CHAPTER I

FOUNDATIONS

The subject matter of economics is essentially a unique process in historic time. Nobody can hope to understand the economic phenomena of any, including the present, epoch who has not an adequate command of historical facts and an adequate amount of historical sense or of what may be described as historical experience... The historical report cannot be purely economic but must inevitably reflect also ‘institutional’ facts.

Joseph A. Schumpeter, History of Economic Analysis

Labour problems go back a long time in South African history.1 Within the first decade of his arrival at the Cape in 1652, van Riebeeck was faced with a labour shortage which he alleviated - temporarily - by importing slaves. But the existence of slavery was to give rise to other problems, not the least of which was the development of a colour consciousness which made whites unwilling to do menial work.

Nearly two hundred years later it was a combination of the abolition of slavery and a shortage of labour which sparked off the Great Trek from the eastern Cape into the interior.2 And a central issue of South African politics for at least a hundred years before the National Party came to power in 1948 was the organisation of adequate supplies of black labour in such a way that it would not compete with white. ‘Having pushed the native possessors off the soil,’ writes Sir Keith Hancock, the whites ‘felt the need of pulling native labourers back onto it.’3 The discovery of minerals in the second half of the nineteenth century, while marking a new stage in the country’s development, intensified the push-pull dichotomy. The perennial labour shortage, which Natal sugar planters had alleviated in 1860 with the introduction of indentured Indians, was aggravated. By 1874, only eight years after the discovery of the first diamond, the Kimberley diggings were employing no less than 10,000 blacks, and farmers throughout the country were complaining bitterly of

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1 For the detailed historical background, readers are referred to Sheila T. van der Horst, Native Labour in South Africa (O.U.P., Cape Town, 1942) p.
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the developments which were drawing off their labour. But things were to become still more difficult for farmers when, with the discovery of gold in 1886, the demand for labour grew rapidly. By the turn of the century the black labour force on the mines of the Witwatersrand was little short of 100,000 men. Such radical changes in the economic structure over so short a period of time were not achieved without difficulty, and the restructuring of the labour market that took place during this period was to provide the pattern for much of the economy during this century. Of this structure there are four features which, because of their peculiar nature, and because they were to remain at the centre of the South African labour market for so long, need to be examined in some detail. They are the organisation of the supply of unskilled labour, the migrant system, the colour bar, and the pattern of industrial relations.

Organisation of labour supply

The mineral magnates developed and refined two instruments to ensure adequate labour supplies: the law and recruiting organisation. Amongst the laws enacted specifically to push blacks into the service of white employers were those relating to taxation. Although they did not prove very successful in increasing the supply of labour they are significant as demonstrations of the power of the mining financiers to make laws in their favour. For example, the Glen Grey Bill which incorporated a labour tax of 10s. a head on selected ‘male natives’ was introduced to the Cape Parliament by the chief of the magnates, Cecil Rhodes, who was also Prime Minister:

You will remove them [the Natives] from that life of sloth and laziness, you will teach them the dignity of labour and make them contribute to the prosperity of the State, and make them give some return for our wise and good government.

The Bill was passed.

Legal curbs on the geographic mobility of labour in South Africa go back as far as 1760 when slaves were first required to carry passes in moving between urban and rural areas. Slavery was abolished in 1834, but during the nineteenth century numerous laws controlling movement were enacted in all parts of what was to become the Union of South Africa. The power of the mining magnates to push through legislation that would help control their black labour force was amply demonstrated by the Transvaal Volks-

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2 van der Horst, *Native Labour*, pp. 133–4 n.
raad’s enactment, in 1895, of a pass law drafted by the Chamber of Mines.¹ The thinking behind the mass of nineteenth-century legislation which had been designed to dishearten cattle rustlers and to discourage labourers from breaking their contracts, took a new — and prophetic — turn in 1921 when the Transvaal Local Government Commission reported that:

the native should only be allowed to enter the urban areas, which are essentially the white man’s creation, when he is willing to enter and to minister to the needs of the white man and should depart therefrom when he ceases so to minister.²

The Natives (Urban Areas) Act of 1923 tightened white control over the movement of Africans to the cities. The legislation was amended numerous times, tightened in 1936, consolidated in 1945 and again in 1952, until with the passage of the Bantu Laws Amendment Act in 1969 the whites had created all the machinery necessary to carry out the policy enunciated half a century before. The advantages which the pass (and passport) laws gave to the mining industry over other sectors of the economy will be explored in a later chapter.

