CHAMBER OF MINES
of South Africa

FREQUENTLY
ASKED QUESTIONS

SO, THE MINING INDUSTRY IS NOT MEETING ITS HOUSING TARGETS

WHAT IS THE INDUSTRY DOING TO ENSURE THAT THE LIVING CONDITIONS OF EMPLOYEES IMPROVE?

WHAT HAS THE INDUSTRY DONE TO ADDRESS HOUSING?

The South African mining industry has made significant inroads in upgrading hostels and converting them to single accommodation units. Extensive new housing programmes have delivered houses to a number of employees and policies aimed at facilitating the ownership of affordable homes by employees are well advanced.

Across the industry, the programmes in place to deliver these commitments vary – often on a mine-by-mine basis – as the age and location of an operation, the make-up of the workplace, affordability and the profitability of the mine all play a role.

Some of the initiatives that have taken and are taking place include:

- **Finance Linked Individual Subsidy Programme (FLISP):** FLISP is meant to assist employees with subsidies, which would reduce the lenders' exposure and risk, and thus facilitate easy access to finance. The Chamber has extensively engaged with the National Housing Finance Corporation (NHFC) in order to address issues and bottlenecks related to the implementation of FLISP. The intention is to assist in unlocking some of the funding challenges that impede home ownership.
- **Access to finance:** Engagement between the PIC and the Chamber is underway to explore the possibility of collaboration in the development of financing solutions for housing and accommodation, for rental stock and housing units in mining areas. To this end, the Chamber has also facilitated interactions between the PIC and some member companies, to seek tailor made solutions to the problem of access to finance.
- **Availability of land:** Mining companies have done different things to try and address this challenge. These include companies buying land from the municipalities, or donating land owned by the companies. Some of the companies have contributed funds for infrastructure and services to be put up on such land.
- **Employee preferences:** Although the companies are focusing on promoting home ownership and are encouraging employees to buy their own houses, results of surveys conducted by some of our members, show that some employees prefer to rent rather than buy property in the vicinity of the mine. The companies are rolling out programmes to educate employees on the benefits of home ownership.

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FREQUENTLY ASKED QUESTIONS

ISSUES AROUND DECENT HOUSING AND ACCOMMODATION ARE JUST SOME OF THE ISSUES BROUGHT ON BY THE LEGACY OF MIGRANT LABOUR IN THE MINING SECTOR. WHAT IS THE MINING INDUSTRY DOING ABOUT IT?

Research and experience within the industry has shown that many migrant employees do not wish to move to mining towns on a permanent basis, preferring to maintain and return to their homes in rural areas. Providing permanent urban dwellings as well as urban home ownership is therefore not necessarily the solution to migrant labour issues. It's well known that migrant labour can result in the separation of families, often for extended periods of time, which in turn can lead to social issues such as the establishment of dual families – one near the place of work and one in the labour-sending area.

In order to address these concerns, the mining industry is exploring alternatives to current labour and work practices, which would enable employees to return home and spend time with their families more frequently and for longer periods. Key to this solution is exploring alternative shift arrangements and different shift cycles.

DO MUNICIPALITIES HAVE THE NECESSARY RESOURCES TO ENSURE THAT APPROPRIATE INFRASTRUCTURE AND SERVICE DELIVERY SUCH AS WATER, ELECTRICITY, REFUSE REMOVAL, ROADS ETC ARE IN PLACE?

The provision of decent and affordable housing and accommodation in the mining industry will remain a challenge given the age and life expectancy of mines and that many mines are marginal in South Africa.

This challenge is not only for the mining industry – there has been rapid urbanisation into regions where employment opportunities have declined due to shrinking sectors. This is further exacerbated in mining areas, as thousands of people are attracted in search of jobs, thereby placing even more pressure on housing and infrastructure.

In early 2014, the Chamber and the Development Bank of South Africa (DBSA) engaged on the possibility of a partnership to assist municipalities with resources and capacity. This would unlock the major blockages around infrastructure and the provision of bulk services. The parties have reached agreement to pilot three out of the 15 municipalities identified in the Special Presidential Package for the Revitalisation of Distressed Mining Towns. This paved the way for collaboration between the DBSA and specific mining operations in some of the towns.

WHY ENCOURAGE PEOPLE TO BUY HOUSES IN AREAS AROUND A MINE WHICH HAS A LIMITED LIFESPAN AND WHERE THEIR OWN JOBS ARE NOT SECURE FROM ONE YEAR TO THE NEXT?

