

MINING SECTOR WAGE STRUCTURING: LITERATURE REVIEW

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Introduction

Wages and salaries are the key factors that determine labour cost for employers and they are source of income to the employees. This information is critical to policy guidance and relevant in the day to day business decision making. Wages and salaries are not protected to international competition based on inflation and the fluctuation of the currency. Not only workers contest with fellow colleagues on domestic labour markets and better income, but also compete with foreigners. Even though international competition fills the skills shortage but worsens the gap along other dimensions. Countries with an open labor are mostly affected by the circumstance of international competition (Tong, 2012).

South Africa is a country plagued with unemployment and poverty, and is a desperately unequal society. An enormous percentage of the South African population is either not working or if they are, they are in the informal sector where salaries are generally low. If you compare South African miner's salaries to major developing world countries, such as China and India, then South African miners are not doing too badly in the pay stakes, and they appear to be earning slightly more than some of the Chinese and Indian miners. At around R 6 000 a month (which is roughly \$ 730 per month) they are in a better position than many other miners in developing countries. However when you compare the salaries of South African miners to developed countries such as Australia, Canada and the USA, then South African miner's salaries really are dismal (Kihn, 2012).

To put things into perspective, according to the results of a salary survey, a miner in Canada with 6 – 10 years' experience will earn a base pay (excluding benefits) of around \$4150K (R53,610.64) a month. This is nearly six times what a miner in South Africa would be earning. Whereas if you compare the salaries of professional, skilled workers in South Africa, such as an Engineering Manager, they would be earning roughly the same, as what they would be earning in Canada (Kihn, 2012). The mining industry in South Africa is one of the main contributors to the economy. The Department of Minerals and Energy estimates that until 2007 gold contributed to 5.4% of the country's GDP, and South Africa produces nearly 90% of the platinum metals on earth, 80% of the manganese, 73% of the chrome, 45% of the vanadium and 41% of the gold (Department of Minerals and Energy, 2009). The industry attracts migrants from various parts of the country and from other countries in the region. It is estimated that about 60% of workers in the mining sector in South Africa are from neighboring countries, mainly from Lesotho, Mozambique and Swaziland (Mining Sector Report, 2010). The following factors determine wage structuring;

1. Gender Wage Inequality

Globally, progressive executives have recognised that to focus on gender equality in their business is not only the ethical thing to do, but also good for business. The research from the Australasian Institute of Mining and Metallurgy (AusIMM) surveyed about 3,000 workers nationally including a wide range of mining professionals, mining engineers, geologists, metallurgical and materials engineers, environmental scientists and other professions working in the mining sector. It was found that there was a 27.1 per cent pay gap between men and women in mining, a problem which needed to be addressed (Hair, 2014). The South African gender pay gap is estimated, on average, to be between 15%-17%. This implies that a South African woman would need to work two months more than a man to earn the equivalent salary that he would earn in a year. Mining and other heavy industries lag behind in terms of gender pay equity. Salaries in government are, on average, better for both men and women than similar comparable jobs in the private sector (Bosch, 2015). A pay equity audit must be conducted right across the national ranks and take immediate steps to address the problem.

2. Education Level

Economically education is a form of security assurance against poor wages. Research findings proves that there are different types of earnings based on education levels. Between 1992 and 2007, the average real wage in urban China increased by 202%. The wage gains in this period consist not only of growth in the base wage for unskilled workers but also in wage premiums. Although wages for workers with a middle school education grew by an extraordinary 135%, those for college-educated workers saw an even more phenomenal rise, increasing more than 240 %, thus resulting in a sharp rise in the skills quality (Ge & Yang, 2012).

According to Borat (2000) matric average wage is close to 70% of the median degree wage, for those with less than a matric their median income falls by 35% points relative to the highest earner. While incomplete secondary education would yield a median wage return that is 36% of the highest median, this differential increases dramatically when individuals have primary schooling or less. We are left then with three distinct wage segments in the labour market: one for those workers with a matric or more, those individuals who have some secondary individuals who have some secondary education and finally individuals who have primary schooling or no education. This would suggest that race, together with education is still an important predictor of earnings in South Africa. Again though, the labour market in wage terms is segmented quite clearly by education levels: individuals with a matric or degree earn significantly more at the median, than those with a Grade 11 qualification or less.

3. Ethnicity

Wage disparities among ethnic groups exist in almost every country. According to Ajwad & Kurukulasuriya (2002) two main reasons prevails firstly, members of different ethnic groups may choose different levels of accumulation of productive skills. This may be motivated by, among other things, culture, geographic proximity, historical reasons, etc. Second, even in the presence of equal differently depending on the ethnic/gender group of the worker. Such potential causes of wage disparities are not necessarily mutually exclusive and hence, may occur in conjunction with each other. Considerable research on wage inequality due to ethnicity has been carried out in the United States, particularly since the emergence of civil rights legislation

(Ajwad & Kurukulasuriya, 2002). A limited number of studies have examined the determinants of wages in Sri Lanka.

