Global economic crisis leads to job cuts in South Africa

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Amid a commodity price rout and rising costs, mining houses like Anglo American, Glencore, Kumba Iron Ore, Sibanye Gold and Lonmin have announced plans to shed some 10,000 jobs in South African gold, coal, iron and platinum mining.

Anglo reported losses of US $3.02 billion for the six months to ending in June compared with a profit of US $1.46 billion in the same period a year earlier. The company said it would cut a third of its workforce to 98,000 through the sale of 15 assets and retrenchments over the next two years.

Lonmin, the world's third largest platinum producer, announced it would shut five platinum mines, deepening its job losses from an initially planned 3,500 to 6,000 jobs. A 44 percent decline in the platinum price since 2011 has made many mines unprofitable. *Business Day* reported that Lonmin claimed consultations with its workforce on shaft closures and 6,000 job cuts remained "positive and realistic", and that its downsizing programme was nearly complete.

Glencore announced in July that it would cut 380 jobs at its Optimum Coal unit and shut part of the mine due to lower coal prices. This prompted the African National Congress (ANC) government's Mineral Resources Minister Ngoako Ramathlodi to temporarily order the suspension of all operations at the mine, citing the "inhumane" way Glencore planned to carry out job cuts.

"We are heading for a jobs bloodbath," Mike Schüssler, economist at Johannesburg-based Economists.co.za, said in an interview with the News24 web site on July 24. "We've already lost thousands of jobs in mining," Schüssler continued, "and it looks like we're going to lose more with commodity prices coming down this quickly, added to the complication of … higher electricity and water rates."

At least 50,000 jobs are at risk in the steel industry. Firms considering retrenching or closing shop include ArcelorMittal SA in the town of Vereeniging, Evraz Highveld Steel and Vanadium in Mpumalanga province and the Scaw Metals Group. Economists calculate that should the entire steel industry collapse under the current flood of cheap Chinese imports, 190,000 jobs are on the line, including in industries downstream in production.

The closure of the ArcelorMittal plant would lead to about 1,200 workers losing their jobs, according to CEO Paul O'Flaherty. Evraz said it might halve its workforce of 2,242.

The metals and engineering sector as a whole shed an estimated 16,000 jobs at the end of the fourth quarter of 2014. Despite some short-term gains since, retrenchments accelerated in the second quarter of 2015 and will do so again in the third quarter, according to Steel and Engineering Industries Federation of Southern Africa chief economist Henk Langenhoven.

Following urgent talks between government, steel producers and trade unions, Trade and Industry Minister Rob Davies last week slapped a 10 percent ad valorem duty on certain steel products, which are currently imported free of duty.

The helping hand from Davies is supposedly contingent on steel producers refraining from increasing prices for the products subject to the duty. They are also required to honour commitments to reduce prices on some products.

In addition, ArcelorMittal SA—which supplies some 70 percent of all steel in South Africa and has consistently rebuffed government demands to lower prices—must invest an additional R250 million (US $18.79 million) in its colour-coated line of steel. Safal Steel must invest an additional R300 million in its metal coating line in 2017. Both companies also have to commit to zero retrenchments in these production lines over the next three years.

The steel industry deal came on the heels of a similar announcement in platinum mining. Government, mining companies and trade unions made a “commitment” on August 27, following crisis talks, that South Africa would promote the use of platinum as a reserve metal similar to gold.

Other efforts in support of the platinum mining industry include an undertaking that mine owners sell off distressed assets, instead of shutting mines down, and that government “streamline” labour laws. The parties issued a statement to the effect that “all stakeholders would not unreasonably withhold the extension of the consultation period [leading up to retrenchments] as per the Labour Relations Act.”

With the US Federal Reserve preparing to raise interest rates, the pressure on the South African currency has intensified. The rand is down some 12 percent against the US dollar this year alone, having been on a losing streak since 2011. On August 24, it traded as low as R14.0682 per dollar.

The following day, Statistics South Africa announced that gross domestic product had fallen 1.3 percent in the second quarter, with the mining sector shrinking 6.8 percent, manufacturing sustaining a similar fall, and agriculture contracting 17 percent. Last year growth was limited to 1.5 percent, the slowest pace since 2009.

South Africa exports mainly raw materials to China, its biggest trading partner. The rand was thus negatively affected by the recent devaluation of the yuan following efforts by the Chinese regime to boost lacklustre economic growth through cheaper exports.

Expressing the disorientation of the bourgeoisie amid the systemic breakdown of the global capitalist order, Deputy President Cyril Ramaphosa said on his recent trip to Japan that the Chinese economic slowdown is a concern for all other economies. “Obviously,” he added lamely, “our economic sector ministers have to sit down and discuss precisely how we should respond to this.”