A third arm of the law used to augment the supply of labour was that relating to land. The Glen Gray Act contained important provisions restricting ownership, but it was the Land Act of 1913 that was decisive. Although pressure for the legislation came primarily from farmers its effects were to prove even more beneficial to the Chamber of Mines which drew so large a proportion of its black labour force from the overcrowded ‘reserves’ created by the Act.

Besides legislation, the other weapon in the hands of the mining industry was the organisation of recruiting. In 1893 the Chamber of Mines established a Native Labour Department with the two-fold objective of assuring an adequate and regular supply of black labour by opening up sources of supply within the Transvaal and by arranging for the recruiting of labourers from Mozambique, and of taking ‘active steps for the gradual reduction of native wages to a reasonable level’.³ However, the pass law of 1895 was ineffectively administered and failed to achieve its purpose of controlling the movement of black miners; and so, towards the end of 1896, perturbed by the fact that ‘a great deal of trouble and money were being thrown away by the competition for natives’,⁴ the Chamber formed its own recruiting organisation, the Rand Native Labour Association, to bring workers to the mines.

² *Transvaal Province, Report of the Local Government Commission* (Stallard) (T.P.1, Pretoria, 1922) para. 267 A.
³ *T.C.M., Fifth Annual Report* (1893), p. 4 A.
⁴ *T.C.M., Tenth Annual Report* (1898), p. 455 A.
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Countering criticism from mine managers about the costs of recruitment a spokesman of the Association, at the annual general meeting in 1898, pointed out that employment on the mines had risen from 14,000 in 1890 to 88,000 at the end of 1897. Were it not for the Association ‘they would have had a continuation of the cut-throat competition which then existed, and they would have had each mine touting for its own labour’.1 As it was the increase in employment by over 500% in eight years was achieved ‘without any appreciable rise in wages’. The establishment of the Labour Association in 1896 was accompanied by an agreement to reduce wages and, unlike the agreement of 1890 which had succeeded only temporarily in reducing wages by 25%, this was enforced by means of inspection of wage sheets. Thus by 1899 the Chamber of Mines had succeeded in raising a black labour force of 99,000 men at a wage rate considerably lower than it had been ten years previously when the mining industry had only just begun. In 1900 the mining magnates approached the government of the Transvaal with a request that the recruiting of labour be a state enterprise, but the proposal was turned down.2 And so, the employers reorganised their recruiting arrangements and formed the Witwatersrand Native Labour Association in order to monopolise recruiting, by preventing mines from competing against each other for labour. At first it was planned that the W.N.L.A. should recruit all black labour for the industry, but it took a few years for the mines to stop competing for South African labour. Meanwhile the W.N.L.A. was the only body allowed to recruit in Mozambique.

The first decade of the twentieth century was a very difficult one for the mines. The Anglo-Boer war had disrupted production and then, when hostilities had ceased, the mines found themselves critically short of black labour. There were a number of reasons for the shortage, not the least of which was the fact that, in setting up the W.N.L.A., the Chamber of Mines had lowered the wage rate from the pre-war average of R5.00 to R3.00 a month.3 Except for work on farms, where there were generally better fringe benefits, this was probably the lowest cash wage for black labour in the whole of Southern Africa.4 Moreover working conditions were deplorable: the death rate of recruited workers in 1903 was 80 per thousand, and black workers were frequently assaulted by whites. Faced with a crippling shortage of labour, the mining industry began, in 1904, to bring indentured labour from the north of China where, due to the Russo-Japanese war, men who normally went to work as farm labourers in Manchuria were no longer able

