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Financialisation and Labour: What does Marikana tell us about Inequality in South Africa?

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Abstract

This paper focuses on the relationship between financialisation and inequality in South Africa. As such, the focus is on the importance/significance of finance and the financial sector in perpetuating old and new inequality fault lines in contemporary South Africa. It uses the tragic Marikana story as a case study to examine the relationship between inequality and financialisation of the economy. In particular I ask what has financialisation of the South African economy meant for the mineworkers of Marikana? Financialisation of the economy and its social relations is extending the reach of finance and financial interests into hitherto virgin territory, thereby reinforcing old inequalities while at the same time introducing new ones. The consequences press the working classes to the wall and complicate the power arrangements within and among the unions. At the heart of the matter is the character of the Minerals Energy Complex (at the centre of South Africa's social and economic affairs) and its needs. I contend that the MEC is fundamental to the understanding of inequality in South Africa. Marikana itself, points to new and novel sources of inequality reinforcing the old.

Keyword(s): Finance, Financialisation, Labour
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1.0 Introduction

> "*The settlers town is a strongly built town, all made of stone and steel. It is a brightly lit town; the streets are covered with asphalt, and the garbage cans swallow all the leavings, unseen, and unknown and hardly thought about. The settler's feet are never visible, except perhaps in the sea; but there you're never close enough to see them. His feet are protected by strong shoes although the streets of his town are clean and even with no holes or stones. The settlers' town is a well fed town, an easy going town; its belly is always full of good things. The settler's town is a town of white people of foreigners. …*" *(*Franz Fanon; "The Wretched of the Earth")

This paper focuses on the relationship between finacialisation and inequality in South Africa. Financialisation is defined after Krippner (2005) and Arrighi (1994), as a pattern of accumulation in which profits accrue through financial markets rather than through trade or commodity production. As such, the focus is on the importance/significance of finance and the financial sector in perpetuating old and new inequality fault lines. South Africa has one of the highest Gini coefficients in the world[2]. The Gini coefficient measures the extent to which income (sometimes consumption) is distributed among agents in a country[3]. South Africa's Gini over the years under review (See figure one) has remained virtually the same, around 67. Obviously such a high coefficient makes South Africa one of the most unequal countries in the world. According to the World Bank the top 10% of income earners in South Africa have an income share of 57%. This inequity is closely related to the unemployment story and addressing one is by default to address the other.

In essence, financialisation with its defining volatility (in portfolio flows) threatens to perpetuate and further embed all the inequality of the old pre 1994 South Africa. Bond (2010, 6) citing the Institute for Democracy figures supports this line of argument; he notes that the Gini Coefficient increased from 0.56 in 1995 to 0.73 in 2006, and shows how black households lost 1.8% of their income between 1995 and 2005, while white households gained 40.5% (Bhorat et al 2009 in Bond, 2010).

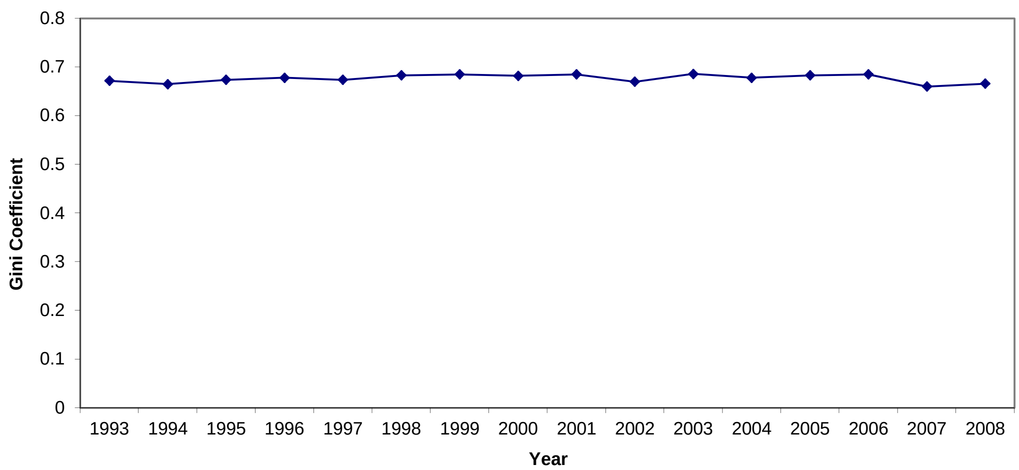

Figure 1: Gini Coefficient for South Africa. *Source: South African Presidency*

[2] See Figure 1.
[3] A coefficient of 0 would mean perfect equality and one of 100 would represent perfect inequality.

Inequality in South Africa was embedded at the time of origin. From a small Dutch outpost on the southern toe of Africa in 1650 to the contemporary South Africa of the 21st century, the inequality persists. Just as military conquest and social subordination are central features of the early beginnings, social exclusion and economic inequality define the more recent history. According to Gelb (2004), *"Conquest culminated in the defeat of the Boer settler republics in 1902. The peace settlement inscribed racial discrimination in the foundations of the new South African state ..."* The argument here in this paper following Gelb, is that inequality in South African is embedded inequality-embedded at the time of its founding. The paper centres on the relationship between the relatively new financialisation phenomenon and the age old inequality.

I adopt an interdisciplinary political economy approach to the theorization which begins with Fine and Rustomejee's (1996) modelling of the South African economy. In Fine and Rustomjee (ibid), South Africa is construed as a minerals energy complex (MEC), in which economic activity is organised with huge mining companies and huge energy parastatals at the centre and as the motor for the entire economy. Essentially, diamonds were found in Kimberley in the 1860s, then gold in the Witwatersrand in the 1880s, and this then set the stage for handful of corporations to assume hegemony over South Africa's economy. According to Sharife (2011), *"At one point, Anglo American and DeBeers – run mainly by the Oppenheimer family dynasty – controlled almost half the country's gold and platinum, a quarter of coal, virtually all diamonds, as well as critical stakes in banking, steel, auto, electronics, agriculture and many other industries."* Structurally it's the fact that mining (especially deep earth mining) is an economic activity in which economies of scale play an influential role in determining profitability that accounts for the large size and for industry concentration.

The entire social and economic system is made to serve the needs of the MEC, with growth and economic development predicated on its well being. Thus, gross capital formation, the type of industrialisation and even scientific enquiry are all determined by the needs of the MEC. The MEC in this article is construed as a theoretical construct (derived from historical circumstances) where *"internal and external"* factors … *"dominate the country's economic, social, and political structure and its relations with the rest of the world"* (Beckford, 1972: 12). In that the MEC is a total institution it dominates the social structure in such a way as to promote certain types of social and economic dependencies. The hallmark of a total institution is its emphasis on uniformity and conformity. In such circumstances independent thinking, innovation, and other creative responses are suppressed in favour of the status quo. New ideas, are therefore always at a premium and this affects policy makers in the same way as it affects other economic agents. The MEC frames the context of all discussion, it has its own imperatives and in its total institution form the MEC insists that there is no alternative. Today in South Africa the mining sector still employs more than half a million people and generates 60 per cent of export revenues (FT, September 17, 2013). That is the extent of the domination.