The study found out that wage disparity is not necessarily caused by ethnicity however there may be gender disparities in wage rates. New data from a minimum wage report from School of Economic and Business Sciences (SEBS) at the University of the Witwatersrand shows how much the average South African gets paid across race, gender and industry in the country (StaffWriter, 2016). Drawing from a wealth of statistics and databases (including, but not limited to data from the department of Labour, various research papers, surveys, the PALMS series and many others), the researchers were able to determine the average (mean) and median wages across industries, genders and race groups in South Africa. What the group found, echoes recent data published by Analytico, which showed that, on average, men earn far more than women – and in terms of racial demographics, whites earned far more than blacks. Overall, in South Africa, the average salary increased 35% between 2003 and 2012, to R7, 443 (median: R3.897), with extremely high levels of wage inequality, where the upper decile of earners command 40% of the wages paid. Africans and Coloureds wage is low and Whites wage is higher therefore race wage gap is still very strong in South Africa.

4. Age

Research shows that a brief look at age participation in the labour market suggests that wage rates are low among the youngest ages, rise steadily thereafter to peak between 25 and 45 years and then decline steadily as workers approach retirement (Constantin, 2009). In the USA, younger age groups do face a lower wage pay gap than older age groups, however, this has not changed substantially in the ten years between 2003 and 2013 (Constantin, 2009). In Pakistan, age earning profile reflects positive association till the age group of 60 plus, whose wages are 25% less than that of the adult (30-59 years) (Irfan, 2008). Teenagers lie at the lowest stage having 39% of the adult wage. Youth exhibits a better position but get 70% of those of the adults in the year 2006/07. Examination of the data is suggestive of widening differentials overtime. For instance teenagers were having 57% of the adult wages during 1990-91, which underwent a reduction subsequently. While the teenagers suffered a decline in real wages since early 1990's, the youth experienced the same fate except that real wages reflect an improvement in 2006/07. The real wages of adult experienced a cut during 1999-02 and then had an increase subsequently, a trend also shared by employees belonging to the age group of 60 years plus (Irfan, 2008). Earnings gap and earnings discrimination studies in post-apartheid South Africa have focused predominantly on the race dimension (Bhorat & Goga, 2012).

5. Trade Unions

Labour unions can affect wages offered tremendously depending on where in the world the job would be based. The labour unions aim is often to use their influence to demand a higher wage, they are also involved in regulating the supply of labour which affects salaries paid (Soderbom & Teal, 2002). Fang & Verma (2002) argue that since the 1970s, the wage gap has varied between 10 and 25% in Canada and between 21 and 32% in the U.S. as cited by Freeman and Medoff (1984). However, since that time, wage differentials may have shifted in light of external pressures such as globalization, technological advancement, and demographic changes. Many changes have occurred in workplace practices, such as flexibility, employee involvement, and the adoption of technology.

Since unionized and non-unionized workplaces are free to adopt innovations from each other, how they were implemented may also have contributed to shifts in wage differentials. Some components of wage differences between the two groups of workers may persist because of union policies—for example, union insistence on standard wages with no variable pay component or seniority rules. But other differences may narrow or widen as union and non-union workplaces 'compete' with each other (or with a common foreign competitor) by adopting workplace innovations to enhance quality, productivity, safety, or other outcomes of interest. According to Borhat & Goga (2012) past studies have found that trade union members earn substantially higher wages than non-union workers. New results suggest a much lower union wage premium (6-7%) when the impact of the size of the firm, the type of employment and non-wage benefits are properly taken into account. On the other hand, bargaining council agreements have a higher impact on wages than unions do, so that the cumulative wage premium of unions and bargaining councils averages more than 16%. For the public sector this can be as high as 22%.

6. Wages by sector

Bhorat (2000) analyzed the three key service sectors that yield the highest median wages which namely are community services, financial & business services and utilities in South Africa. The inconsistency between the two primary sectors is partly, though not solely, a function of different union density figures in the two sectors, with the mining industry being highly organized. An interesting switch occurs in the primary sectors when looking at the wage data: while these two sectors are relatively low paying, White workers in these sectors have the highest median wage across all sectors for all race groups. The race figures also show that across all sectors the median wages of Africans and Coloureds are very similar, while the sector differential for Asians and Whites is smaller. The Community Services sector reflects public sector employees primarily, and this result reinforces the notion of the sector being the largest employer, as well as a relatively high wage employer.

Table 1: Median Wages by Sector

SECTOR	MEDIAN	% OF UTILITIES
Agriculture	436	17.36
Mining	1500	59.71
Manufacturing	1500	59.71
Utilities	2512	100
Construction	1212	48.25
Wholesale & Retail Trade	1346	53.58
Transport	2177	86.66
Financial & Business services	2500	99.52
Community services	2500	99.52

Source; (Bhorat, 2000)

Conclusion

Wages differ significantly between industries and occupations. The results show that wage inequality persists in South Africa based on gender, race, education, industry and occupation, with education and race significantly stronger than the other factors. Based on Borhat (2000) wage analysis per sector shows that wage inequality is more prominent by community services, financial & business services and utilities. Historically wage inequality was based on ethnicity and gender. However Post-apartheid South Africa derived policies and strategies to eliminate wage inequality. Trade unions assisted in assuring that wages are equal in all sectors for people under trade unions though continuous research is required and adaptation to new strategies and laws regarding labour.

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