4 B. Kidd, ‘Economic South Africa’, *Christian Express* xxii (1903), 58, 77 c.
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to do so.1 The use of Chinese labour was controversial and, after the 1905 Liberal victory in Britain, pressure to repatriate the 50,000 men was exerted. Further recruiting was prohibited at the end of 1906. By 1910 there were few Chinese left on the Witwatersrand and, in 1912, the Chamber of Mines established the Native Recruiting Corporation (N.R.C.) to organise the recruitment of black labour from within South Africa and the three ‘Protectorates’ as the W.N.L.A. was doing in Mozambique. Because of the appalling pneumonia death rates, recruiting from any area north of latitude 22°S was prohibited in 1913. It was to be twenty years before the industry was to be allowed north again.2 Despite the loss of these areas, the industry was by this time sufficiently well organised to maintain its monopsony power over the labour market by means of a maximum permissible average agreement.3

OSCILLATING MIGRATION

Closely related to the organisation of supply was the second notable feature of the labour market; namely the pattern of oscillating migration whereby unskilled black workers came to the mines for a limited time and then returned to their rural homes. During the early stages of industrialisation in any country, the evidence suggests that many people, moving from rural areas to the new centres, do not commit themselves immediately to permanent residence in town, but that, after a good deal of movement between old and new homes, people gradually settle near their place of work. The common pattern at first repeated itself in South Africa; however the oscillations of workers backwards and forwards did not gradually diminish as elsewhere but became established by means of the compound system.

During the early years of the diamond diggings it appears that, despite Trollope’s rosy description of the effect of money on ‘civilised kaffirs’, Kimberley was a sordid place.4 Robert Moffat of Kuruman describes it as it was in 1881:

It was a mining camp, in the process of solidifying into a town. It was a dangerous place to walk about after dark, drunkenness and violence were rampant. The mortality was portentous among natives. A dead ‘nigger’ lying in some nook or corner or on the open veldt at break of day was so ordinary an event as to be scarcely worth a paragraph in the newspapers. The native labourers herded in the vilest

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2 See p. 60.
3 van der Horst, Native Labour, pp. 166, 192–3 b. It was not until 1919 that the Robinson group of mines joined the N.R.C., thus giving the Corporation the complete monopsony of gold mine recruiting in South Africa and the ‘Protectorates’.
4 Trollope, South Africa, 11, 185 b.
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shanties, and drank the vilest Cape dop, which they bought with the diamonds they stole during the day from the mines they worked in.¹

The losses which employers incurred from illicit diamond buying and from absenteeism after week-end drinking led them to establish the closed compounds which by the late 1880s were a universal feature of the diamond fields and which were to remain essentially unchanged for the next eighty years. Despite Moffat’s approval of the system which had ‘saved thousands of [natives] from untold misery and degradation’, the South African Native Races Committee stated in 1901 that, even when well managed, it regarded the closed compound system ‘with very qualified satisfaction, and as exceptional and, in its present form, a temporary expedient...its application to gold-mining or other industries does not now appear to be probable or desirable...The family life of the natives, however different from that of civilised white men, ought to be treated with consideration and respect. It would be unfortunate if the breaking up of tribal organisations and the free movement of natives in search of work were to create a large mass of men without local or family ties.’² Despite this view, and despite the ‘growing wish’ of African workers to bring their families to the mines, the early pattern whereby men came to work for periods of eighteen months or less became entrenched on the gold mines.³ On some of the coal mines, by contrast, as much as 50% of the labour force was, by the 1930s, housed in married quarters.⁴ And in secondary industry compounds were the exception rather than the rule.

Why did the diamond and gold mines perpetuate the system? In a later chapter we shall analyse the economic forces which continue to undergird the pattern of migrant labour in the gold mines, but it is worth noting that the reasons for the establishment of compounds on the Witwatersrand were not the same as in Kimberley. On the diamond diggings the primary reason for the building of closed compounds which black workers were not allowed to leave during their entire period of contract was the prevention of illicit diamond buying. On the Witwatersrand, however, the possibility of miners finding ingots of pure gold was remote and so the system of closed compounds was never adopted. Unlike the diamond mines which seldom were short of labour, the gold mines went out to recruit men from all over southern Africa.

