

**A CRITICAL VIEW OF THE CONTRIBUTION OF CORPORATE SOCIAL
RESPONSIBILITY (CSR) TO IMPROVING THE ECONOMIC AND SOCIAL PROFILE
OF MINING COMMUNITIES IN SOUTH AFRICA**

by

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DECLARATION

I, Victor Ako Anong, declare that the contents of this dissertation represent my own unaided work, and that the dissertation/thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

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ABSTRACT

Corporate Social Responsibility (CSR) includes many elements. Among them, the uplifting of communities is the most common one. The context for this consideration of CSR is the unrest and discontent in the communities surrounding companies carrying out mining operations in South Africa. Desktop evidence is considered to show how mining companies affect surrounding communities in which they carry out their activities under the banner of CSR. A number of communities close to South Africa mines are confronted with socio-economic issues of poor health, including poverty, unemployment and housing inadequacy. These socio-economic problems are some of the reasons that contributed to the mass strike action that hit the Rustenburg platinum belt on the 16th of August 2012. The hypothesis of this treatise is that this strike was in part the failure of CSR.

The drive of this research was to critically review the exercise of CSR by selected mining companies, and the impact they had on socio-economic challenges facing surrounding communities. The following research questions were addressed by desktop analysis: What are the socio-economic challenges facing the mining communities surrounding the mines? What are the sustainable development opportunities for the mining communities? What are the steps taken by South African mining firms to address these challenges and opportunities facing the communities? A qualitative method was used to address these questions.

It is found that CSR policies can be used to overcome social and economic challenges, such as poverty, health, and education in mining communities, especially in less developed nations. However, in South Africa there is lack of commitment from the mining companies with regards to alleviating the socio-economic challenges local communities face. Due to insufficient consultation with the local communities, mining companies focus their attention on initiatives they choose. This choice may be the construction of clinics, classrooms and housing, whereas the local community may prefer they add the negative impacts on the environment as a result of mining activities, other businesses and their health. The conclusion drawn from this evidence is that the CSR practiced by mining companies operating in South Africa is inadequate. Many

South African mining companies brand themselves as good corporate citizens, but have little positive and substantive evidence to show for their CSR efforts. It is recommended that there be greater accountability and involvement of the communities in CSR programs designed and implemented by mining companies operating in South Africa.

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DEDICATION

This dissertation is dedicated to my late mother, Mrs. Ijombe Sarah Anong for bringing me into this world and my late father Mr. Anong Daniel Atekwana for believing and trusting in me and for the values he bestowed in me. This has made me to be the man that I am today.

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LIST OF ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
BEE	Black Economic Empowerment
BRICS	Brazil, Russia, India, China, South Africa
CD	Community development
CO ₂	Carbon dioxide
CSI	Corporate social investment
CSR	Corporate Social Responsibility
FDI	Foreign Direct Investment
GDP	Gross domestic product
HIV	Human Immunodeficiency Virus
ICMM	International Council on Mining and Metals
ILO	International Labour Organisation
IOA	Institute of Acoustics
IOD	Institute of Directors
JSE	Johannesburg Securities Exchange
MPRDA	Mineral and Petroleum Resources Development Act
NDP	National Development Plan
NGOs	Non-governmental organisations
PGM	Platinum Group Metals
SA	South Africa
SEAT	Socio-Economic Assessment Toolkit
SLPs	Social and labour plans
SO ₂	Sulphur dioxide
WSSD	World Summit on Sustainable Development

TERMS AND CONCEPTS

Corporate Social Responsibility (CSR): may be defined as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (Baker, 2008).

The Social and Economic Profile: is an overview of the social and economic landscape of an industry, business sector, city, region or community.

Community Development (CD): is activity whereby the community and external businesses join forces to empower individuals and groups of people by providing them with skills necessary to effect change in their lives and the communities as a whole (CDNOS, 2015:3).

Sustainable Development (SD): “is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (WECD, 1987)

CHAPTER ONE: INTRODUCTION

1.1. Introduction

This study was motivated by the tragedy that occurred on the platinum belt of Marikana on 16 August 2012, where 34 miners were killed and 78 others wounded. This event allegedly occurred, amongst other things, as a result of high unemployment, poor service delivery and general social and economic inequality (Twala, 2012). Chapter One gives a brief background on the corporate social responsibility standards (CSR), followed by a statement of research problem, an outline of aims and objectives, the research question, the significance of the study and a delineation of the study.

