

# HARMONY SHAFTSTEWARDS TRAINING COURSE

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**PROGRAMME**

## **Day 1: Monday 5 December**

- 09.00 - 10.30 Welcome, induction and introducing the programme
- 10.30 - 10.40 Tea break
- 10.40 - 11.30 What happens at Harmony?  
*- views of the shaftstewards*
- 11.30 - 12.30 Giving the context  
*- crisis in the mining industry*  
*- introducing the Harmony agreements*
- 12.30 - 13.00 *The role of shaftstewards in monitoring profit-sharing schemes*  
*- what information is needed for monitoring?*
- 13.00 - 14.00 Lunch break
- 14.00 - 15.30 Calculations I  
(Presentation and exercises)
- 15.30 - 15.40 Tea break
- 15.40 - 17.00 Calculations II  
(Presentation and exercises)

## **Day 2: Tuesday 6 December**

- 09.00 - 10.30 Mine economics I
- 10.30 - 10.40 Tea break
- 10.40 - 13.00 Exercises on mine economics
- 13.00 - 14.00 Lunch
- 14.00 - 15.30 Productivity theory
- 15.30 - 15.40 Tea
- 15.40 - 17.00 Private study

**Day 3: Wednesday 7 December**

09.00 - 10.30      Introducing company accounts  
10.30 - 10.40      Tea break  
10.40 - 13.00      Exercises on company accounts  
13.00 - 14.00      Lunch  
14.00 - 15.00      Private study  
15.00 - 17.00      Visit to the Num office

**Day 4: Thursday 8 December**

09.00 - 10.30      Test: calculations and company accounts  
10.30 - 10.40      Tea break  
10.40 - 13.00      Company accounts II: The Harmony income statement  
13.00 - 14.00      Lunch  
15.00 - 15.30      Exercises on the Harmony income statement  
15.30 - 15.40      Tea break  
15.40 - 17.00      Private study

**Day 5: Friday 9 December**

09.00 - 10.30      The profit-sharing agreement at Harmony  
10.30 - 10.40      Tea break  
10.40 - 12.00      Exercises on the Harmony profit sharing agreement  
12.00 - 13.00      Company accounts III - Harmony's balance sheet  
13.00 - 14.00      Lunch  
14.00 - 15.30      Exercises on the Harmony's balance sheet  
15.30 - 15.40      Tea break  
15.40 - 17.00      Private study

**Day 6: Monday 12 December**

09.00 - 10.30 Test: income statement and balance sheet  
10.30 - 10.40 Tea break  
10.40 - 13.00 The productivity agreement at Harmony  
13.00 - 14.00 Lunch  
14.00 - 15.30 Exercises on the Harmony's productivity agreement  
15.30 - 15.40 Tea break  
15.40 - 17.00 Revision: calculations and company accounts

**Day 7: Tuesday 13 December**

09.00 - 10.30 Revision: Mine economics  
10.30 - 10.40 Tea break  
10.40 - 13.00 Revision: Productivity  
13.00 - 14.00 Lunch  
14.00 - 15.30 Revision: Company accounts  
15.30 - 15.40 Tea break  
15.40 - 17.00 Revision: Company accounts

**Day 8: Wednesday 14 December**

09.00 - 10.30 Monitoring the profit-sharing agreement  
10.30 - 10.40 Tea break  
10.30 - 13.00 Monitoring the profit-sharing agreement  
13.00 - 14.00 Lunch  
14.00 - 15.30 Calculations: profit-sharing  
15.30 - 15.40 Tea break  
15.40 - 17.00 Evaluation

## The Economics of a Mine

$$\text{Revenue} - \text{Costs} = \text{Profit}$$

# Revenue

Revenue is the amount of money a mine gets from selling the gold it produces.