The paper is arranged as follows; the rest of this introduction is taking up with an analysis of the industry concentration in the banking system in South Africa, a task that I see as important because concentration is a defining feature of South African business arrangements and very much a legacy of the past. Section two, briefly traces how financialisation was introduced in South Africa and outlines/describes the statutory precursors and the end result of that process. Section three tells the Marikana story and isolates three aspects that are pertinent to the enquiry. The main idea is that in the post democratic period everything has remained more or less the same. There is still the dependence on cheap migrant labour and the jarring inequality remains. What is new is the ascendancy of platinum as the new gold of the current period. Section four concludes.

1.3 Concentration

There are four very big banks that dominate over the financial affairs of the country – Standard Bank, ABSA, First Rand Bank and Nedbank. Together they account for just over 84 per cent of aggregate banking assets in the system[4] (figure 2 below). According to Okeahalam (2001), the number of firms that supply products in a market and the proportion of the market that each firm supplies determines concentration. Concentration in turn is said to indicate the degree of competition to be found in an industry.

The Herfindahl–Hirschman Index (H-index) and the Concentration ratio (CR4) both measure market concentration in the banking system. In order to calculate the H-index for the South African banking sector I used South Africa Reserve Bank (SARB) data (1994-2011).

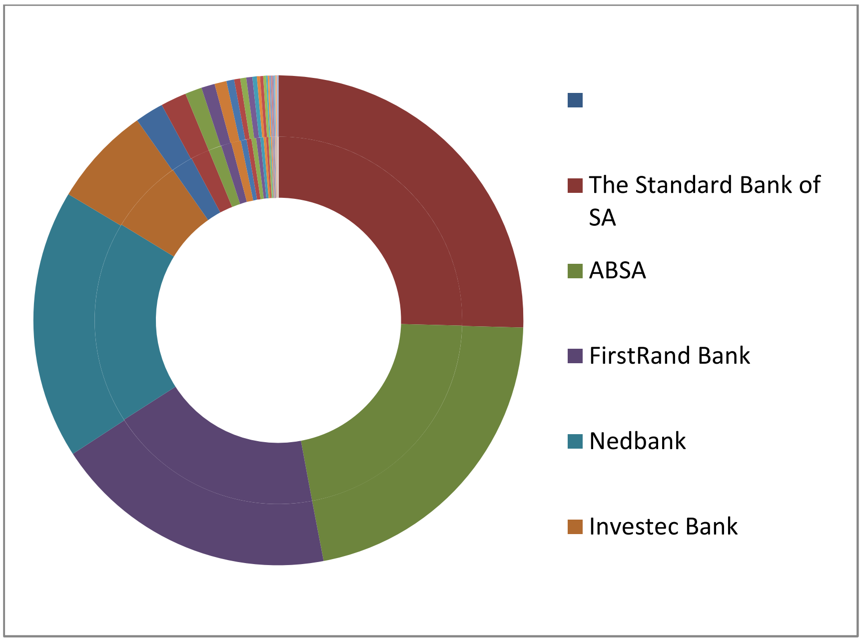

Fig 2: Banks by Total Assets. Source: SARB, 2011, Overview

[4] If we include Investec as many writers are increasingly doing we in effect a "big five" that hold over 90% share of total assets in the bank sector.

The South Africa Reserve Bank (SARB) attributes the high level of concentration within its system to the high concentration of banking assets among South Africa's big four banks[5].

The seven largest banks total assets were calculated and the assets of all the other banks were summed to render the aggregate total assets for the banking system. From there the market share of each bank was computed by dividing individual bank's assets by the total assets of the entire sector. Thereafter each banks market share was squared and then all the squared market shares were summed to produce the H-index.

In order to derive the CR4 I calculated the individual market shares for the four biggest banks then summed these shares to get the CR4 ratio. Table 1 below shows the HHI and CR4 for the banking sector from 1994 to 2011.

Table 1: H-index and CR4 Measures

Year	Total HHI	Total CR4
Dec-93	2038.892	79.16658
Dec-94	2016.579	77.60044
Dec-95	2010.46	77.90285
Dec-96	1987.34	77.70677
Dec-97	1937.832	74.60585
Dec-98	1944.35	69.05898
Dec-99	1811.399	70.54982
Dec-00	1819.513	70.15941
Dec-01	1838.426	69.24093
Dec-02	1807.98	74.05095
Dec-03	1840.212	80.6621
Dec-04	1927.916	83.58961
Dec-05	1926.803	83.73721
Dec-06	1927.877	84.04153
Dec-07	1961.275	85.08949
Dec-08	1970.07	84.41601
Dec-09	1954.445	84.63766
Dec-10	1925.611	84.68148
Dec-11	1909.959	84.10601

Source: Own calculations from SARB Annual Reports

The table reveals high levels of concentration that somewhat differentiates South Africa from other countries. The second distinctive feature of South Africa's social structure is the degree or the extent to which finacialisation has become a key feature of the social structure and economy. The foundation stones for the concentration in the South African financial sector are:

[5] See Bank Supervision Department Annual Report 2011, Pg 55

1. The historical legacy of domination by a small number of large imperial banks
2. The historical struggle between English and Afrikaner capital
3. Statutory legislation that framed the future operations of the banks[6].

2.0 The Financial Sector and Financialisation in South Africa

South Africa's financial sector is large, sophisticated and deep. This in itself is a matter of some contestation within the economics profession. Some argue that the income share of the financial sector should remain constant on the balanced growth path and that for a given interest rate the financial sector's share of national income should be independent of the growth rate of the economy. This suggests that the size of the financial sector should approach zero when its efficiency is either very low or very high. Alternatively, others argue that a large and growing financial sector is a sign of increased inefficiency in the sector, reflected in increased intermediation costs. Here a large and sophisticated financial sector is neither sufficient nor necessary for growth and development of the real economy. In the South African case the empirical record shows that while financial and capital market developments are often regarded as evidence of a nascent potential for economic growth, the country continues to face persistent unemployment, stagnant real wages (alongside high levels of income inequality). In actuality, anaemic rates of growth mean that the economy cannot grow at a rate fast enough to provide anything but a stubborn 26% rate of unemployment of the labour force. In fact, the data shows that in South Africa finance as an industry contributes scant to employment[7].

Financialisation speaks to three interrelated processes associated with the global tendency for financial markets to play a larger and larger part in social and economic life;

1. The liberalisation of trade and capital controls.
2. The global tendency towards deregulation of markets and the closely associated rise of privatisation.
3. The increasing importance of financial innovation made possible by Black-Scholes and the explosion in information technology.

The process itself dates back to 1971 when President Nixon took the United States off of the Gold Standard. In so doing, he transformed the exchange risk from a public (previously borne by the State) to a private risk. That single move in the monetary environment has spawned a global industry that today deals in huge sums of money on a daily basis. The 1970s are viewed as a transition decade with the tendency towards financialisation starting in earnest circa 1980[8].