1.2. Background of the Research Problem

It is postulated that corporations should not limit themselves to the financial obligations to their shareholders. They should contribute to the development of all the stakeholders in their business, including employees, customers, supplier and community (Aggarwal, 2013:358). The world is currently facing economic and social challenges that range from poverty, unemployment to climate change. Within this context, social responsibility means looking for solutions to these social challenges and contributing to the uplifting of communities (Simionescu, 2015:179).

Decades ago, many big businesses were unresponsive towards the needs of society (Utting, 2005:375). Businesses were preoccupied with increasing the wealth of the business owners (Friedman, 1970:165). It is now widely accepted that businesses not only have the responsibility of increasing the wealth of owners, but also to give back to the society (Idemudia, 2007:369). The idea of CSR was introduced in the 20th Century, but it only gained serious traction in the 21st Century. There has been criticism of the concept from media, industries and academia. It is alleged to lack a generally acceptable definition.

Classon & Dahlström (2006) argue that businesses practising CSR should take into account economic, legal and social aspects, and should act to better the living conditions of the communities surrounding their operations. Murphy & Schlegelmilch,

(2013:1807) assert that Howard (1953), the father of the CRS movement, wrote: “the obligations of businessmen are to pursue those policies, to make those decisions and follow those lines of action which are desirable in terms of the objectives and values of society.” Carroll (1979:497) stipulates that the responsibilities of businesses to society go beyond looking after shareholders’ wealth, and cite four other aspects that should be included, namely economic, legal, ethical, and philanthropic.

According to Carrol & Buchholtz (2014), CSR takes into account economic, legal, ethical, and philanthropic aspects that affect the well-being of the society and the environment. These factors are vital to creating a positive image of the organisation. When these policies are well formulated and implemented, CSR can be an influential instrument by which to bring about sustainable community development in developing countries (Idemuia, 2007:1). The problems facing the communities need to be looked at in terms of potential costs and benefits to the business as well as the community (Fred, 2012:315). Ideally CSR is collaboration between government, the mining companies, the community members and civil organisations in order to create a sustainable community development. Regrettably, there is no measuring tool to determine the level at which businesses are supposed to implement CSR programs in order to contribute to sustainable community development (Yakovleva, 2005).

The concept of CSR has continued to evolve over decades (Carroll & Shabana, 2010:85). From a global perspective, the World Business Council for Sustainable Development (WBCSD) defines CSR as “The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, as well as of the local community and society at large” (WBCSD, 2000; Baker, 2008). Later, the WBCSD modified this definition to “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life” (WBCSD, 2002).

1.2.1. South Africa's Underlying Needs and Challenges

South Africa, like other developing nations, has development needs and challenges. After more than two decades into democracy in South Africa, its citizens still regard poverty, unemployment, hunger, inequality and social injustice as key challenges facing the nation (Statistics South Africa, 2013a:22). This view is supported by the pulse of the people research study, which states that the most important challenges to be met by the government of South Africa are unemployment (87%), poverty (59%) and crime (57%) (Ipsos 2014). In May 2010 President Zuma appointed the National Planning Commission to draft a vision and national development plan. The commission came out with nine primary challenges which must be addressed by the government. These include:

- High unemployment
- The poor educational standard for black people
- Poor and inadequate Infrastructures and under-maintained
- Spatial divides hobble inclusive development
- The economy is unsustainably resource intensive
- The inadequate public health system cannot meet demand or sustain quality
- Public services are uneven and often of poor quality
- High levels of corruption
- South Africa remains a divided society

In the mist of these challenges CSR can make a positive contribution.

1.2.2. The Negative Impact of Mining Companies on Communities in South Africa

Mining activities pose a serious risk to South African communities and its environment due to the disposal of uncontrolled mine waste, acidic mine drainage and toxic water (Bench Marks Foundation, 2013). Mining impact negatively on the environment most. South Africa is one of the world's largest per capita emitters of carbon dioxide (CO₂). Water supply sources are contaminated as a result of the disposal of water contaminated with heavy metals from old coal fields. Acid mine drainage affects everyone, from rural communities and farmers to urban residents. As a result of mining

and industrial activities, the ecosystem supported by South Africa's rivers and streams is under serious stress (Bench Marks Foundation, 2013).

