



The human cost of sub-contracting/ outsourcing

by D. Pillay*

Introduction

'Outsourcing' and 'sub-contracting' have become buzzwords in recent years, as SA industry becomes increasingly exposed to the global economy, and global competitiveness. In its effort to 'catch up' after years of relative isolation, there is a concerted effort to learn from global 'best practice', in order for South African companies, and the SA economy, to become 'winners'.

There seems nothing wrong with this approach at face value. Companies need to compete and be profitable if they are to remain in business. Failure will in the end mean bankruptcy, and the loss of jobs.

However, if one interrogates the precise practices, and their implications for all concerned—not just shareholders and employers, but workers, communities, the environment, future generations, the national economy—then the picture can change dramatically. 'Best practice' for whom?

The broader context

When a Chamber of Mines negotiator recently refused to accept that the gold industry is in crisis because close to 100 000 jobs have been lost over the past few years ('companies are now leaner and stronger—so where is the crisis?'), then one wonders.

Is it mere ignorance about the human misery caused by retrenchments, where 100 000 people without an income can mean up to 1 million people without breadwinners?

Or is it the law of the jungle: 'I'm okay, so everything must be okay'?

When we talk of the best interests of 'the economy', 'the mining industry', 'our company', we need to be mindful of what it is all about. What is the main strategic focus of 'economic activity'?

- Is it to earn maximum profits, at all cost, for a few shareholders sitting in places like London and New York?
- Or is it to improve the living standards and well-being of *all* humanity, at global, national, local and company level?

If it is the first, then we are still in the dark ages, where the dog-eat-dog law of the jungle applies. Every man for himself, and bugger the rest. The economics game is like a Hollywood cowboy movie: us versus them, win-lose, take no prisoners.

The modern world thankfully has begun to walk along the second path. Since the Second World War, international agencies, philosophers, world leaders and the media express concern about the welfare of *all* humanity, and economic

policies are ostensibly geared towards that end. Some even practice what they preach (e.g. the Scandinavian countries), although sadly the gap between talk and practice is still too wide.

Let us assume that we all have evolved out of our primitive jungle state, and that we accept the higher moral argument of universal social justice. (It is after all embedded in the thinking of all the great religions, but rarely practiced by their followers.)

This implies an acceptance that everyone has a right to eat, drink, clothes and shelter—in other words, the right to a means to earn a decent living.

It then follows that any economic policy (whether it is at a global, national or company level) that tries to maximize accumulation (of goods, services and profits) at the expense of jobs, is not worthy of the name.

This is not the view of some left-wing radical, but that of World Bank chief economist Joseph Stiglitz while visiting South Africa recently. It is a direct repudiation of the economic 'logic' that has dominated the global economy since the Thatcher/Reagan era: let the 'hidden hand' of the free market be given free reign, and wealth will eventually trickle down to the poor (if they're lucky).

It is a logic that governs the moves towards outsourcing and sub-contracting.

The impact of outsourcing

It is in this context that I wish to consider the merits and demerits of outsourcing and sub-contracting. Our experience is that, in the majority of cases, outsourcing and sub-contracting means

- Job losses
- Lower wages
- Inferior working conditions
- Job insecurity
- Ultra-exploitation
- Lower health and safety standards
- Lower environmental standards.

Current union policy is not to oppose all sub-contracting (e.g. where specialized skills are needed for short periods). However, the union is opposed to sub-contracting that is

* *National Union of Mineworkers, Box 2424, Johannesburg 2000.*

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clearly directed at lowering the standards and employment conditions that we have fought so hard for over the years. **This is the dominant practice.**

Mines often use unscrupulous fly-by-night sub-contractors who escape the law and treat workers like units of labour (i.e. non-humans) that can be replaced at any moment. Even well established contractors, with more decent labour standards, usually come in after massive retrenchments. The re-hired workers do not enjoy the job security and benefits they had before. It is only after the union intervenes that decent standards are maintained.

Health and Safety implications

The health and safety implications of sub-contracting came to the fore at last year's Health and Safety Summit. The Chamber finally admitted that the Mines Health and Safety Act holds mining employers responsible for the health and safety conditions of *all* workers on mines. Of course, this includes workers employed by contractors.

Unfortunately, the situation is not that uncomplicated. Even though the Act is clear on responsibilities, the devil is, as usual, in the details. The nature of sub-contracting in the mining industry is extremely complex. Some mines work with very small contractors who employ workers that work in very dangerous areas. In some instances, contractors sub-contract certain functions further to other contractors.

In light of this, it is very difficult to enforce the principles laid down by legislation. It is specifically when it comes to medical surveillance, risk assessment and health and safety training, that the union experiences that sub-contracting can by-pass the mechanisms laid down to regulate and promote health and safety standards.

