Challenging Industry Claims: Does Corporate-Led Mining in the African Periphery Really Provide Higher Wages to Local Workers?

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By Ben Radley

Since 1980, the World Bank has loaned more than $1 billion to low-income country (LIC) governments across Africa to privatise, liberalise and deregulate their mining sectors. Supported by the most recent commodity super-cycle, this resulted in the en masse arrival of transnational corporations (TNCs) to lead a foreign-controlled, industrial mining economy across the African periphery. Extolling the supposed benefits of this process for those most directly affected by it, the mining industry continually promotes the idea that TNC-led industrial mines help improve local living standards through the provision of higher incomes than those earned in the surrounding economy, including to the lowest paid workers. How well, though, does this industry claim stand up to scrutiny? The short answer, according to findings from my doctoral research, is not very well at all.

The industry-funded World Gold Council has argued "it can be seen that, on average, gold mining companies pay significantly more than typical local wages, and that this differential increases in less developed economies. For example, in lower-middle income gold producing countries such as Côte d'Ivoire or Mongolia, the lowest paid mine worker will on average earn 3.5 times more than the typical local wage, and may earn almost seven times more". Similarly, the industry-funded International Council on Mining and Metals (ICMM) notes that across the global South, "the jobs generated directly by the sector tend to be better paid than alternative jobs" (see here, here and here for some other recent examples, from TNC sustainability reports).

Banro’s Twangiza mine

Methodologically, however, industry reports generally fail to consider the incomes earned in the more locally-embedded artisanal and small-scale mining (ASM) sector. The ICMM report mentioned above, for example, notes that “ASM is not included in the analysis as reliable estimates for employment in ASM do not exist”. This omission is particularly important for two reasons. First, local artisanal miners are often forcibly displaced from the best deposits to make way for corporate-led industrial mines (Banchirigah and Hilson 2010). Second, African LIC-focused research has demonstrated ASM labour to earn incomes several times greater than those earned in agriculture or other forms of local employment (Bryceson and Jønsson 2010; Geenen 2015).

When the effect of TNC arrival on local ASM economies is taken into account, the picture begins to look very different to the one painted by industry reports. Through a case study of gold mining in South Kivu Province of the Democratic Republic of the Congo (DRC), my research suggests that – contrary to industry claims – most industrial mine workers earn wages less than or comparable to the incomes earned by artisanal mine workers. As a result, when ASM is displaced to make way for industrial mines, local economies and living standards suffer from the overall drop in locally available mining employment and income.

In 2012, Twangiza – managed by the Canadian corporation Banro – became the first industrial mine to enter the production phase in South Kivu following the official end of the Congo Wars in 2002. Yet despite Twangiza being around 25 times more productive than artisanal mining, the wages earned by most of Twangiza’s unskilled industrial mine workers in 2017 were broadly equivalent to the incomes earned by artisanal mine workers in Luhwindja, the local government collectivity in which the Twangiza mine operates (Table 1).

Table 1. Mining Incomes in Luhwindja, 2017

Mode of Production	Group		Monthly Wage ($)
Artisanal	Workers		163
	Managers		1,674
Industrial (Twangiza)	Unskilled Workers	I	154
		II	226
		III	270
		IV	360
	Skilled Workers	I	511
		II	614
		III	930
	Congolese Managers		1,578
	Foreign Managers		6,605

Sources: Radley, B. (Forthcoming) ‘Rethinking the African Minerals Consensus: Polarisation, Marginalisation and Conflict in South Kivu, DRC’. PhD dissertation, Institute of Social Studies, The Hague.

For the lowest category of unskilled industrial workers at Twangiza, the average monthly wage of $154 (earned by 28 percent of the mine’s workers) was lower than the average artisanal worker monthly income of $163. The lowest paid unskilled Twangiza workers – of which there were 169 in 2017, or 15 percent of all workers – earned $110 per month, significantly below artisanal worker incomes. In addition, 822 of Twangiza's 1,149 workers, or 72 percent, earned monthly wages of $270 or less that were largely comparable to artisanal worker incomes. Interestingly, the average incomes of artisanal and industrial Congolese managers were almost identical.

Compounding the issue of low industrial worker wages, the forced closure of Mbwega (Luhwindja's largest artisanal mine) in 2010, to make way for the construction of Banro's Twangiza mine, decreased the overall availability of mining employment locally. In 2008, a labour census conducted by a local civil society organisation estimated a total of 6,000 people directly employed by artisanal mining in Luhwindja (Observatoire gouvernance et paix 2008). In 2017, I updated this census though mine site visits which, cross-checked with data provided by local government, suggested this figure had dropped to around 2,000. This decrease had been somewhat compensated by employment at the Twangiza mine, where a total of 1,366 jobs had been created.

The artisanal Kadumwa mine

Yet not only did the level of industrial employment fail to adequately make up for the lost ASM labour, the situation in Luhwindja was further worsened by the uneven distribution of wages at Twangiza. While local people overwhelmingly made up the ranks of Twangiza's unskilled industrial workforce, most skilled workers and nearly all managers at Twangiza were not recruited locally, but came from the provincial capital city of Bukavu, from outside of South Kivu, or from overseas. Fed and lodged on-site, these labour groups were driven or flown in and out of the mine, and rarely stepped foot off-site while on duty. In 2017, only 13 percent of all wages accruing to labour at Twangiza was captured locally by unskilled workers (comprising 62 percent of all labour at the mine), with more than half accruing to a narrow managerial class, much of which was consumed and invested overseas. Combined with the overall drop in mining employment locally, these distributional dynamics meant that the total amount of mining income earned, consumed and invested in Luhwindja had more than halved between 2008 and 2017 (Table 2).

Table 2. Mining Income Earned in Luhwindja, Pre- and Post-Banro's Arrival

Time Period	Labour Group	Units	Total Annual Income ($)
2008	Artisanal Site Workers	1,497	846,772
	Artisanal Shaft Workers	4,157	8,132,031
	Artisanal Shaft Managers	346	6,957,890
TOTAL PRE-BANRO		**6,000**	**15,936,693**
2017	Artisanal Site Workers	499	297,717
	Artisanal Shaft Workers	1,386	2,710,677
	Artisanal Shaft Managers	115	2,319,897
	Unskilled Industrial Workers	846	2,168,108
TOTAL POST-BANRO		**2,846**	**7,496,399**

Sources: Radley, B. (Forthcoming) 'Rethinking the African Minerals Consensus: Polarisation, Marginalisation and Conflict in South Kivu, DRC'. PhD dissertation, Institute of Social Studies, The Hague.

This data was supported by the many testimonies from local farmers, herders, teachers, hospital workers, priests, civil servants and youth, who in conversation consistently foregrounded the relative strength of the local economy in Luhwindja prior to Banro's arrival.

Taken together, these findings complicate the industry claim that TNC-led mineral (re)industrialisation in African LICs improves local living standards by driving higher wages. On the contrary, Banro's entry into Luhwindja's mining economy appears to have led to an overall deterioration in local conditions, due to the forced displacement of artisanal mining, and the failure of industrial employment or higher industrial worker wages to compensate for this loss. Industry reports and data on this topic should, then, be treated with a healthy dose of scepticism. Especially when, as is so often the case, they fail to adequately account for the lost artisanal labour and income resulting from TNC arrival and industrial mine construction.

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