2.1 Statutory and Legislative Precursors

In South Africa the legal and regulatory push towards financialisation started with the De Kock Commission in 1978. The Commission produced three reports; the first in 1979 sought

[6] Verhoef (2009) gives a detailed account of the history.
[7] Block, 1987 *(*in Krippner ibid, 175) observed; *"The financial sector is not employment intensive and its products do not show up in transparent ways in national economic statistics."*
[8] See Nesvetailova 2007 and McKenzie 2011.

an end to exchange controls. The second assessed the relative positions of the building societies and financial markets in general. The third produced in 1985 signalled a sea change in South African monetary affairs by replacing direct regulatory controls with market determined mechanisms which were to serve as controls. In effect this 1985 Report aligns South Africa with the then new global tendency towards marketisation and financialisation.

Starting with DeKock's third report in 1985, interest rates were liberalised, the practice of directed credit and credit controls was discontinued. By 1994 barriers to entry to the financial sector were lifted and in 1995, South Africa abolished its dual exchange rate system, unified the rand exchange rates and removed capital controls on non-residents.

These were the main legal and regulatory foundation stones in the advance of finacialisation in South Africa. The ground had been prepared.

2.2 Interest and Dividends Paid and Received

In figures 3 and 4 we turn now to a consideration of financial incomes paid and received across sectors. Dividends paid by the non financial corporation's sector amounted to approximately R225billion in 2012. In 1995 the dividends paid by nonfinancial corporations amounted to approximately R35billion. In the heady pre-crisis years of 2006/2007 this amount had approached current levels, but in the aftermath of the crisis there was a steep decline to the R175billion level in 2010. This is the greatest magnitude of dividends ever paid in the economy it speaks to the Krippner definition of financialisation and indicates the deep underlying changes in the behaviour of agents in a financialised South Africa. The rapid retracement to current levels suggests that dividends paid category of the incomes paid by this sector has resumed its pre-crisis trajectory and importance.