Revenue depends on three things:   the amount of gold sold  
   the price of gold in US dollars  
   the rand/dollar exchange rate

<i>THE AMOUNT OF:</i>	<i>DEPENDS ON</i>	<i>which depends on</i>
Revenue	the gold price received	The World Supply of Gold - central bank sales - newly mined production - dis-hoarding / scrap sales
		The World Demand for Gold - Gold jewellery sales - investment demand - industrial uses
		Hedging (selling some or all gold production in advance at a fixed price)
	the exchange rate	South Africa's economic strength
		International economy
		Inflation rate
		Reserve Bank policy Political stability
	the amount of gold	Grade of Ore - dilution - stoping width
		Tonnage milled - productivity (many factors influence this) - hours worked - number of blasts/month

# Costs

<i>THE AMOUNT OF:</i>	<i>DEPENDS ON</i>	<i>which depends on</i>
Costs	Wages	-Wage/skill levels - Amount of overtime - Number of workers
	Hostels	Food costs etc
	Bonus payments	
	Electricity	
	Water	
	Stores	
	Interest payments	Outstanding loans
	Administration fees	
	Development Costs/Capex	
	Way of working	Use of machinery/labour Safety standards etc
	Retrenchment costs	
	Inflation	

# Profit

Profit depends on revenue and costs. Profit is a surplus; it is what is left over after the mine has paid the suppliers and workers the amounts agreed on or negotiated.

<b><i>THE AMOUNT PROFIT DISTRIBUTED TO:</i></b>	<b><i>DEPENDS ON</i></b>	<b><i>which depends on</i></b>
Shareholders as dividends	Dividend policy of directors	Tax policy of the government
		Level of reserves
Shareholders via re-investment	Prospects for the future	Gold price, government tax policy on ring fencing
Government as taxation	Mining tax formula	Tax policy
Workers as a profit share	Profit sharing agreement	

## MONITORING PROFIT SHARING SCHEMES

### Proposals from the NUM Collective Bargaining Department on Quarterly meetings

1. TIMING: The meetings must be held immediately after the publication of the results in the press
2. INFORMATION: The company must send full details of the results and the calculations to the head office of NUM to allow the union to confirm they are correct, as well as to each NUM branch committee.
3. CONTENT: The agenda items for Quarterly Meetings should include:
  - \* Presentation of quarterly results and performance details (the form the information is presented in needs to be agreed so it is as easy as possible to follow)
  - \* An explanation of the profit share calculations
  - \* An explanation of how the profit share is distributed to workers
  - \* Discussion and questions
  - \* Monitoring issues (see below)
  - \* Evaluation of training courses conducted in the last quarter to assist NUM members to understand the scheme
  - \* Any other items outstanding from the agenda of the last monthly meeting



## MONITORING PROFIT SHARING SCHEMES

### Proposals from the NUM Collective Bargaining Department on Monthly meetings

1. TIMING: The dates must be set in advance
2. CONTENT: The agenda items for Monthly Meetings should include:
  - \* Report from the mine on trends in deaths accidents and injuries and a discussion of the report
  - \* Report from the mine on changes in total employment and a justification for these changes and a discussion
  - \* Monitoring information requested by the NUM under clause 2.4 of the Chamber agreement
  - \* Report from the mine on changes planned or implemented to improve productivity and a discussion of the report
  - \* Progress report from the mine on training courses that the mine has sent workers on to improve their skills and capacity and a review of future plans to train workers. Discussion.
  - \* Outstanding items from previous meeting.

THESE ARE SIMPLY SUGGESTIONS FOR THE AGENDA FROM THE COLLECTIVE BARGAINING DEPARTMENT - THEY DO NOT ALL NEED TO BE HARD AND FAST DEMANDS. THE TRAINING COURSE CAN COME UP WITH OTHER PROPOSALS THE POINT IS TO START THE PROCESS.

## MONITORING PROFIT SHARING SCHEMES

### *Issues for review*

#### A. REPRESENTATION FROM THE REGION AND HEAD OFFICE

The mine should make it practically possible for regional and head office officials to attend meetings on the profit sharing scheme when they are invited to do so by the branch committee. This means that dates should be set well in advance.

#### B. TRAINING COMMITMENT

What steps has the mine taken, since October 1992, when the agreement was signed, to promote skills training for NUM members?

#### C. HEALTH AND SAFETY

How has the health and safety of workers fared since the scheme came into operation? If the trends are worse, why is this? The agreements say that increased profits must not be at the expense of safety.