³ van der Horst, Native Labour, p. 187 n.
⁴ Ibid. p. 188.
And in doing so they were committed to housing them in bachelor compounds both because fewer men would have been willing to come without knowing that they would have somewhere to stay and because neighbouring governments were unwilling to let several thousand able-bodied men leave permanently. Compound housing was much cheaper for the mines than family quarters. Some of the earliest compounds were built for the Chinese indentured labour, and so were later available for black recruits.

**COLOUR BAR**

As we shall see in a later chapter, the pattern of migrant labour is reinforced by the colour bar. The use, by whites, of skin-pigmentation as a means of discriminating against potential competitors in the labour market did not originate in the gold mines nor, indeed, on the diamond diggings, but the mineral discoveries did much to entrench it in the South African economy. At first there were plenty of unskilled men able and willing to dig, but artisans were not so readily available. Those who were not willing to gamble their future on a lucky strike had to be enticed out of Europe by high salaries. Thus began the enormous differential between skilled and unskilled earnings. The situation was not unique but the peculiarity of the South African case was that the skilled men happened to be white and the unskilled happened to be black. What had begun as a classical example of the free interaction of supply and demand gradually hardened into a rigid caste system. This process of ossification as it took place in the gold mines is worth examining in some detail for it was to have far-reaching consequences in the country’s political and economic development.

White miners saw themselves as a labour aristocracy: as early as 1893 the Volksraad enacted the first legal colour bar in the economy. A clause in the Transvaal republic’s first mining law stipulated, in effect, that only whites might do the actual blasting. Amended regulations in 1896 dropped this particular prohibition (although the *de facto* position did not change) but introduced two more. One of these was dropped at the insistence of the employers and the industry entered the Anglo-Boer war with one statutory colour bar which reserved the job of engine drivers for whites only. However, with the importation of Chinese labour in 1904, the regulations were tightened up again. The Chamber of Mines agreed that white labour must remain an aristocracy but the Imperial government, in endorsing this view, went a step further and insisted that before Chinese could be brought in white opinion in the Transvaal should favour such a policy. This proviso made it necessary for the Chamber to make elaborate concessions to the white artisans.
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who opposed importation. The most important of these concessions was, as D. J. N. Denoon has pointed out: ‘the prohibition of the employment of Chinese in an enumerated list of capacities, which obviated the risk of their ever competing with skilled or semi-skilled whites’.¹ Denoon suggests that the mining magnates had not intended this legislation to be applied against Africans nor had they considered it to be final. However the prohibition on Chinese doing these jobs was seen by the artisans as reserving the jobs exclusively for whites. The timing of this enactment was important, for it came at a moment when the proportion of white workers in the mining industry was larger than usual. Had the line been drawn either five years earlier or five years later, the number of reserved jobs would probably have been considerably smaller.² Nor was it only the Chinese who were a threat to the white miners: in 1907 there was a strike to prevent blacks doing skilled jobs. Although the strike was lost it had the effect of ‘causing the government to insist upon a definite ratio in mining of “civilised labour” to indentured natives’.³ Thus in the troubled years between the ending of the Anglo-Boer war and the Act of Union, the white miners on the Witwatersrand were able to entrench themselves firmly in their position of privilege. Their status was further reinforced by the Mines and Works Act of 1911. In terms of this law, the Governor General was empowered to make regulations requiring certificates of competency for the performance of different kinds of work. In the Transvaal and Free State such certificates were granted only to whites and by 1920 more than 7,000 white men in 32 mining occupations were protected by these regulations. The law itself was buttressed by the force of custom, backed up by trade union action: in 1920 a further 4,000 men were protected by the customary colour bar.⁴