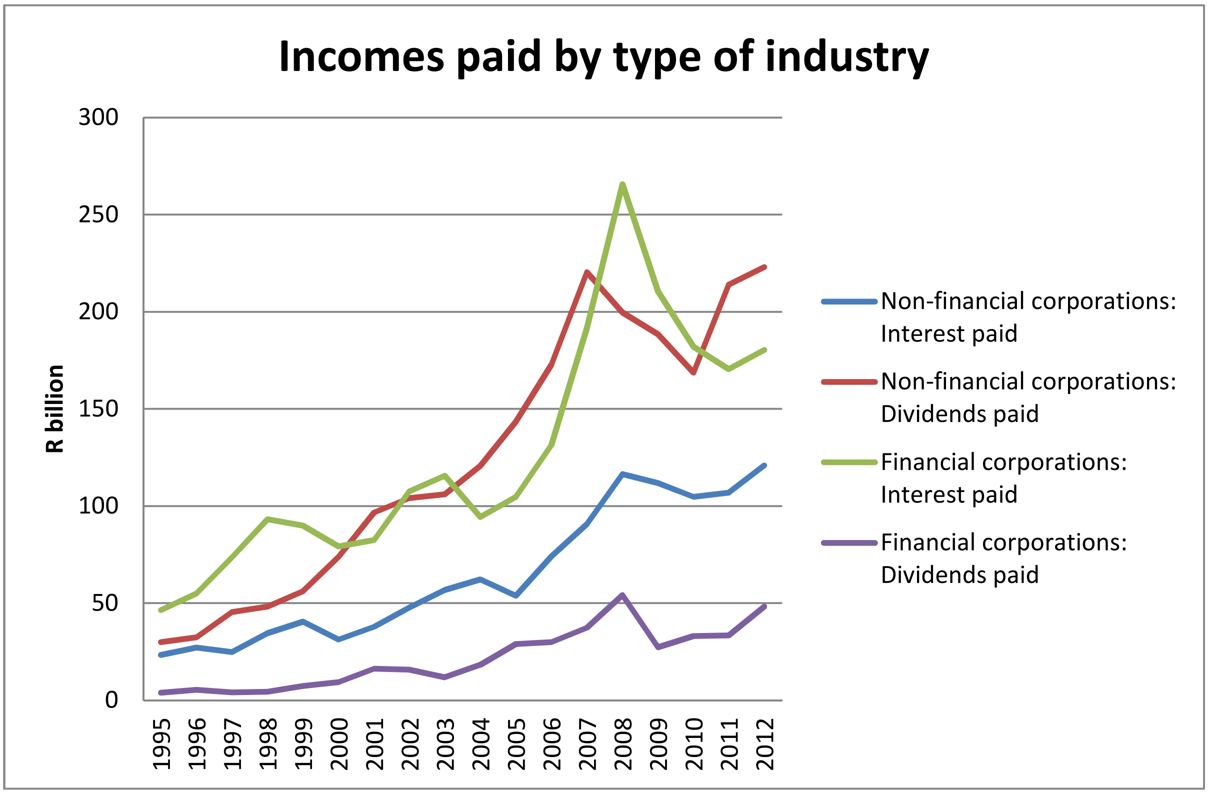

Figure 3

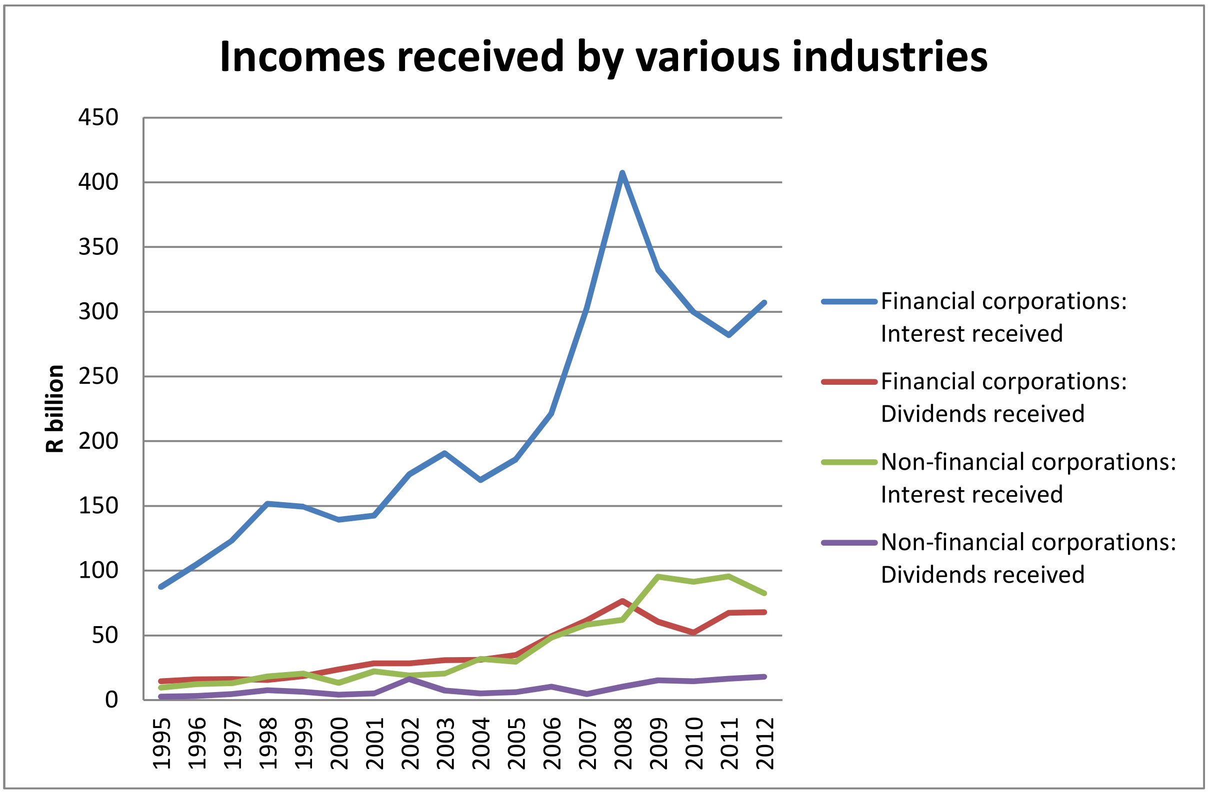

Figure 4

Figure 4 (Incomes received by various industries) shows the extent to which interest income received by the MFI sector has come to dominate the flows of funds in more recent times. The visual picture is dramatic as it is stark. In 2012 South Africa's financial corporation's received interest income amounting to just over R300billion. The data suggests that some sort of recovery towards the pre-crisis levels of over R400billion is underway, what is unconfirmed is whether or not the rate of increase will be as steep and rapid as it was between 2004 and 2008 when interest income received by the MFI sector grew from around R175billion to just over R400billion in the intervening four years. Of further note in figure 5 is the relationship between MFI dividends received and NFI'S interest received categories. For the first time in 2008 the latter exceeded the former and the relationship has held ever since. Figures 4 and 5 together suggest that NFI's are increasingly reliant on finance and credit for incomes and that MFI's have deepened and increased interest income activities (McKenzie, 2013).

3.0 Financialisation, Platinum and Labour – What can Marikana tell us?

On August 12, 1946, more than 60,000 workers in Witwatersrand downed tools and withdrew their labour in pursuit of better wages and working conditions. Police were deployed to break the strike and ultimately used deadly force to quell the labour unrest. Nine workers were killed and approximately 1,248 other workers were injured. Sixty six years later in the early August of 2012, labour unrest again turned into a violent confrontation at a mine in South Africa and resulted in three deaths. Over the coming weeks the mining dispute sharpened and conflict between mine workers, mine managers and owners became more intense. It culminated on August 16 2012, at the Marikana mine in Rustenburg in a particularly violent confrontation where 34 strikers were killed and approximately 80 more injured. After that protests were taken up by gold miners, agricultural workers and many other sections of the working class. The historical parallel is striking; in 1946 as in 2012, the issues of pay demands, exploitation and inequality remain the same but there is a twist in the tail.

Recalling the steep rise in incomes paid and received (figures 3 and 4) and the general financialisation thesis that finance and the financial sector now encroach on almost all aspects of economic activity; Marikana (and it regrettable deaths), provide a vivid illustration of the deepening hold of finance and financial interests on economic activity in South Africa today. It also provides a vivid illustration of the role of financialisation in endowing old inequalities with new and novel features. The old inequalities centre again on pay and living conditions. The demand in 1946 was for the Chamber of Mines to bridge the gap between the wages of blacks and whites in the mines. Striking workers demanded 10 shillings a day, and in 2012 the demand was for R12500 a month (Naicker, 1976, Daily Maverick Sept 6, 2012)[9].

[9] The strikers eventually agreed a 22 percent (taking them on average to about R11,500 a month) pay hike to settle the Marikana dispute. Marikana fuelled demands for similar rises throughout the mining industry. At one point between 80,000 and 100,000 miners had taken strike action (Countercurrents.org). Strikes have hit Lonmin, Aquarius, Impala, Anglo American Platinum, Royal Bafokeng Platinum, Xstrata, AngloGold Ashanti, Gold Fields, Gold One, Harmony Gold, Kumba Iron Ore, Petra Diaminds, Forbes, Manhattan Coal and

3.1 Platinum

Marikana[10] lies some 24km to the east of Rustenburg about 100km from Johannesburg. Marikana is a mining town - more specifically it is a *Lonmin* mining town. Lonmin is the world's third largest platinum producer and the town is more or less entirely dependent on the mine for its social and economic activity[11]. In March 2013 the company reported platinum sales of 326,142 ounces with an operating profit of $90m (up from $14m in the previous period). Underlying earnings per share rose to 12.3 cents from a loss per share of 3.7 cents a year ago (fin24.com). In Marikana, one of the Lonmin mineworkers and long time Marikana residents sees the company differently. He observes, *"Lonmin is a mine from London. They come here saying they are bringing international investment, but look at the way we live --- We have no roads, no lights, no water."* (Daily Maverick, 6 September 2012).

South Africa is home to 88 per cent of the world's platinum reserves. Until the 1990's there was very little demand for platinum. Because of the use of catalytic converters in car exhaust systems, demand (and consequently price) increased in spectacular fashion starting in the late 1990's until the Great Recession of 2008. In the interim the industry experienced a huge expansion in size and scale in the North West Province and in Limpopo. As one would anticipate, rising demand and the expansion in size made for expanded profitability throughout the period. Platinum surpassed gold as the biggest component of the South African mining industry and it is increasingly the most dynamic element of South Africa's post apartheid MEC[12]. Platinum is the gold of the MEC described by Fine and Rustomjee, it is very much the centre piece of the MEC Model II in the period under consideration.

Since 2008, demand for cars globally but especially in Europe has declined substantially, prices and profit margins have contracted. Confronted by over supply producers have cut back supply, and many of the smaller ones have been closed and workers laid off. In the period from 2008 to 2012 therefore, the burden of adjustment has been shouldered by workers who have been laid off or placed on short time[13] (Capps, 2012a). Another new development is the entry of new companies from China, Australia and Canada all jockeying for position and placing downward pressure on profit margins that the companies seek to contain by reducing unit labour costs (ibid).

Samancor. In addition to miners, 180,000 municipal workers and bus drivers took strike action and Toyota halted production at its Durban facility because of a strike at a parts supplier. There was evidence that Lonmin had previously struck a wage deal outside collective bargaining processes with workers in July 2012. Later on, the company resolutely refused to engage workers over another wage dispute in August.

[10] According to Patel in the Sept 6th, 2012 Daily Maverick, The town's name is derived from the name of a nearby stream, Maretlani – itself named after a shrub indigenous to the area. She goes on; *"The history books, jaundiced as they are, say the town of Marikana began life in the year 1870, but the Bapo people of Kgosi Mogale have longed called the area home."*

[11] A feature of MEC arrangements is its *total institution* character. RT Smith in the original application of the Goffman concept of the total institution to plantation society describes it as a bureaucratically organized system in which blocks of people are treated as units and are marched through a set of regimented activities under the close surveillance of a small supervisory staff.

[12] See Capps in Amadala, Issue 26, September, 2012.

[13] Angloplats alone laid off 19,800 workers during the period.

There is no underestimating the strategic importance of platinum to the national economy and the ANC government. If fuel cell technology becomes generally available platinum could well become South Africa's oil. It is important both for the fiscus and for social policy.