#### E. DISCRIMINATION IN THE SCHEME

Why does the mine give the shareholders information on profits and results before the workers? This is unfair discrimination against our members because they are black and the shareholders are all white (or companies controlled by whites)

#### F. WORKER PAYMENT

What arrangements has the mine made to inform members of the arrangements under clause 2.5 of the new Anglo agreement for those who leave the mine to get their profit shares in a bank or savings account? NB

Check that the management team have the documents they need, and that they have read the agreements!

1.  
D:\NIC\AACPRMT - September 18, 1993

National Union of Mineworkers  
Collective Bargaining Department

PROFIT SHARING ON THE GOLD MINES

QUESTIONS AND ANSWERS

The first session of the NUM training course on profit sharing poses and tries to answer these questions:

- Why does the NUM get involved in profit sharing?
- What is profit sharing?
- What agreements are there on profit sharing?
- What do the agreements say?

But many other questions are asked at all stages! The questions listed below come up often at the profit sharing courses. When they come up, we write them on the board to make sure they get dealt with during the session.

Please feel free to send in any additional questions to the Collective Bargaining Department (preferably with suggested answers!)

*How can we trust that the information the management gives us on profit sharing is correct?*

We can never be absolutely certain. All we can do is make sure the information we are given, tallies with the information the mine gives to its owners.

We compare the information that management gives to us with the information management gives to the shareholders, the government and the Johannesburg Stock Exchange. We aim to check that the information given to the union is the same as that given to the owners of the mine and the people they deal with in business, the press and in the government. So, if the information is incorrect, the mining company is telling the same lies to its shareholders, the government and the stock exchange. This is the most we can say about the correctness of the information we get.

If, when we monitor the results, we think that something is wrong, we can ask the mine's external auditors to check the mine's results. These auditors are appointed by the shareholders to look after their interests. The auditors report to the shareholders every year on whether the management and the directors have produced an accurate report of the state of the company. The shareholders do not all control the company and, just like the workers, they are concerned that the results are correct and truthful.

All we can say is that, because we get the same information as the shareholders (and a bit more in most cases), the information is the best we can get, short of sending our own investigators in to look at the company's results.

*Can the management cheat us by buying expensive cars?*

Yes, they can. Motor vehicles are part of the costs of the mine and are deducted from profits. If the managers buy expensive luxury Mercedes and BMW cars instead of Toyotas and Nissans this will reduce the amount of profit available for sharing. But, under the profit sharing rules, we can ask for this information and find out exactly how much money is being spent in this way. We can try to embarrass the management, but we cannot stop them directly from spending money as they want to. (costs)

*What is "capital expenditure"?*

Capital expenditure is a special sort of cost. It is very important because it is deducted from profits before they are shared. Capital expenditure (referred to as CAPEX) is money spent to guarantee the future of the mine. For example, development underground, when the mine makes cross-cuts and shafts to get access to new parts of the ore body, is classified as capex. The mine could work, maybe for a year, without capex. But then it would need to buy a new winding engine or sink a new shaft or else it would have to close. Capex is essential for the future of a mine. But it is not the same as day to day running costs - for drill bits and explosives, props and packs used in stoping.

Capex is actually an investment that the mine decides to make out of profits. The directors could pay all the capex to the shareholders, but then after a few months, the mine would not be able to continue. The Capex ensures that the mine will continue to operate and employ our members and that, hopefully, it will continue to make profits and pay dividends to the shareholders. The NUM believes that the profit share should be calculated

before capex is deducted. Because the capex is spent to create future profits for shareholders - at a time when our members may have been retrenched. But we have lost this argument with the mine bosses. They say that capex may guarantee profits, but it also is needed to guarantee jobs - and when profits are made, in the future, they will be shared with workers. The NUM has agreed that capex can be deducted before profits are shared with workers. It is also deducted before tax is paid to the government.

The problem comes when capex is very big, for example when a mine is sinking a new shaft like at Vaal Reefs. This happens also when the gold price rises. Mines get more profit, and they invest more money in the mine through capex, wiping out profit available for sharing. So the mine is very profitable, but the shareholders are expecting their return in the future and they re-invest the profits, leaving a tiny profit share for distribution.

