 500 will materialise, but only after three years (Brand, 2014).

The salary of R12 500 is in sharp contrast to the annual remuneration packages (including salary) of Chief Executive Officers (CEOs), who average an estimated R1.5 million for executive directors (Shumane and Taal, 2013). This is extraordinarily high compared with global standards, stated Massie, Collier and Crotty (2014) in their 2014 book, *Executive Salaries in South Africa: Who Should Have a Say on Pay?* Among the arguments advanced to defend the wage gap, is the law of supply and demand. Protractors contend that empowerment strategies were also intended to develop skills due to the shortage locally of highly educated and skilled people with fears that such highly skilled individuals might leave the country if not suitably remunerated (Seccombe, 2014). Platinum company, Amplats CEO, Chris Griffith's total remuneration package is estimated at R18 million per annum. Griffith's defends his salary, 'Am I getting paid on a fair basis for what I have to deal with in this company? Must I run this company and deal with all this 'nonsense' for nothing? I'm at work. I'm not on strike. I'm not demanding to be paid what I'm not worth' (Seccombe, 2014, p. 1. para. 15). The stark contrast in salaries between mineworkers and top executives indicates B-BBEE, or the Mining Charter, ultimately empowered black owners, who are billionaires, and the second tier of those who run the mines i.e. CEOs and executive directors, yet the policy has made limited inroads into the socio-economic upliftment of the majority of employees.

### *3.2.3. The living wage*

Theoretically, a living wage allows the earner to accommodate for adequate shelter, food and basic necessities. The mining sector sourced cheap labour, placed them in hostels separate from their families, and created an unstable environment. As the platinum boom drew more workers to the mines, these settlements multiplied. A central grievance in the 2014 strike concerned the dismal living conditions of many workers in the platinum belt (Brand, 2014). All respondents argued that regardless of the basis of the strikes, they were fundamentally a living wage issue.

Historically, miners had been migrant labourers who were housed in single-sex hostels under appalling conditions. Implats Head of Sustainability of Ethical Risk, Andile Sangqu (2014) stated, 'We have not been able to settle and normalise the effects of the past'. The mining sector was built on the migrant labour system.

According to NUM (2015), the mining sector is still predominantly dependent on the migrant labour system today. Mineworkers travel from communities and countries that are substantially long distances from mining operations. They have to leave their families and work on the mines to sustain their families at home by sending them money every month. Mining houses primarily provide single sex dormitories for migrant workers. In addition to having families where the mineworkers originally reside, they create new families near the mining operations (Mthimunye, 2014). The mineworkers' salaries are now divided between two families and in an attempt to sustain both families; they obtain micro-loans on a monthly basis at high interest rates. With individual salaries already consumed by two families, micro-loan repayments are not paid timeously. The Mining Charter dictates that should a mineworker have a family, he is required to reside in a family unit and if he is single, the mining house provides single sex dormitories. Amplats confirms that in an attempt to circumvent the lack of compliance with the Mining Charter, platinum mining houses began issuing 'living out allowances'. This allowance proved to be insufficient to sustain the mineworkers' second families, primarily due to micro-loan repayments. As a result of undesirable living conditions, mineworkers created townships just outside the mining operations, particularly the Rustenburg area.

All respondents confirmed that the strikes were the result of social ills due to the unintended consequence of mineworkers, uprooted from their families, living in single sex dormitories. In 2012, there were approximately 40 shantytowns in the Rustenburg area, while an estimated 45 per cent of homes in the region were informal (against a national average of 15 per cent) (Chinguno, 2013). The majority of mining companies ignored this development, as did NUM and the government. 'Yet a social and economic time bomb was being created,' stated labour columnist, Terry Bell (Bell, 2014).

Following the demise of apartheid, efforts were made by government to address this legacy (Kane-Berman & Moloi, 2014). The empowerment policy required mining companies to convert the dormitory facilities of single-sex hostels to family units and single-occupant rooms by 2014, and to work with organised labour to help employees become homeowners (RSA, 2010). Mining companies offered workers who wished to leave the hostels a living-out allowance of approximately R1 800, an estimated \$145 per month (Van Rensburg, 2013), to assist with accommodation costs. The charter also required companies to work with surrounding communities in assessing and addressing developmental needs.