A further problem with sub-contracting is the fact that a large proportion of the wage of a worker in some sub-contracted teams tends to be linked directly to performance. This may encourage workers to take unnecessary risks in order to meet production targets.

We know of practices where, if a worker is injured, he is dismissed immediately. Often these workers are 'illegal migrants' with no rights. They are at the complete mercy of the sub-contractor. Can the mines turn a blind eye to such inhuman, slave-like practices?

It is for these and many other reasons that the union is opposed to most outsourcing and sub-contracting practices.

Where sub-contracting is already a fact, the issue is whether employment practices that contribute to both efficiency and a safe working environment can be found. In our experience, much of the sub-contracting practices do not contribute to a safe and decent working environment for workers.

Employer justifications

Outsourcing is justified because it is seen as a means of lowering costs in order to become 'globally competitive' ('there is no alternative'). However, we are told not to worry because it will only happen to 'non-core' operations, and where 'specialized services' are required. It is also supposed to be a means towards 'black empowerment'.

Let us look at this more closely:

'Non-core' business

The NUM's agreement with the Chamber of Mines around sub-contracting allows for specialized activities to be outsourced. We even accepted 'non-core' activities. However, mines are exploiting this loophole.

What is the 'core business' of a mine? First, we were told that shaft sinking is not a core operation, and soon it spread to security, cleaning, catering, transport... The definition of 'core' is so malleable that it has become meaningless. (Shaft sinkers have themselves now engaged in 'core' mining.)

What is specialized? Certainly, we can accept IT functions which require highly specialized skills, and which have entered the industry recently. However, mines are now tempted to treat almost everything as specialized, from cleaning to catering, rendering our agreements meaningless.

'Black empowerment'

The union is not impressed with outsourcing dressed up as 'black empowerment'. This label was first used in the RDP base document, and refers specifically to the improved working and living conditions of the vast majority of people in this country—black people at the lower rungs of the ladder as a result of our colonial and apartheid legacy.

The 'empowerment' of a few individuals at the top means little (except in those few cases where it has meant better labour practices). In any case, many companies have black faces only, while real ownership and control resides elsewhere.

'Global competitiveness'

The post-1970s globalization has been driven by the neo-liberal ideology of unfettered free market capitalism—a return to 19th century economics. Through the ideology of 'deregulation', 'reduced state expenditure' and 'free trade', all the social and welfare gains of the 20th century have been under threat.

Income inequality has reached unprecedented heights—at the global level, within countries, and between regions within countries. While, through new technology, the production of food and other commodities has increased dramatically—the world can be fed twice over every day—World Bank and UNDP studies show that at least half the world's population live in poverty, without enough to eat. These people are not confined to Africa, or the 'developing world', but are found *throughout* the world (including rich countries like the USA, where 20 million people are said to live below the poverty line).

If this does not tell us that there is something horribly wrong with the global economic system—with current neo-liberal 'best practice'—then nothing else will.

Outsourcing and sub-contracting are back-door attempts at introducing 'labour market flexibility'—i.e. lower labour standards, a key ingredient of neo-liberalism. It is part of a global trend to cheapen labour, in the drive to become 'globally competitive'.

'But what can we do', employers ask, 'we have to compete with countries employing child labour and paying starvation wages. If we do not do the same, we will go out of business. There is no alternative.'

There must be alternatives. If half the world is going to

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starve, what use is 'economics' to them? If they are pushed into the informal/criminal economy, can the other half ever sleep peacefully?

Ultimately, the practice of undermining decent (labour, health and environmental) standards can only be stopped if there are international agreements around core standards, so that companies from different countries compete on level playing fields.

The current global economic crisis has opened up space for global regulation and global standards. If we move out of our parochial concerns and address the larger picture, we can move mountains.

Conclusion

Outsourcing and sub-contracting are part of a global trend towards permanent unemployment, the casualization of

labour, lower standards: in short, the race to the bottom.

It is conceded that, in the current global environment, it is difficult for individual countries and companies to observe decent labour practices and standards unilaterally. However, some countries are doing so (see Northern Europe, Canada), and many global companies, under pressure from unions and communities, have adopted policies of 'sustainable development' which respects decent human and environmental practices (see Placer Dome). All it takes is will and imagination.

Global standards are now emerging, and a new 'global trend' is in the offing. The low road to human misery does not have to be followed. A different mindset, one that places people before things, can open up enormous possibilities—not just for the poor and excluded, but for the benefit of all.