*If the profits go up, management can rob us by spending more on capital expenditure so the profit for sharing is less. Is this fair?*

Because of this problem, at Anglo mines the profit sharing only deducts the capex that is planned by the mine at the beginning of the year, averaged over each quarter. If the gold price goes up, and the mine spends more on capex than planned, it can only deduct planned capex. It has to pay the profit share bonus on any extra amount. But this also works against us if, when the gold price goes down, the mine cuts actual capital expenditure. Because it deducts the higher planned figure before sharing profits.

For all these reasons the NUM has to keep a very close eye on capex. We have to demand a clear explanation of the amounts the mine says it is planning to spend. And we have to monitor the expenditure to check that the planned capex is not significantly less than the actual capex over the year. [This has not been done yet].

*The mine always taxes the profit share so we get almost nothing. Can't the NUM negotiate that the profit share is free from tax?*

The tax laws state that all workers have to pay tax if they earn more than a certain amount of money. The tax is levied on all income - basic wage, overtime pay, profit share, holiday leave allowance etc - above a certain level. The level depends on whether a worker is married or single and how many children and

dependents he has. Each worker needs to check that management has the correct details for the tax deductions they make. And we can and should ask in the monitoring meetings for a clear explanation of how the tax deductions are calculated. But the NUM cannot arrange for profit shares to be free from tax.

*The whites are getting much more money from the profit shares than the black workers. It was we who negotiated the profit sharing - but they still get the most benefits.*

The NUM believes that the money from profit sharing should be split into equal rand payments for all workers.

The employers originally wanted the money split according to salary - so for every R100 a worker earned, he would get the same rand amount, but wealthy workers, because they earn more, would get much more in total. In fact, under this scheme of the bosses, the whites would each get on average five times more than blacks.

After a discussion with the white unions, the employers agreed that, if there is very little money to be shared (less than R25 per month), then the money will be shared equally, as the NUM demands.

But if there is a lot of money for sharing,

- R25 per month or one quarter of the total will be shared in equal rand amounts
- the money that is left will be shared according to salary.

This sharing scheme is more complicated, but it is much better for low-paid workers than a system that distributes money according to salary only.

Black workers make up 90% of the workforce on the gold mines, but they get only 66% of the wage bill. Under the revised distribution scheme, black workers get between 75% and 90% of the total, rather than the 66% the employers proposed.

*This profit sharing is too complicated for workers to understand in only two days of a course. Why isn't the course at least five days?*

There is a saying amongst the Chinese that "Even the hardest and longest journey starts with the first step". The course is a first step, both for worker participants and for the Collective Bargaining Department.

Black workers have never, in over 100 years of work on the mines, been given the information or been assisted to gain the knowledge to understand the finances and operating constraints of mines. Mines are very large and complex organisations. So the information has to be hard to understand. But understanding is an essential base for effective participation. If our members don't understand, workers can never take control of the mines. This is why the information and training and monitoring that goes alongside the profit sharing schemes is so vital. But worker criticism of the course is also essential for us to develop a course that really meets the needs it is supposed to. And we must put pressure on the employers as well to send comrades on appropriate training courses so that worker representatives can improve their understanding.

The Collective Bargaining Department is working to the following training programme for each mine involved in profit sharing or performance bonuses:

1. Basic course on profit sharing agreements, mine economics and calculations [2 days for 30 people per company]. The course is run by the Collective Bargaining department at the request of the relevant branches/regional office.
2. Efforts at mine level to get involved in monitoring and to compel the management to hold appropriate training courses for the branch committee. This could be followed by a follow-up course run by the head office for one or two days. Branches must request this.
3. National seminar on profit sharing and participation (attended by relevant union officials and one person from each branch involved in profit-sharing/bonus schemes plus the rest of the Chamber negotiating team). This seminar has been planned since January 1993 with the LRS. The documentation has been sent out, but still no date has been confirmed.
4. One day course for shaft stewards conducted at each branch by full time shaft stewards, assisted by regional educators/officials. Such a course will be planned for

Harmony as a pilot at the end of October when 4 Harmony stewards will go to the LRS for two weeks to develop the course.

5. Five day course at the NUM College to cover mine economics, calculations, profit sharing/bonus agreements and communication methods in more depth. Planned for 1994.