In interviews conducted by the South African Institute for Race Relations (IRR) for a report on the state of the mining sector after the Marikana strike of 2012:

Workers who had been employed in the sector over preceding years (some as early as 1940) said they had to sleep in bunk beds that were no more than hollows carved into concrete. Only one blanket was provided to a miner – no pillow – and the rooms were not locked, meaning that workers had no security for their possessions. Ablutions were conducted in communal shower rooms that did not always have water; in these instances, the miners washed in a dam. Meals were insufficient, of poor quality, and could be denied as punishment (Kane-Berman & Moloji, 2014, p. 26). During an unauthorised visit to a Lonmin hostel in 2014, IRR researchers found both unclean, poorly maintained bathroom facilities for men who were still sharing rooms, as well as family units that they described as ‘quite pleasant’ (Kane-Berman & Moloji, 2014).

Progress was reportedly made with the conversion of hostels and community-improvement endeavours, albeit at an uneven pace (Moolman, 2013; Kane-Berman & Moloji, 2014). Mining houses, such as Harmony Gold and Amplats, have attempted to meet these targets; the Harmony Gold Mining Charter (Harmony, 2013) reported improvement regarding skills development; however, socio-economic development made limited progress. With reference to hostels, Harmony had made progress but not met its targets. In an attempt to address one of the primary grievances of overcrowding and appalling living conditions Harmony undertook to donate land for housing. The building of houses to accommodate workers, in the case of Lonmin, proved more problematic (Marinovich, 2014); the living-out allowance proved a case study in unintended consequences. Many workers treated this as a supplement to their wages and cut housing costs by seeking the cheapest accommodation available: shacks in a proliferating array of informal settlements that had little, if any, provision for water, sanitation, refuse removal, roads or electricity (Hartford, 2012). Shouldering certain expenses that had previously been borne by the mines (Kane-Berman & Moloji, 2014) and often supporting two families, one at their place of work, another in their home area, miners typically became enmeshed in debt to meet obligations, and found their salaries whittled away each month by garnishee orders for monies owed (Bond and Desvarieux, 2014). Lonmin Executive Vice President of Communications and Public Affairs, Lerato Molebatsi (2014), asserted that to address the housing issue successfully, ‘we

need to address the issue of migrant labour, which requires addressing the labour relations South Africa has with its neighbouring countries’.

International Labour Organisation (ILO) South Africa Director, Vic van Vuuren, argued that mining managers had failed to respond appropriately to these developments:

Management is divorced from the socio-economic challenges facing their employees, such as the displacement from their homes, the long distances they have to travel and the slum-like conditions they live in... That is an indictment of management in general in South Africa. If they had been more engaged, they could have negated a lot of what is on the table now. It’s a situation that has been building for years and has blown up in their faces (Barron, 2014, p. 5).

Chamber of Mines, Head of Transformation Vusi Mabena (2015) asserted that the DTI Codes of Good Practice and the Mining Charter require prudent implementation strategies so as not to create unrealistic expectations within communities and increase the resource burden of private companies to unsustainable levels. Research conducted by the IRR reported a sense among mine managers that the industry had to address socio-economic matters, which were ultimately the responsibility of government (Kane-Berman & Moloï, 2014). The socio-economic empowerment in the mining sector cannot rest squarely on the shoulders of mining companies; it has to be a concerted effort between the private and the public sector.

### *3.4. Ownership versus the socio-economic element of B-BBEE*

The KPMG report (2008), which tracks BEE sector performance on an annual basis, does not focus on the beneficiaries of empowerment contracts and whether it is a circulation of black elite who dominate the mining sector; however, it has critiqued the barriers restricting economic transformation. In order of importance, the barriers include the following:

[1] The poverty barrier is of paramount importance and can be addressed through the empowerment elements of employment equity and socio-economic development.

[2] The skills barrier can be addressed by the skills development element.

[3] The business barrier can be addressed by mine companies sourcing work from black enterprises, which is weighted according to the preferential procurement and enterprise development element.

[4] The opportunity barrier focuses on black ownership and management control and although deemed important, does not receive priority.

According to KPMG, each barrier needs to be tackled in sequence and once they have all been appropriately addressed, South Africa will be in a position to create equitable economic opportunities. The KPMG 2008 results identified that the acceleration of economic transformation would be possible by reducing the seven pillars, as provided in the Codes of Good Practice, to four pillars (KPMG, 2008). The four pillars would include black ownership; management control; employment equity and preferential procurement. The report argues that employment equity goes hand-in-hand with skills development; if one is achieved, the other is automatically achieved. The report suggested the same principle would apply to enterprise development and preferential procurement (KPMG, 2008). One can argue that the skills barrier should take priority over the poverty barrier and that the opportunity barrier should not be deemed a priority at this stage. South Africa currently faces structural unemployment, where there is a need to upskill the workforce. An estimated 40 000 black small and medium enterprises (SMEs) close down each year due to the lack of business skills, moreover mining houses are faced with an estimated fifty per cent of their workforce consisting of either unskilled or semi-skilled workers (Implats, 2014; Lonmin, 2014). Once the skills barrier is addressed, the country will see an upward mobility of society hence addressing the poverty barrier in South Africa.