INDUSTRIAL RELATIONS

It was the growing power, both relative and absolute, of the white colour-bound unions that formed the fourth institutional peculiarity of the labour market as it developed during the early decades of gold mining. In 1897 the Chamber of Mines attempted to cut the wages of all its employees. The white miners went on strike and were able to prevent a reduction in their rates of pay. Black wages however were sharply reduced. White miners struck again in 1907, this time to protect themselves against competition by their black

fellow-workers, and in July 1913 the white miners came out on a massive strike. After riots and bloodshed they won recognition from the Chamber of Mines for their trade unions. As soon as this was accomplished there was another, larger, strike in January of 1914 whose purpose was, in C. W. de Kiewiet’s words, ‘to testify to the common purpose of all white labour to protect its interests’. What was at issue was ‘the whole immense problem of social and economic relationships between industry and labour, between skilled and unskilled worker, between white and black. Thus did the desire of the mines to make the most economical use of their labour become a problem that touched the life of the country at every point’. Nor was the unrest confined to whites. Following the successful strike in 1913, Africans on several mines ‘rose in protest against their conditions of employment’. Their fundamental grievance was, as the Commission appointed to investigate the disturbances found, ‘the colour bar which blocks practically all opportunities of promotion’. But nothing was done to remove the barrier. With the outbreak of the First World War there was an uneasy truce until 1918 when, under pressure from the white trade unions, the Chamber came to an agreement that the existing status quo on each mine, with regard to the relative scope of employment of white and black employees should be maintained. The purpose of this agreement was to prevent any further crumbling of the colour bar which the legislation, in the face of labour shortages, could not effectively prevent.

The post-war years saw an astronomical increase in the cost of living with prices rising by almost 50% between 1917 and 1920. As a result of pressure from the unions white wages were increased so that, in real terms, average earnings fell by only 4% between 1916 and 1921. The black workers, however, were not so successful. During eleven days in February 1920 some 71,000 men came out on strike for better pay, for lower prices in the compound stores, and against the colour bar. From the beginning police and troops from the S.A. Mounted Rifles surrounded the striking compounds, arresting leaders and protecting strike breakers. There was one violent clash in which three men were killed and nearly 50 men (including about a dozen on the government side) injured. But, in general, the demonstration of force

2 Ibid.
5 It is worth noting that, on the outbreak of war, African mineworkers had pledged themselves to withhold all action to redress their grievances for the duration of the war.
6 See Diamond, African Labour Problems, ch. 3, n, for details of the strike. The maximum number of men on strike at any one time was estimated to be 42,000.
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brought about a peaceful return to work. Apart from a reorganisation of trading methods the strike achieved nothing. In 1921 black wages, in real terms, were 13% lower than they had been in 1916. It was another quarter of a century before African mineworkers were to strike again. With the support of the state and backed up by the Native Labour Regulation Act of 1911, which made it a criminal offence for blacks, under contract, to strike, the employers were in a powerful position to crush any attempts at collective bargaining. But for white mineworkers, despite the Chamber’s hostility, the strike was to prove a more potent weapon. Already, as we have seen, it had won recognition for their trade unions. But the main showdown was still to come.

In 1921 the Chamber of Mines, alarmed by the sharp drop in the price of gold from 130s. per fine ounce in February 1920 to 95s. per fine ounce in December 1921, took hasty steps to reduce working costs in the belief that if they failed to do so a further drop in the price to 84s. per fine ounce would render 24 of the 39 mines on the Witwatersrand unprofitable. On 10 December 1921 the Chamber brusquely gave notice to its white workers of the termination of certain wage agreements and of its intention to withdraw the status quo agreement as from the end of January. It proposed to increase the black: white employment ratio to 10:5:1. The white workers were equally alarmed: not only were they deeply suspicious of the Chamber’s motives as a result of the long bitterness of previous strikes and the Chamber’s uncompromising attitude in dealing with the unions, but also the time was one of great depression and the mineworkers were afraid of losing their jobs. ¹ They went on a strike which developed into a full-scale rebellion. There were several days of fighting, property was destroyed, and between 230 and 250 people were killed.

In his study of the causes of the rebellion, Bernard Hessian places a great deal of emphasis on the mutual suspicion between the Chamber of Mines, whose attitude was ‘autocratic’, and the labour leaders. The chances of a negotiated settlement were prejudiced ‘because the Chamber of Mines’ representatives were not prepared to accept the workers as equals in the negotiating room’.² The motives on both sides were very confused. The Chamber saw itself not only as fighting for the very existence of the gold mining industry but also as trying to reduce racial discrimination caused by the white workers. These same workers on the other hand saw the issue not as one ‘between white and black labour, but between free labour and

² Ibid. p. 112.