1.3. Statement of the Research Problem

Mining has been the back bone of South Africa's economic development. It is a nation richly endowed with natural resources (Antin, 2013:1). The downside of the mineral resource endowment is that adjacent to mining operations, many of the surrounding communities depend on subsistence farming for their livelihood. This farming is undermined through air pollution and soil infertility as a result of harmful chemicals that are disposed into the environment through mining operations. The poverty prevalence rate amongst the communities near these mines is high. For instance, the Sekhukhune District in Limpopo Province has some of the largest mining operations in the country, yet it is one of the poorest districts in the country (Schmidbaur, Cronje, Djordjevic & Schuster, 2005). Most of the mining communities experience social problems, such as poor health, adult illiteracy, poor housing and a high influx of unaccompanied migrant labour.

The South African mining companies have enjoyed high profits for decades without taking into consideration the developmental needs of communities surrounding the mines. Pressure has been mounted on these mining companies by the government through the Mining Charter and the Mineral and Petroleum Resources Development Act (MPRDA), international organisations, and the affected communities, to start acting like a responsibly. This means taking on social responsibilities and working to the direction of sustainable community development around the area these organisations operate (Cronje et al., 2005). One way of addressing these social challenges is through CSR activities and increased voluntary contributions by companies to the social upliftment of the communities in which they operate.

The mass strike action that hit the Rustenburg platinum belt on 16th August 2012 was as a result of the dire social and economic degradation that workers and their families were forced to endure prior to this (Gillian, 2013). This treatise argues a failure of CSR was a contributing factor to this strike. Traditionally, basic utility and social services and

facilitating economic development are government responsibilities as provided by the constitution. This treatise advocates for company co-responsibility with government for sustainable economic development. This treatise argues this because these companies damage the environment and society through their operations and were complicit in the imposition of the policy of apartheid, thus making them co-liable for the damage carried by both.

Mining companies operating within these communities have a negative impact on the communities and further aggravate these problems which lead to social problems, such as poverty, urban squallors, prostitution, misery, broken families and poor agricultural yields. These companies made profits without worrying about the consequences their activities had on the disadvantaged apartheid communities. These companies are liable to correct the errors of the past and a good way to do this is through CSR. The alternative is that these problems will boil over into strike action, social unrest and police brutality.

Hamann a& Kapelus (2004) acknowledged that mining companies contribute through CSR to the development of the communities, but argued this contribution is a symptom of rather than a correction of social problems faced by the communities near the mines. The community members see the mining companies' developmental initiatives as "window dressing" and artificial (Bench Marks Foundation, 2013). It evident that CSR contribution will not be easy for South African mining companies. The mining sector faces many challenges both market and political. Commodity prices are under pressure and there is political pressure for the nationalisation of mines (Antin, 2013:1).

1.4. The Aim of the study

The main purpose of this study is to critically review the exercise of CSR by selected South African mining firms, and the impact they had on socio-economic challenges facing surrounding communities in order to promote sustainable development.

1.5. Research Questions and Objectives

The objective was to:

- Describe the social and economic problems faced by the communities surrounding the mines.
- Describe the sustainable development opportunities for mining communities.
- Describe the steps taken by South African mining firms to address mining community challenges and opportunities.

The research questions included:

- What are the socio-economic challenges facing the mining communities surrounding the mines?
- What are the sustainable development opportunities for the mining communities?
- What are the steps taken by South African mining firms to address these challenges and opportunities facing the communities?

1.6. Research Methodology and Design

The purpose of a research method is to organise, analyse and summarise the facts in undertaking scientific research in social sciences (Mouton, 2000). The research approach involves three methods, namely qualitative, quantitative and mixed methods (De Vos, 2007; De Vos et al., 2002; Shen, 2009:66). The qualitative method is applied in this study to determine how mining companies have been able to carry out CSR policy in the community. Published company reports are used as evidence of how CSR was implemented.

1.7. Significance of the Study

The significance of this research is that it will help guide mining companies' thinking on addressing sustainable development around the communities they carry out their operations. The study will also expose certain possibilities for South African mining firms to address some CSR opportunities to benefit local communities.

1.8. Delineation of the Study

The research concentrates on the role of CSR to improve the economic and social profiles of mining communities in South Africa.

1.9. Summary

Chapter One provides a statement of and background to the research problem. It discusses the concept of corporate social responsibility (CSR) against the backdrop of South Africa's many social needs and challenges and the negative impact of mining companies on communities in South Africa. It details the aim of the study, research questions and objectives, research methodology and design, significance of the study. It provides a delineation of the study and the structure of the dissertation.

1.10. Chapter Outline

Chapter One provides a brief background on CSR followed by the Statement of Research Problem, the main objectives of the research, sub-objectives, research question and significance of the study, ending with delineation of the study.