In the recent interviews conducted in 2014 and 2015, all respondents agreed that the challenges associated with implementing the more difficult elements of socio-economic and skills development within the Mining Charter stem from structural and legacy issues, many of which the once oppressed are still dealing with today. The DTI (2015) added that, it is difficult for B-BBEE to address all problems that exist within society. As a result, socio-economic development has a smaller weighting because there are other dedicated government departments whose sole responsibility is to address social issues. The respondents agreed that empowerment policies have seen a few successes but not to the extent required for increased transformation. The majority of respondents believed that B-BBEE has benefitted a few and not the majority of South Africans it intended to benefit, such as the unemployed and those living in rural and disadvantaged communities. They held that transformation through B-BBEE begins by first uplifting communities and ensuring that they are involved in

economic activity. The Chamber of Mines of South Africa (COMSA) added that ‘...for more than 300 years, a certain population group has been ostracised to participate in the economy of the country; therefore we cannot expect to have achieved transformation within 20 years. We are currently on a journey... over the last 10 years; it is unrealistic to say that B-BBEE is failing’. Lonmin (2014) and COMSA (2015) concur that the ‘Mining Charter is a step in the right direction’. Most of the respondents agreed that the reasons why transformation had been hindered were due to the lack of enforcement of B-BBEE on the part of government. As stated earlier in this article, NUM asserts that the challenge lies with both government and the mining sector due to the latter not complying and the former hesitant to enforce. Consequently, the more difficult implementation elements of the Mining Charter, according to private stakeholders, NUM (2015) and B-BBEE activists include enterprise and supplier development, procurement and socio-economic development. The DTI (2015) identified enterprise and supplier development as a difficult element to implement. They advised that the SME sector in South Africa would encourage the majority of the population to move from the lower income bracket to the middle-income bracket. Currently, the smaller black-owned businesses are often acquired by larger white-owned consortia, which diminish the entrepreneurial development and small business development within the South African economy. This has resulted in the DTI (2015) believing that enterprise and supplier development is necessary to further encourage transformation within South Africa’s economy; therefore it is classified as a priority element in addition to ownership and human resource development. Respondents from the mining houses acknowledge that they are not as committed as they should be in terms of delivering upon the requirements of the Charter and often refer to it as a ‘ticking the box exercise’. They believe that there needs to be an increased investment in human resource (skills) development, particularly within the area of hard skills, developing and offering employee ownership programs, and increased collaboration by all stakeholders. All stakeholders, with the exception of the DTI (2015), stress the need for considerable improvement of basic education in South Africa. Lonmin added that an educational blueprint for South Africa is needed, as this serves as the point of departure with respect to South Africa’s future needs, ‘we should be asking ourselves whether we have the right foundation for transformation to be realised as currently we don’t’.

#### **4. Conclusion**

The root cause of labour unrest in the South African mining sector is circuitous, while the traditional rational choice theory provides a partial perspective; the theory does not adequately provide an explanation for the recurring problem that led to the death of mineworkers, the living wage and labour disparities. An alternative discourse regarding causes of conflict in Africa as posited by Obi (2009) presented an opportunity for this study to go beyond the reductionist approach of resource curse issues (Rosser, 2006) and explore other factors that could be the root cause of labour conflicts in the South African mining sector. With an alternative discourse the root cause of labour unrest and conflict in the South African mining is due to libertarian paternalism in the form of patterns of empowerment, of a few wealthy elite, and disempowerment, of mineworkers, whose expectations from empowerment policies were improving the socio-economic conditions, labour standards and addressing the wage disparities. Although libertarian paternalism succeeded to nudge actors to support empowerment in a manner that would not have been feasible due to the racial inequalities of the past, there are considerable limitations which have created labour instability. Considerable resources have been spent on empowerment policies such as B-BBEE and the mining charters; billions of rands have been made available for funding black empowered businesses over the last 10 years. The labour unrest within the mining sector brings into focus the inadequacies of these empowerment policies.

In the interviews conducted and triangulated with existing literature, mining reports and data, the focus on empowerment policies is on black ownership in the mining sector rather than on the socio-economic transformation of mineworkers and the surrounding communities. Moreover, patron-client relations exist, with a few politically connected beneficiaries of empowerment policies who continue to dominate the market resulting in barriers to entry for emerging entrepreneurs. The Mining Charter sets targets to which mining companies should comply; however, the aspect of real empowerment across a broad-based spectrum requires accountability and transparency. There are limited restrictions on how many contracts an individual can acquire. Despite legislation to ensure the upliftment of mineworkers there are inadequate sanctions to ensure the entrenchment of empowerment policies.