One such social policy area is Black Economic Empowerment (BEE). BEE comprised a varied set of regulatory initiatives and funding mechanisms aimed at redressing the country's, *"...legacy of systematic economic marginalisation of the black majority. Its goals were to reverse the long-standing patterns of racial discrimination with respect to employment, land tenure, and ownership; to support small and medium-sized businesses belonging to historically disadvantaged groups; to encourage and finance the purchase by black investors of equity stakes in existing companies; and to build a workforce that reflected the demographic make-up of the country (Southall 2004, Tangri and Southall 2008, cited in Pitcher, 2012)."* Privatisation aligned well with the goals of BEE because it offered opportunities for increasing black ownership (Reddy 2004, p. 23, ibid). Consistent with the goals behind black economic empowerment, most privatisation deals included black investors. Since 2003, BEE has been superseded by Broad-Based Black Economic Empowerment Act (B-BBEE). According to Pitcher (ibid) the revised policy aimed not only to encourage black ownership and a representative workforce, but also to promote skills development, managerial control, and procurement policies aimed at black-owned businesses.

Privatisation although it aligned well with BEE proved to be politically charged, but in time the government discovered a new set of instruments far more benign but infinitely more suited in the circumstances to channelling economic power to the historically disadvantaged. The ANC over a period of time have come to adopt a minerals led industrial policy with platinum as the centre of the policy and have opened the industry to BEE entities[14]. *"… This gave it considerable leverage to propel black entrepreneurs into platinum"* (Capps, 2012a).

Fine and Rustomjee (1996, 52) contend that the very same class interest can be served by privatisation as by nationalisation. In this connection it is worth noting that if the objective of privatisation was to promote the dominance of the market and of market forces over all others, then much the same thing has been achieved by the ANC with its emphasis on efficiency, commercialisation, competition and corporatisation. The marketisation of the South African has resulted in the selfsame loss of jobs in the state sector and the same casualisation and racination of labour as was feared under privatisation[15]. Just as, "... *Minerals and energy then were the vehicles through which Afrikaner capital integrated into the industrial core of the economy*" (Ashman and Fine), they are again vehicles for integrating capital with the economy's industrial core - this time it is black capital.

There are three aspects of the Marikana tragedy that are pertinent to this enquiry;

[14] This initiative is widely credited with giving Tokyo Sexwale, Patrice Motesepe and Cyril Ramaphosa their places in the platinum industry. (see Capps, 2012a)
[15] See McDonald and Pape 2002, Bond 2002 cited in Pitcher 2012

1. It emerged that the company had not done enough, as stipulated in the mining charter, to provide the migrant labourers who worked in the mines adequate and proper accommodation. The specific responsibility fell to its mineral resources department which failed to enforce the implementation of the housing and living conditions standards developed in 2009[16].
2. The nature of the relationship between the National Union of Mineworkers (NUM) and Association of Mineworkers and Construction Union (AMCU) the role of the various leaders in the events that led to the slayings.
3. The role of indebtedness and the advance of the unsecured lending in promoting the conditions that led to the scar that is Marikana.

It is correct to say that while opportunities have been broadened for many families since 1994, the probability of receiving good healthcare, education and nutrition are still too low - *"The probability of someone from a township or rural area getting to a university and getting a job as a professional is yet even smaller"* (Manuel, 2012). This is the basic inequality in the system and this type of structural or embedded inequality in the South African case should only be viewed through the lens of the MEC.

3.2 Contemporary Migrant Labour Arrangements

South Africa's mining industry is a global commodity price taker. According to Hartford (2012) that means, "*…it is characterised by the stringent, inflexible economics of being, critically dependent on the rand/dollar exchange rate, while simultaneously being constrained by a largely fixed and inflexible input cost structure composed of labour costs (50% plus of all costs), administered price setting in water/power supply and the manufactured equipment of the "stores" which are largely within a standard cost structures)."* These realities make for just one area of core competitive advantage: "*... that of enhancing the productivity of the work team on the face to maximise the advance per blast and the number of blasts in any shift cycle. And even in this core arena, there is minimal scope for restructuring without confronting the hard trade-offs between the quantum of labour supply and work re-organisation for greater productivity in deep level mining." (Ibid)*

In a recent public lecture, Trevor Manuel[17] attributed the deep-seated causes of the unrest to the, "*Colonial oppression and racial exploitation, perpetuated for over three centuries and dominates our history."* He goes on to point out that deficiencies in the systems of equity and fairness lie at the heart of the problem. Extending this line of reasoning I posit that the causation of the Marikana tragedy lies in the history and MEC pattern of exploitation. As Manuel puts it, *"While there have been positive developments, the system of migrant labour, of leaving one's family to work in difficult conditions deep underground for a relatively small*

[16] "According to Ishmael Semenya who represents the company in the judicial enquiry that followed, "The apparent failure to monitor progress [on the implementation] could very well have contributed to the events which culminated in this tragedy."

[17] Minister in the Presidency and Chair of the National Planning Commission - speaking at the Ruth First memorial lecture at the University of the Witwatersrand, Johannesburg September, 2013

return, has not changed in a century and a half." For the migrant labour from Zambia, Zimbabwe, Mozambique and elsewhere the mining conglomerates are not able to provide decent housing to all the workers. Lonmin employs some 28 000 workers but provides accommodation to less than 10% of this number. Thus mineworkers faced with pressures on their incomes who receive living-out allowances from the company use these allowances to supplement their incomes by living in informal dwellings (Mining Weekly, August 30th 2013). The relative returns to the small number of mine owners and managers stand in stark contrast to the conditions in the informal settlements and the nearby communities from which the workers hail (ibid). The 2001 Census cites 38 informal settlements along the Rustenburg platinum belt, with 40% of the households in the Marikana ward living in informal dwellings- the national average is 15%. Behind the squalid settlements that surround the mineshafts there are enormous profits to be made. *"Production increased by 60 per cent between 1980 and 1994, while the price soared almost fivefold. The value of sales, almost all exported, thus increased to almost 12 per cent of total sales by the mining industry. The price rose so dramatically throughout the 1990s that it is on par with gold as the country's leading mineral export. South Africa's platinum industry is the largest in the world and in 2011 reported total revenues of $13.3-billion, which is expected to increase by 15.8% over the next five years. Lonmin itself is one of the largest producers of platinum in the world, and the bulk of its tonnage comes from the Marikana mine. The company recorded revenues of $1.9-billion in 2011, an increase of 25.7%, the majority of which would come from the Marikana shafts."* (ibid)

In explaining rising worker discontent a Bench Marks Foundation (2012) study of platinum mines in the North West province pointed to a number of causal factors. Lonmin was identified as a mine with a high number of fatalities[18], very poor living conditions for workers and unfulfilled community demands for employment. Significantly the study found that almost a third of Lonmin's workforce was employed through third party contractors. This form of employment is not new in the mining industry in South Africa. Indeed, since minerals were discovered in the 19th century labour recruiters have scoured the southern half of the continent for workers. The big point at least the big point from this paper's point of view, *"... is that the mining industry remains dependant on cheap and flexible labour, much of it continuing to come from neighbouring countries."* (Capps, 2012)