Chapter Two gives an overview of the literature on CSR. The chapter also shows the CSR of South Africa and the correlation between CSR and the economic and social profile of a mining community and the impact this relationship has on the livelihood of the community members.

Chapter Three shows the research approach, describing the impact of CSR on the economic and social profile of a mining community.

Chapter Four applies this research approach to describe the impact of CSR on the social and economic profile of a South African mining community.

Chapter Five concludes and makes recommendations.

CHAPTER TWO: LITERATURE REVIEW OF CSR

2.1. Introduction

This chapter overviews the concept of CSR and relates it to the economic and social profile of South African mining communities.

2.2. The Concept of CSR

According to Korschun et al. (2014:20) CSR represents businesses' discretionary practices that are aimed at improving societal well-being. The field of CSR was developed by scholars from America and Europe in the 1980s and 1990s. Previously, businesses in Europe focused more attention on the ethical aspects of business than on CSR (Langlois & Schlegelmilch, 1990:519). Later, both social and environmental concerns were taken into consideration by businesses, which gave birth to what is known today as CSR (Schlegelmilch, 1994:55).

The notion of CSR has been looked upon in different ways by academics and businesses. CSR is "highly contextual in terms of corporate and national environment" (Broomhill, 2007:6). Certain academics believe that CSR is a waste of money. Amongst these is Milton Friedman. Those who believe, think that, the objective of any business is to maximise profit and minimise losses and argue that the practice of CSR is contrary to these goals. Friedman (1970:211) argued in the newspaper (New York Times) that businesses have an obligation to maximise profit and the wealth of the shareholders. Idemudia (2007:369) argued that the practice of CSR is a waste of resources. Steinberg (2000, cited in Zamagni, 2012), argues that businesses carry out "prostitution" in the quest to perform CSR because the aim of any business should be to make profit.

As against this there is ample literature on the useful effects of CSR on the quality of life of employees and sustainable community development (Mishra & Suar, 2010:571). According to Keraita et al. (2013:59), companies should assess their CSR on the basis of its impact on the community and its employees.

2.3. Definition of CSR

According to Reinhardt et al. (2008:1), it is a huge challenge to identify from the literature a consistent and sensible definition for CSR. Zu and Song (2008:1) have stated that “a number of large companies are making efforts to define and integrate CSR into their businesses mission and vision”. According to Ismail (2011:371), a variety of definitions of CSR have been proposed, but there is no generally acceptable definition. The lack of consensus in the meaning of CSR has made it difficult to get a standard for CSR measurement.

According to Flores (2011:2), CSR is a charitable work or direct/indirect investment of any business in different social project that aimed to ameliorate the life of the communities around where they operate. Reinhardt et al. (2008) and Bénabou and Tirole (2010:1) agree to a simple definition of CSR as “sacrificing profits in the social interest”. According to Abd-Rahim et al. (2011:119), CSR might be described as “treating the stakeholders of the firm ethically or in a responsible manner”. Koestoeer (2007:13) defined CSR as “a way of addressing various social issues by companies in areas where they carry out their operations, individually or collectively”.

Ismail (2011:371) reported that Howard (1953), who is regarded as the pioneer of modern literature on CSR, offered one of the earliest definitions of CSR as “obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. In order to sacrifice, firms must go beyond their legal and contractual obligations, on a voluntary basis (Ismail, 2011:371). According to Post et al. (1996:545), CSR means that businesses should take responsibility for their activities that affect the inhabitants’ entire societies including their environment and should be held accountable. CSR is a responsible action that business embrace by using its resources in a manner that will benefit the society (Kok et al., 2001:285).

From the above definitions of CSR, the major idea put forward is that business must carry out their activities responsibly in a way that will take care of the wider social environment, so as to help the community and satisfy the people around that

community. Therefore, CSR takes into account a wide range of behaviours, such as being employee friendly, environment friendly, and being respectful of communities where the firm's plants are located. This definition has the merit of being consistent with some of the most useful early perspectives on CSR, while focusing the discussion on the most interesting normative and positive questions.

Taking into consideration the definition of CSR by WBCSD, it is obvious that in order for businesses to ameliorate at large the quality of life of both businesses and communities, environmental development will be imperative to take into consideration (Siyobi, 2015:2). Some of the people who support CSR argue that there is a business case for good corporate behaviour, while others discuss it in terms of sacrificing some profit in the quest for the social good (Bénabou & Tirole, 2010:1).

