

# Mining could play a critical role in growing jobs

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South Africa's bleak employment outlook underscores the pressing need for the country to revisit its policy on mining with a view to generating investment-led growth in one of the few sectors of the economy with the potential to absorb large numbers of unskilled labour.



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Much is being made of the new spirit of investor optimism following the election of Cyril Ramaphosa as leader of the ruling ANC – in large measure, polls suggest, on the strength of his commitment to economic growth, and jobs – but much will depend on thorough-going policy revision, and the mining sector would be a good place to start.

The significance of mining's potential employment contribution is borne out by the recent *Fast Facts* report, "Nice Work ... if you can get it", from the IRR's Centre for Risk Analysis. It shows that South Africans without skills – the vast majority – are being left behind in an economy that is shifting towards high-skills tertiary and service industries.

Hamper mining, and you make it much harder for people without skills to find jobs. Yet, bad policy has had a negative impact on the mining industry.

## The Mining Charter effect

When the controversial third Mining Charter was released in June last year, the shares of mining companies tumbled, with some R50bn being wiped off the value of mining shares. Mining policy in South Africa has long been poorly conceived. Instead of encouraging investment and helping the industry to thrive and create jobs, mining policy seems rather to be aimed at punishing, if not destroying, the industry.

This approach will not benefit the country. [As a Citibank report found, South Africa still has some of the world's largest reserves of mineral wealth, at about US\\$2.5trn.](#) But without the expertise of mining companies to access this wealth, this potential will remain locked away. It will not benefit ordinary South Africans, nor the government.

As Chamber of Mines CEO Roger Baxter noted at the Joburg Indaba in October 2017, the South African mining industry is, in real terms, smaller today than it was in 1994. It also only accounts for 8% of South Africa's GDP, whereas in 1981 it accounted for almost close to a fifth of GDP.

Of course, this is partly because the South African economy has diversified and increasingly relies on services. But mining has also been hindered rather than helped by the government's policies. This is a major opportunity lost. If the mining industry had grown since 1994 at the same rate as the rest of the economy, it may have been double the size it is today.

At its peak in 1987, mining employed nearly 800,000 people. Today, it employs fewer than 500,000. This number is likely to keep decreasing as miners feel the squeeze from a hostile government and a difficult operating environment. Without a major policy rethink, the loss of jobs is unlikely to end in the near future.

## **Making mining 'uninvestable'**

Mining has the potential to be one of South Africa's key economic drivers. Yet, from 2001 to 2017, the number of people employed in mining declined by 12%. Over the same period, the number of people in formal employment in South Africa grew by 60%, while the number of people employed in financial services grew by over 120%.

But the government's approach to BEE in mining has been problematic from the outset, as it has enriched the few while harming the many. The third iteration of the Mining Charter is so damaging as to make the sector 'uninvestable', as the Chamber of Mines has warned.

The new Mining Charter threatens companies with the cancellation of their mining rights if they fail to maintain 100% scores on ownership, skills development, and community upliftment for 30 years or more. It will bring 'irreparable damage' to the mining industry, says the chamber, which has made application to have it set aside on judicial review before the Pretoria High Court next month.

The charter will primarily benefit the state mining company and a small elite at the pinnacle of the ruling party. At the same time, it will greatly hurt the poor as investment dries up, growth declines, tax revenues shrink, and more mining jobs are lost.

## **Predictable, competitive and stable**

Mining policy has long been so damaging that, even during the global commodities boom from 2001 to 2007, South Africa's mining industry failed to grow. By contrast, the mining sectors in other countries grew by 5% a year on average over that same period.

If South Africa is to reap the benefit of its great mineral wealth – and if the decline in mining jobs is to be arrested and turned around – the government needs to withdraw the Mining Charter and embark on fundamental reforms to mining legislation. These must aim to give the country what the National Development Plan recommended more than five years ago: a regulatory regime which is 'predictable, competitive, and stable'.

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