Two statements by striking miners reflect the big idea that is being established here. In the first in 1946, a migrant worker exhorts others to down tools. He says, *"When I think of how we left our homes in the reserves, our children naked and starving, we have nothing more to say. Every man must agree to strike on 12 August. It is better to die than go back with empty hands."* [19]In the second in 2012 the spirit and intent is an echo of the former, *"It's better to die than to work for that shit ... I am not going to stop striking. We are going to protest until we get what we want. They have said nothing to us. Police can try and kill us but we won't move."* (Mail and Guardian, October 18, 2012). The meaning should be clear ... post 1994,

[18] The number of fatalities at Lonmin has doubled since January 2011, and the company has consistently ignored community calls for employment, favouring contractors and migrant workers.
[19] The *Guardian*, Cape Town, August 9, 1946 in Naicker (1976).

apartheid's cheap labour policies (of the Nationalist Party) remain dependent on a migrant labour force housed in same appalling living conditions with much the same scurrilous labour brokers as vehicles for recruitment. Migrant labour was the core foundation and economic imperative of the South African MEC, and the labour market infrastructure from which the entire Bantustan system and the apartheid order were built post 1948. The MEC entrenched the edifice of apartheid to enforce the migrant labour system and it has remained unchallenged ever since (Hartford, 2012).

3.3 The National Union of Miners (NUM) and the Association of Mineworkers and Construction Union (AMCU)

Worker struggle in the platinum fields is not at all new. Since 1994 there have been many wild cat strikes that were led by the workers themselves and developed outside of the ambit of the NUM. In these cases the NUM had to play "catch up." According to Gavin Capps (Odile Jolys, September 2012, Interview in *Labour: Marikana and Beyond*, Rosa Luxembourg Stiftung Southern Africa, 2013), *"The NUM has had to reassert its control as the main bargaining power between labour and capital."* Again an understanding of the present lays in the past. The biggest recognition struggle was fought at the Impala[20] mines in 1992-1993. Capps points out that this is an important landmark because it demonstrated the strength of worker initiative and the power of the rank and file to organise that had developed over the years as something of a tradition (ibid). The build up to massive stoppages that involved 40,000 self organised workers took place clandestinely and slowly; when eventually hit by this worker action, Implats desperate to secure their investment, signed a recognition agreement with the NUM.

Since then the ordinary worker has become increasingly disaffected and removed from the NUM. Capps (ibid), offers a three pronged explanation for this. First, there is the extent to which the NUM has become a behemoth of a bureaucracy, too often playing catch up with the rank and file. The NUM structures were not built from bottom up, often the Union arrives at a scene after the outbreak of struggle initiated it by the rank and file, organises a big rally and hands out membership forms. Second, *"NUM's immense role in the tripartite alliance and at NEDELAC[21] shows that it wholly embraced corporatism and the social contract model"* (ibid). Third and last, after the recognition struggle of 1992/1993, the mine owners and its managers recognised that it was better for them to have to negotiate with the NUM than with self organised atomistic groups of self directed workers. Accordingly strategies were designed to co-opt the union leaders (both organisers and shop stewards)[22]. For these reasons, it appears that the mine workers at Marikana turned away from the NUM and embraced AMCU.

[20] Impala operated its mines in Bophuthatswana Bantustan. In this area of the North West, there had been a history of zero tolerance and ruthless suppression of worker protest, "the North West is in fact well geared up for this type of action because it has the institutional means and memory to do so" (ibid).

[21] The National Economic Development and Labour Council.

[22] One example would be locating the union office and the manager's office alongside each other at Implats.

AMCU was formed in the coal mines in Witbank by shop stewards who refused to accept a particular NUM deal[23]. The union appears to be more in touch with the rank and file on the ground. The defections from the NUM are testament to the fact that the members feel that AMCU more effectively represent their aspirations. AMCU, Capps (ibid) argues should be seen as, *"The extreme expression of the bureaucratisation of the NUM on the one hand and the extreme exploitation of the workforce on the other."* The union grew organically out of these seeds because of its stronger grassroots orientation.

According to Capps (ibid), the problem with the inter-union rivalry between AMCU, the NUM, Solidarity and UASU is that it allows managers and owners to drive a wedge in between the workers and to play the "divide and rule" strategy game. Perhaps more importantly, it reduces the great historic achievement of the NUM in unifying the mineworkers to rubble in that it makes possible the tearing up of many hard won union recognition agreements. Lonmin's new recognition agreement with AMCU illustrates the point. The agreement is more inclusive than the previous one with the NUM. The new recognition agreement sets a threshold of 30% for basic rights, such as access and deductions, and 40% for representation and bargaining rights. The agreement also means that, although there are four unions represented at Lonmin — AMCU, the NUM, Solidarity and the United Association of South Africa (UASA)[24] — only AMCU will now be represented in the bargaining forum. Previously Solidarity and UASA enjoyed special rights despite being small. However a 50%-plus-one member threshold remains for majority status. The record suggests that *Majoritarianism* — the winner-takes-all principle[25] — in the labour market is in need of re-evaluation. According to Hartford (2012), *"Majoritarianism whereby the majority union bargains on behalf of all as is regarded as the sole representative of employee views in this highly unionised industry. This practice is underpinned by the following core characteristics: a high degree of centralisation of bargaining at commodity sector or company level; a heavy unspoken reliance by companies on the majority union to manage employee expectations; a merging of bargaining units in some instances to support the majoritarian practice and create a semi-closed shop environment for the majority union; a raising of thresholds for entry of minority unions to gain recognition making the majority union stable and secure as the sole bargaining partner; and finally an agency fee to be paid by non-unionised employees to the coffers of the majority unions pre rata on their membership representivity."* In the process of recognising the AMCU, Lonmin has derecognised other unions like the NUM. According to Trevor Manuel, *"The divide among the workers was one of the reasons that gave rise to the events at Marikana in August last year, and I have the sense that the bifurcation will remain in the sector for some time. Some of this may also spill over to other industries."* On the ground, the level of inter union and intra working class rivalry is extreme. The NUM claims that in 2012, 13 of its local officials

[23] There was a struggle at that colliery that included underground occupations, the NUM disciplined the workers involved and Gwede Mantashe (NUM General Secretary at the time) moved to expel the individual workers involved (Amandala, Issue 27, December 2012)

[24] In the eyes of the NUM, Solidarity and UASA, by signing the agreement Lonmin have said "... come and disrupt operations properly, you can get your recognition, just make sure it's very destructive."

[25] This principle has been blamed, in part, for the unrest. It means here that all the NUM's previous recognition agreements are torn up.

were killed by strikers at Marikana. At Lonmin and Implats, the NUM has lost approximately 20,000 members[26]. But although it has lost popularity with lower-level workers, it still represents a large number of skilled workers. In size, the NUM is followed by Solidarity and then UASA.