Anecdotally, that is certainly a consideration for many mineworkers. Companies are building more rental accommodation these days which may be part of a solution. But, as is the case all over the world, most mines are distant from urban centres and provide housing for employees.

The mining industry subscribes to the government's notion of turning mining towns into sustainable communities that can outlive the closure of mines. This principle is embedded in the Special Presidential Package for the Revitalisation of Distressed Mining Towns that was concluded in 2012. This entails ensuring that there are social, health, educational, recreational and other amenities in these areas. It also means the development of viable economic activities.

ARE YOU SAYING THAT EMPLOYEES WOULD PREFER TO LIVE IN SHACKS/INFORMAL SETTLEMENTS?

The issue is complex, as are most things associated with South Africa's history, where patterns of economic development, social and economic exclusion, migrant labour and the very nature of mining have shaped South Africa's urbanisation patters. At the same time, the lack of formal housing in urban areas is a major national challenge.

The platinum sector in particular faces enormous challenges given the rapid growth of the industry from the mid-1990s until 2008 which resulted in the development of sizeable, impoverished informal settlements close to platinum mines, which were a focus of instability and unrest during the 2014 platinum industry strikes.

The Chamber and its members agree that they have a moral obligation to facilitate decent accommodation for employees. However, renting accommodation in informal settlements is also much cheaper than renting formal accommodation which allows employees to use their money for other things which they consider to be more important. Many employees are looking after extended families and, in many instances, employees do not wish to pay off mortgage bonds in areas where they do not intend on staying in the long term opting rather to use part of the LOA to build houses in the labour-sending areas from where they originate such as Lesotho or the Eastern Cape.

MINES MADE A LOT OF PROMISES IN THEIR SOCIAL AND LABOUR PLANS (SLPS) ON HOUSING. SOME MINING COMPANIES HAVE CLAIMED THAT THEY DON'T HAVE MONEY TO DELIVER ON THESE PROMISES NOW.

It is true that mining companies are under significant financial pressure and have been forced to cut budgets a great deal to deal with the impacts of the international financial crisis that struck in 2008 and those impacts are still being felt. Funding available for housing has not been immune to this.

That said, that is not the only reason why SLP targets have not been met. In some cases (with hindsight) we can now see that the targets were overly-ambitious, they were based on an understanding of what we and others thought employees wanted, and what financial institutions could and would finance.

It is also the case that suitable serviced land has not always been available, and that services cannot always be provided by stretched and under-funded municipalities.

There are however cases where mines have gone a long way in meeting their SLP obligations. The following are examples of this:

- The majority of mines have achieved 100% hostel conversion into single occupancy rooms and family units.
- A significant number of employees reside in mine provided houses and apartments.
- Some mines have invested huge sums of money on purchasing land or putting up infrastructure for employee home ownership.
- Some mines have given financial subsidies or land for free to facilitate home ownership by employees.
- Some mines have assisted municipalities with training and skilling as well as secondment of equipment and personnel.
- Some mines have implemented schemes that involve the construction of houses for ownership by employees.

MINEWORKERS CAN'T AFFORD TO BUY THE HOUSES BEING BUILT FOR THEM BECAUSE THE BANKS WON'T LEND THEM MONEY AND MANY ARE STILL SIGNIFICANTLY INDEBTED. WHAT IS THE INDUSTRY DOING ABOUT THIS?

We do understand that many people in South Africa earn too much to qualify for state housing subsidies, but do not earn sufficient to qualify for a mortgage for a relatively inexpensive home. This is one of the major barriers to home ownership. Many mine employees in the lower job categories (the average entry-level monthly guaranteed pay in gold mining is currently around R13,187 excluding bonuses) may fall into this category.

Having said that, new housing programmes have delivered houses to many employees and policies aimed at facilitating the ownership of affordable homes by employees are well advanced.

Companies are having to think long and hard about costs structures. To be frank, individuals can often construct housing in more cost-effective ways than companies can. And, in many cases, employees are looking for viable alternatives – rental units for example, or housing in labour sending areas.

Indebtedness remains a critical issue. Much has been done about this, with most mining companies having put in place programmes to deal with debt and to provide financial literacy and planning programmes. But, that issue is complex too – we can deal with regulated debt, but not as easily with unregulated debt, or mashonisas.