To date, no mining company's license has been revoked if empowerment targets were not met. There is a growing concern that the recurrence of labour unrest in the mining sector will have a devastating effect on the South African economy, which narrowly avoided a recession in 2014 due to the five-month long platinum industry strike. Most stakeholders agree that empowerment is an essential component to the transformation of the mining sector, however empowerment can only be realised during periods of high and sustained inclusive economic growth. All the above-mentioned factors find their interplay in the social forces, global processes and transnational forces as represented by global markets and capital owners. These issues are beyond simple logic of union rivalry, local political feasibility, and predatory ruling elites often associated with the resource curse explanation. An alternative discourse regarding the causes of conflict in the South African mining sector is needed to address the recurring problems factoring in that blessings, uncertainties and curses co-exist and co-evolve. Implats Head of Sustainability of Ethical Risk, Andile Sangqu (2014) asserts that empowerment becomes a possibility during economic growth; yet becomes problematic in the absence of economic growth. The leaders in the mining sector have failed to communicate the realities. In the absence of communication between mineworkers, their respective companies and government, the expectations of mineworkers cannot be managed with reference to empowerment policies, as workers require immediate tangibles rather than long-term solutions. Mining houses interviewed are of the view that in order to prevent a strike of such magnitude from reoccurring, increased transparency and engagement between employers and employees are required; in addition to up skilling and educating people to prevent violence. The long-term empowerment plans should be based not merely on ensuring that mineworkers have improved labour standards and living conditions in hostels; it must include skills development as the imperative for the more than 40 per cent unskilled and semi-skilled mineworkers, thus meeting the demands of a globally competitive economy. All these recommended steps however should dovetail with an alternative discourse of looking at the resource conflict in Africa.

### **Biographical Notes**

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### **Appendix: List of interviews**

The interviews were either face-to-face or telephonic interviews (subject to proximity and budgetary constraints). All interviews were recorded with the interviewees' permission. Subsequently, the interviews were transcribed, collated and coded, the textual and archival data were triangulated with the material gleaned from the semi-structured interviews; linking that of the empirical and theoretical data. The secondary data consisted of various government documents, material published in South African and international media, existing literature, and documented reports.

<b>Date of interview</b>	<b>Name</b>	<b>Designation</b>	<b>Interviewer</b>
4 February 2015	Mabena V	Chamber of Mines, Head Transformation	Charlene Githu
30 January 2015	Brukwe L	Transformation Manager for the National Union of Mineworkers (NUM)	Charlene Githu
22 January 2015	Anon	South African Department of Trade and Industry (DTI)	Charlene Githu
20 January 2015	Nevhotalu L	Amplats, Head of Transformation	Charlene Githu

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15 December 2014	Sangqu A	Implats, Group Executive, Head of Sustainability of Ethical Risk	Charlene Githu
5 December 2014	Molebatsi L	Lonmin Executive Vice-President of Communications and Public Affairs	Charlene Githu
21 November 2014	Mthimunye J	Empowerment activist and AloeCap CEO	Charlene Githu
13 September 2010	Rumney R	Economist and Head of the Centre for Economic Journalism in Africa at Rhodes University	Renee Horne
15 July 2010	Nzimande B	Minister of Higher Education and General Secretary of The South African Communist party	Renee Horne
12 July 2010	Spicer M	Business Leadership South Africa CEO	Renee Horne
9 July 2010	Erwin EA	Former Trade and Industry Minister	Renee Horne
9 July 2010	Manuel T	Former Finance Minister	Renee Horne
23 June 2010	Van Rensburg	Anglo-American/Zimele MD	Renee Horne
15 June 2010	de Lille P	Leader of The Independent Democrats	Renee Horne
15, June 2010	Vavi Z	COSATU General Secretary	Renee Horne
10 June 2010	Habib A	University of Witwatersrand Vice Chancellor and Political Analyst	Renee Horne
5 June 2010	Lekota M	ANC National Chairperson	Renee Horne
20 July 2009	Masombuka T	Responsible for BEE partnerships at the Department of Trade and Industry	Renee Horne
20 July 2009	Netshitenzhe J	Former political strategist to the former President Thabo Mbeki, Office of the Presidency	Renee Horne
11 July 2009	Habib A	University of Witwatersrand Vice Chancellor and Political Analyst	Renee Horne
10 June 2009	Macozomo S	BEE Company Safika	Renee Horne