The case of Solidarity is interesting. Solidarity represents just over 4 000 workers at Lonmin, and although this is just 4% of the workforce, Solidarity (almost a craft union) exerts its power through the pivotal position of skilled labour in the South African economy. According to Andrew Levy[27]; "*They don't have to have the numbers but they can exert tremendous power by the fact they have all the skilled jobs.*" Peter Major[28] construes Solidarity as a lifesaver for many white mine-workers. In his view the union gave frightened people refuge, and a sense of belonging. In his own words, "*Solidarity wrote, spoke, managed and performed well. It is not an apartheid relic. It is an important transformational vehicle for stability, preservation and nurturing of skills.*" Mathunjwa (AMCU President) sees it differently; in his view Solidarity wishes to perpetuate white privilege and keeping *'little Oranje'* alive and well in the workplace. In his view Solidarity seeks to perpetuate a very old system.

It can be argued that as both the NUM and AMCU have grown out of much the same conditions and that as the rise of AMCU entails the tearing up of NUM hard won recognition achievements, we are witnessing a hugely retrograde step. Yet these developments ought to be viewed in context of the problems associated with the alienation from its membership of an increasingly bureaucratic NUM (Capps in *Amandala*, Issue 26/27, September, 2012). What is clear is that AMCU is representing a new kind of militancy that comes' bottom up from its rank and file. In that sense AMCU ought to be seen as a progressive development. Whatever the merits of the respective viewpoints, what is undeniably is that the turf wars between the various unions further divide an already fractured working class movement (ibid).

3.4 Financialisation in the form of Unsecured Lending

Zeacks (a worker at the Lonmin mine) is the subject of an allAfrica.com report of August 24th 2012. In the November of 2011, Zeacks had "*a problem*." To solve the problem, Zeacks borrowed R3500 from the mashonisa (moneylenders). Every payday, a garnishee order takes off the principal amount plus interest, which comes to R4100. This in effect means that with his pre-raise salary, Zeacks could not *come out*. According to allAfrica.com, coming out means supporting his wife and children back in the Eastern Cape, and supporting himself in his one-room shack on the outskirts of Marikana. The solution has been every month since

[26] NUM membership at Implats fell from 70 percent to 13 percent and the real figure could be even lower because workers neglect to officially leave. According to one observer, "The union is rapidly approaching extinction."
[27] Labour analyst quoted by allAfrica.com.
[28] Cadiz mining analyst quoted by allAfrica.com

November to go back to the mashonisa and borrow another R3500 to see him through until payday (allAfrica.com).

With 13 micro-lenders operating in the vicinity of Marikana, the micro-lending system has been piling on the pressure, according to some reports many workers part with more than 50% of their monthly wage to settle debts.

According et al, 2012, *"The growth of the microlending sector has been spectacular. According to the National Credit Regulator, South Africa's debt sits at R1.3 trillion, of which almost 10% is unsecured credit. Moneyweb estimates that for South Africans earning between R3,500 and R10,000 a month, as much as 40% of their income goes toward covering loan repayments. Both Moneyweb and the Mail & Guardian have reported recently on how mining communities are becoming increasingly indebted as a result of unsecured loans being advanced by cash-loan shops. Moneyweb found instances where miners had been charged more than 10 times their outstanding loan amount in legal fees. One platinum miner repaid R11, 690 on a R1, 000 loan; another miner was charged more than R20,000 for the repayment of a R1,000 loan. The Mail & Guardian quoted a Lonmin rock drill operator in Marikana as saying, 'It's easy to get a cash loan if you work on the mines. They just check your pay slip from the previous month."*

Ashman et al (ibid) conclude, *"Marikana is the epitome of the MEC of today, reflecting both the economic and social failings of post-apartheid development for the majority across so many dimensions, and the fragmentation, oppression and eruption of dissent to which it has led. But the continuing power and determining role of the MEC and white monopoly capital, the virtually unconditional support given to it by the ANC and its new black elite, the persistence of migrant labour, the pay, working and living conditions of mineworkers, and the complicity of sections of the labour movement in all of the above, have already forced many to ask how the liberation movement could have sunk so low and how it can raise itself once more."*

Of the 13 'micro-lenders' in Marikana, not all of them are small. One of the biggest is Ubank which not only has 500,000 customers, 60% of whom work in the mining industry, it is owned jointly by the National Union of Mineworkers and the South African Chamber of Mines (ibid)[29].

Just how in fact did UBank (a union owned and controlled financial institution) grow to such a size, and how does a financial institution established to help its members end up engaging in usurious lending to these self same members? The finacialisation of the South African economy has been aided by the speed and willingness of former political prisoners, exiles, present and past stalwarts of the ruling party, the unions, and the civic organisations who have sought to join the corporations. In contemporary South Africa *"members of the ruling*

[29] According to the author, South Africa's large and sophisticated financial sector refuses to lend to former homeland areas because of the existence of communal property rights. But at the same time, the richest 0.1% of the population now hold 27% of individual wealth in the form of equities, bonds, cash and deposits, real estate, and other assets.

party occupy seats on directors' boards or have received financing from the state to acquire equity in established companies." Tokyo Sexwale and Cyril Ramaphosa provide good examples. Sexwale is a member of the ANC Executive and is a former Minister of Human Settlements. He has a distinguished personal history in terms of his opposition to apartheid. Sexwale is supposed to have stood over the body of Chris Hani (General Secretary of the Communist Party) and cried when Hani was assassinated in 1993. Today, Sexwale is comfortable and known for his lavish life style prompting Denis Goldberg[30] to ask; "... *as an investor and manager in platinum mining how can the CEO responsible to the Chairman of a mining company Tokyo Sexwale ... earn a thousand times more than an average worker?"* (Odile Jolys, September 2012, Interview with Denis Goldberg in *Labour: Marikana and Beyond*, Rosa Luxembourg Stiftung Southern Africa, 2013).

Cyril Ramaphosa is presently ANC Deputy President and a former General Secretary of the NUM. Twenty-five years ago, it was Ramaphosa who led the biggest wage strike in South Africa's history when over 300,000 mine workers in the gold- and coalmines downed tools for three weeks. During a public question and answer session with Cyril Ramaphosa on Sept 11th 2013, a distraught woman stood at the foot of the University of Witwatersrand's Great Hall stage and yelled at him; *"How do you sleep at night? You have blood on your hands!"* (Mail and Guardian September 11th 2013). Ramaphosa is a former board member at Lonmin and a very successful business tycoon[31]. The woman at the University of the Witwatersrand' public meeting was reacting to a series of emails which exposed Ramaphosa's role in training the gunfire on to the striking workers at the Lonmin platinum mine at Marikana. The emails were revealed by Dali Mpofu, at the Farlam Commission of Inquiry into the Marikana massacre where he represents some 200 mineworkers who were arrested by the police. In one of the emails to Lonmin's chief commercial officer, Albert Jamieson, Ramaphosa wrote: *"The terrible events that have unfolded cannot be described as a labour dispute. They are plainly dastardly criminal and must be characterised as such. There needs to be concomitant action to address this situation." This email was sent exactly 24 hours before police fired live ammunition at the workers, killing 34 and injuring 78 others. The Times, the emails show that Ramaphosa warned Police Minister Nathi Mthethwa to come down hard on striking miners; how mining bosses lobbied him to "influence" mineral resources minister Susan Shabangu; and how he advised Shabangu that her "silence and inaction" about the happenings at Lonmin were "bad for her and government"* (The Daily Maverick, October 27th 2012).