None of this will happen, however, if the branches do not fight for it and send the appropriate people to the courses. And none of this will have any effect if there are not proper report backs.

The profit sharing schemes may be complicated. In fact they are complicated. But they are also an opportunity to empower our members with information and understanding about their companies and their industry. And we know, as well as the bosses, that "Knowledge is Power!".

1.  
D:\NIC\PROQUEST - September 20, 1993



# PROFIT SHARING CALCULATION

## HOW TO CHECK THE RESULTS

Equipment needed:

- Latest published quarterly results
- Latest mine profit share calculations
- Profit Sharing Agreements
- Calculator

## THREE STAGES

We check the results in 3 stages. Each stage has its own "work sheet".

### #1 PROFIT GENERATION

→ check that the mine's profit share calculations have the same figures as the published results

Key Question: How much profit is available for sharing between the mine & the workers?

### #2 PROFIT DIVISION

→ check how the mine has divided the profit.

Key Question: What is the total profit pool for workers?

### #3 PROFIT DISTRIBUTION

→ check how the mine has calculated the money an individual worker gets.

Key Question: What is the equal rand share?  
What is the equal percentage share?

Warning! Watch out for figures in thousands and millions!

Greengold Mines - PROFIT GENERATED

Profit share calculation	Published Results
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Gold production

Gold price received

Working cost per kg of gold

Revenue: working revenue  
Uranium income

minus

WORKING COSTS

tributes

Income: working income  
Sundry income  
Share of Beatrix income

minus

CAPEX

Mining tax

Non-mining tax

Published tax

Income after tax

↑  
Take this amount  
to worksheet #2

# Gengold Mines - PROFIT DIVISION

Income generated after tax (from sheet #1) \_\_\_\_\_

INCOME AFTER TAX FOR THE LAST FOUR QUARTERS

Trigger profit calculation	
Q-4	_____
Q-3	_____
Q-2	_____
Q-1	_____
Total	_____ [x]

Average = Trigger Profit \_\_\_\_\_ [x] / no. of profit quart

1. Profit before trigger \_\_\_\_\_ [y]  
→ share at 5c per rand  $.05 \times [y]$  \_\_\_\_\_ [q]

2. Profit after trigger \_\_\_\_\_ [z]  
→ share at 20c per rand  $.2 \times [z]$  \_\_\_\_\_ [r]

POOL: Profit share pool  $[q] + [r]$  \_\_\_\_\_ [s]

% Wage Bill of NUM members \_\_\_\_\_ [t]

\* Profit share pool for NUM  $[t] \times [s] \%$  \_\_\_\_\_ [w]  
before cap

## ^ Cap Calculation

Basic wage bill \_\_\_\_\_  $\times 3 =$  \_\_\_\_\_ [u]

Cap =  $15 \times [u] \%$  \_\_\_\_\_ [v]

If [v] is greater than [w], enter [w] below, else enter [v].

→ FINAL PROFIT POOL FOR WORKERS: \_\_\_\_\_

Take this amount to worksheet #2

# Gengdd mines: PROFIT DISTRIBUTION

Final Profit Pool (for workers) [Sheet#2]

[P]

No. of participants

[N]

Calculate average per participant:

$$[P] / [N] = \underline{\hspace{2cm}} [A]$$

## ① Equal Share

If [A] < R75 enter [A] =           

as the equal rand share below, enter 0%

as the percent share and exit



SMALL POOL

If [A] < R300 enter R75 as the equal rand amount below [c], and go to ②



MEDIUM POOL

Else calculate  $[A] \div 4 = \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$

as the equal rand share below, and go to ②



BIG POOL

## ② Percent Share

$$\text{Cost of equal share} = [N] \times [C]$$

$$= \underline{\hspace{2cm}} = [D]$$

$$\text{Money left over} = [P] - [D]$$

$$= \underline{\hspace{2cm}} = [E]$$

NUM potential wage bill =

[F]

$$\% \text{ of wage bill} = [E] \div [F] \%$$

=            enter in [G] below

$$\text{Equal Rand Share} = [C] + R6 = \underline{\hspace{2cm}}$$

$$\text{Equal Percent Share} = [G] = \underline{\hspace{2cm}}$$