After all—even *your* job can be outsourced tomorrow. ♦

Appointment notice*



Graham Vine has been appointed chief executive officer of The Cementation Company (Africa) Ltd. A British citizen, Graham first worked in Africa in 1968 with the Lonhro Group where he was based in Zambia and Zaire. In 1977 he joined the Trafalgar House Group (now owned by the Kvaerner Group, which holds 49.9% of shares in the Cementation Group). Since that time he has held senior positions both directly and as a consultant, gaining experience in the Middle and Far East, South America and again in Africa where he worked in Nigeria. His industrial experience includes building, civil engineering, structural steel, mining, off-shore oil, train manufacture, aircraft maintenance and industrial design. ♦

* Issued by Lynne Hancock Communications,
P.O. Box 180, 2068 Witkoppen,
Tel: (011) 709-8471/4.

REWAS '99

Global Symposium on Recycling, Waste Treatment and Clean Technology

A Global Symposium on Recycling, Waste Treatment and Clean Technology (REWAS '99) will be held 5-9 September, 1999, at the new KURSAAL Convention Center in San Sebastian, Spain. REWAS '99 will be the 1999 Fall Extraction and Process Metallurgy Meeting of The Minerals, Metals & Materials Society (TMS). This international conference is being organized by TMS, The European Commission (DG-XII), French Institut National Polytechnique de Lorraine (INPL), Mining and Materials Processing Institute of Japan (MMIJ), and The Spanish Centro Tecnológico de Materiales (INASMET).

The conference will also include a complete programme of invited lectures, short courses, industrial tours, an exhibition, and a complete social programme.

Up-to-date information on this and all TMS-sponsored and co-sponsored meetings is available via the World Wide Web at <http://www.tms.org/Meetings/Meetings.html>. ♦

GREEN TOPICS

Johannesburg's degradation from mining activities

Residents have been subjected to contaminated sludge washing into their homes

A Wits engineering postgraduate student, Daniel Limpitlaw, 27, is the proud recipient of a cool US\$ 25,000 (R160,000) for an essay on how to reverse environmental damages caused by early mining technology in Southern Africa.

Mr Limpitlaw who received his cheque on Friday, 21st May 1999 at a ceremony in Parliament Hall, St Andrews, Scotland, states in the award winning essay, that due to mining and the subsequent development of informal settlements, many Southern African cities have been left in 'an alarming environmental degradation.'

The city of Johannesburg, he says 'developed haphazardly and rapidly from a mining camp into city, administered by a succession of white governments who showed little concern for urban workers.' As a result, 'Residents have been subjected to contaminated sludge washing into their homes... the locals are also exposed to heavy metal, enriched sand and dust... acid drainage from the dump seeps into a stream which runs through a small park where it represents a recreational hazard to children...'

Mr Limpitlaw says the problem of environmental degradation is not just limited to South Africa. In Zambia, 'the environmental policies remained as dismissive as those which were promulgated by the government in South Africa.'

'In Kitwe, impoundments were built in the sensitive headwater areas of streams. Children play in this water which is rich in heavy metals and the same water is used for washing, drinking and cooking. Poor sanitation means the stream is further polluted by sewage.' he writes in the essay.

In the light of all these, Mr. Limpitlaw calls for local solutions instead of trying to apply, 'first world solutions to environments where they are neither affordable, understood nor always correct.'

One way of doing this is to channel donor fundings 'towards capacity building in regional tertiary institutions, many of which have skilled staff but are constrained by funding cuts.'

In addition, the role of local authorities must be

addressed urgently.

'Administrators need to know where environmental hazards occur within their jurisdiction and the change in the distribution of these hazards over time... they must accept their custodian obligations both in terms of people and the environment...' he admonishes.

Mr Limpitlaw also calls for lobby and pressure groups that vouch governments for the environment, as well as for the inclusion of the environmental component in schools' curricula.

Asked to comment on the award received by his former student, Professor Huw Phillips, himself an environmentalist, declared that he would rather have 'proper solutions to things, and not emotional decisions,' adding that engineers need to develop 'sound engineering solutions' to the problems of Africa.

The award from Scotland's oldest University, the St. Andrews, was inaugurated in 1998 and is also supported by the International energy company, Conoco. It targets practical solutions to environmental problems and did attract entries from 450 individuals and many well known groups, including the GS population collaborators. The runners-up were Dr. Jack Barkenbuss from Tennessee and Ronnie Horesh an English agricultural economist.

Contacted in the Netherlands where he is currently, Mr. Limpitlaw said he was yet to decide what to do with his prize money, but he expected to have a small part of it used in the implementation of his essay ideas. Bulk funding for the whole project, he said, is anticipated from the European Commission and /or from the UK government.

Mr. Limpitlaw graduated from Wits in 1993 with an MSc degree from the department of mine engineering where he is also a lecturer. His dissertation looked at the effects of pollution in the Witbank coal-fields which is a designated wetland area. His current PhD research deals with the environment impact assessment in the highly polluted areas of the Zambian copper belt and is relying on satellite data and geographic information systems. It is being undertaken with supervision from the International In ENDS. ♦