The ANC Youth League's Shivambu commenting on Ramaphosa's role in the Marikana tragedy puts it this way; *"Comrade Cyril Ramaphosa has lost any credibility as a genuine*

[30] Anti apartheid fighter, South African Communist Party and member of the ANC he was sentenced to four life terms at the *Riviona* trial in 1964. The only white member of Umkhonto we Sizwe, he served 22 years before release from a "white" prison in Pretoria.

[31] "*Ramaphosa is no ordinary businessman who hit the big time in post-Apartheid South Africa. He is a former general secretary of the NUM and a former ANC secretary general, who, if Nelson Mandela had his way, would have already served out two terms as South Africa's president instead of Thabo Mbeki"* (Ibid).

leader of the people and a revolutionary committed to the cause of the working class. With his email to police minister Comrade Nathi Mthethwa, Comrade Ramaphosa delivered the more than 40 people to their death at Marikana. Comrade Cyril's preoccupation with the preservation of his monetary interests[32] *in Lonmin led him to call for 'concomitant action' to deal with the "criminal acts"* (ibid). It may be that Shivambu overstates the case but it is clear that Ramaphosa's credentials have indeed been damaged by his involvement with Lonmin and Marikana.

These shifts in orientation are not only pertinent in the case of individuals they are also part of wider institutional shifts which frame the social behaviour of the individual agent. Table 2 illustrates the current situation fairly well; the unions, the civic organisations have all established investment arms (and other financial interests) whose job it is to realise a profit (allegedly) on behalf of the membership by seeking profitable acquisitions across the economy. In this manner the unions in general and its worker membership now have a vested interest in supporting efficient, competitive and profitable financial markets.

Table 2

Entity (Investment Arm)	Acquisitions by Sector
COSATU (Kopano ke Matla)	manufacturing, finance, Internet technology, affordable housing developments, and tourism
The Mineworkers Investment Company	banking, hospitality and gaming, and oil distribution
SACTWU South African Clothing and Textile Workers Union (Hosken Consolidated Investment Limited)	media, textile companies, gaming, and hotels
The ANCYL (Lembede Investment Holdings)	property, fishing, agriculture, mining and other sectors
SANCO The South African National Civics Organisation (Sanco Investment Holdings)	petrol stations and media

The Post 1994 Government have emphasised efficiency, commercialisation, competition and corporatisation. In general terms the financialisation and marketisation of the South African economy has resulted in a casualisation and racination of labour[33]. Neo-liberalism dressed in the garb of the developmental state has entailed an extension of the reach of the market into areas that would have been unimaginable fifteen years ago. Urban governance and the provision of policing and security that were not so long ago the sole responsibility of the state are both now increasingly provided by private companies. Such now is the reach of the market and of finance in general.

4.0 Conclusion

For the purposes of this paper, financialisation and the dominance of financial markets are important and significant in three ways. First, large transnational corporations like Lonmin have had to become increasingly oriented towards global rather than nationally based markets. Wright argues, *"the realization of the economic value of ... commodities depends*

[32] Here Shivambu speculates, in truth we don't really know the motivation, only Ramaphosa knows that.
[33] See McDonald and Pape 2002, Bond 2002 cited in Pitcher 2012

less upon the purchasing power of workers in the countries within which those firms are located" (Wright, 1997, 20). By undermining the capacity of states to sustain economies in which “production, plant, firm and industry were national phenomena” (Hobsbawn 1979, 313), it renders obsolete the old system of bargaining in which labour and capital could negotiate wages and conditions within an enclaved territory. Second, finacialisation has contributed to a radical recomposition of the labour market. The class compromise of the Golden Age period had been founded upon permanent full-time employment, but over the last thirty years this base has been transformed. According to Giddens the permanent full-time worker, *"... has been assaulted, by a host of other competing modes of work organization - an expansion of part-time work, voluntary career breaks, self-employment and home-working....In all these areas the ethos of "industry" [what Giddens calls productivism] comes under strain (1994:140).* By subverting domestic production in industrialised countries, it encourages the cutting of labour costs through casualisation, outsourcing and the hiring of discounted (female, immigrant, racinated) workers, thereby either making blue-collar employees redundant or forcing them into the menial end of the service sector. Third and last, by widening the gulf between rich and poor nations, it makes the latter—via the export of labour or the hosting of sweatshops and *malquiladoras*—into the working class of the former. In so doing it reduces the proletariat everywhere to the lowest common denominator; it compels them to compete with little protection against the most exploitative modes of manufacture on the planet.

These forces express themselves through or rather induce a palpable collective insecurity among working people. The insecurity stems from the neoliberal insistence on labour flexibility. These developments make for a sharply fragmented/divided labour force, “... *creating a growing stratum of "flexi-workers" - part-time, casual, and temporary workers - who, along with the unemployed and the "detached" are emerging as the labour force of the future* (Standing, 1997). In the Marikana context it is not all together surprising that the insecurity should ultimately lead to conflict, violence and ultimately loss of life. This after all, is how modern South Africa was founded

All of these factors were brought to bear in Marikana as it unfolded and provided another chapter in the annals of South Africa’s inequality story. At the heart of the issue is the character of the MEC and its needs. South Africa’s Truth and Reconciliation Commission determined after 1996 hearings that the South African mining industries *“... direct involvement with the state in the formulation of oppressive policies or practices that resulted in low labor costs (or otherwise boosted profits) can be described as first-order involvement [in apartheid]... The shameful history of subhuman compound [hostel] conditions, brutal suppression of striking workers, racist practices and meagre wages is central to understanding the origins and nature of apartheid”* (Bond 1998). This paper goes a little further; I contend it is central to the understanding of inequality in South Africa. Many of the inequalities are as old as South Africa itself, but some are new and novel, not least the type created by finance when it extends its reach deep into the pockets of the Marikana mineworkers.

The basis for a Marikana is located in the country's MEC history along with the colonialism and apartheid that defines South Africa's past. Historically the MEC has premised all production on the availability of a cheap army of African migrant labour. During apartheid, the better trained workers were for the most part white. Black workers provided unskilled cheap (relative to white) labour. This is the legacy embedded by the MEC at the point of origin. The working class were here divided/fractured along racial lines. According to Denis Goldberg, *"We inherited a divided workforce from apartheid. In Europe, for example with well organised labour, the wage gap between lower and higher skilled workers is narrower. Because of our racist past here in South Africa, the difference is still extreme"* (Odile Jolys, September 2012, Interview with Denis Goldberg in *Labour: Marikana and Beyond*, Rosa Luxembourg Stiftung Southern Africa, 2013). The main idea is that in the post democratic period one important structural aspect of MEC arrangements remains unchanged - there remains the dependence on cheap migrant labour and with much the same jarring inequality. What has changed and what is new and novel is the advance of a MEC Model II where the imperative of banks and financial institutions are superimposed upon those of mining and energy interests now driven by platinum. The story in the Marikana tragedy is that the MEC Model II threatens to further widen and deepen the inequality, when in point of fact South Africa is a country badly in need of greater social equality and inclusion.

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