2.4. Strategic and moral view on CSR

Strategically, businesses engage in CSR policy for different reasons. Firstly, companies will engage in CSR if they know that it will benefit them in the future. Management will engage in CSR programs that will positively influence their financial results (Graafland, 2002:129). According to Fombrun & Shanley (1990:233), CSR can improve a company's reputation in the consumer market. Miles & Covin (2000:299) claim that environmental stewardship creates a reputational advantage that will boost the financial results of the company. A negative reputation will have a negative effect on the total product assessments of the company, whereas a positive social reputation will improve overall product assessments of the company (Brown & Dacin, 1997:68).

Secondly, a company with a virtuous CSR status can be pleased by both future and current labour force (Turban & Greening, 1996:658). A decent climate within the workplace environment leads to a direct trust in the organisation, more commitment from labour force, improvement in employee absenteeism rate, good behaviour and attitude and high profitability and productivity (Sims & Keon, 1997:1095).

Morally, companies do not only engage in CSR programs for financial reasons. Many companies have principles that are committed to certain business cultures and moral

values. Moral commitment affects behaviour. Behaving responsibly is regarded as a moral duty of any business with regard to its community (Etzioni, 1988:314). Evan and Freeman (1988:75) contend that, regarding the additional design of Kant's definite authoritative, all participants group possess an ethical right to it interest treated as conclusion in themselves, not only for a means to certain conclusion (maximisation of the shareholder value). Management is not only accountable to the owners of the business but also to the other stakeholders in the firm.

2.5. CSR Prior to the 21st Century

According to Carroll (2008:23), the concept of CSR started decades prior to the 21st Century but only gained serious attention in the 21st Century. Carroll (1999:268) argues that its evolution can be traced back 50 years. Before the 21st Century, CSR was seen in a negative perspective as "giving away stockholder's assets without their approval, but later it was regarded in a positive light as something worth practicing by companies".

According to Carroll (2008:25), the first literature discussion on CSR started in the 1950s with Howard R. Bowen's book "Social Responsibility of the Businessman" in 1953. During this period CSR was characterised by more talk than action. According to Carroll (2008:34), it was only in the 1970s that the concept of CSR became widely adopted. Many articles were written suggesting CSR can be carried using a managerial approach mostly from the academic side. During this same period, legislation was initiated to tackle CSR issues. This legislation stipulated that "companies create organizational mechanisms for complying with laws dealing with the environment, employment discrimination, worker safety and product safety" (Carroll, 2008:25).

During the 1980s, one of the prominent writers on CSR was Thomas M. Jones. According to Jones (1980:65), CSR must not be viewed as a traditional outcome but as a procedure. He held that "corporate behaviour should not be judged by the decision actually reached, but by the process by which they are reached". According to Jones (1980:60) one clear argument utilised by the opposite party to CSR is that "social responsibility is too vague to be useful". It was during this period (1980s) that studies began to be carryout on the correlation between CSR and business profitability (Carroll,

2008:37). The trends of CSR in the 1980s continued into the 90s and more attention was focused on concepts that were harmonising CSR. During the 1990s, companies' perception about CSR changed and CSR practice evolved.

According to Steets & Weihe (2006), from an historical standpoint, CSR practices and objectives of the past are not similar to those of today. There has been a considerable impact on the balance of power between all the major stakeholders of the society which has changed the economic and political landscape during this period. Governments, business, and civil society saw themselves faced with changing opportunities, risks, and responsibilities.

2.6. CSR in the 21st Century

According to Carroll (2008:41), the 21st Century has focused more on the empirical research of CSR than the theory which dominated the era before the 21st Century. Carroll (2008:41) ascertains that CSR has developed faster amongst European communities. The attention and development of CSR has been more prominent in the European communities and this time has been characterised by amplified attention in CSR practice. There are a considerable number of factors that have led to the growing interest in CSR by businesses, including amplified pressure from Non-Governmental organisations (NGOs) and trade unions to respect human rights and to embrace good employment practices. Another factor is "the belief that there is a business case for ethical management.

From the start of the 21st Century, CSR has been seen as a world phenomenon, but the practice differs across the different regions of the world. Some initiatives are more voluntary than others. In some countries CSR, has been incorporated into law and regulation (Carroll, 2008:41). The concept of CSR is still a developing field in research. Carroll (2008:46) states: "the field of scholarship that CSR represents is a broad and diverse one, encompassing debates of many perspectives, disciplines and ideological positions; it is located at an intersection of many contributing disciplines".

2.7. Argument for CSR

Davis (1973:313) argued that “spending money on CSR programs is a good investment for the long-term success of the organisation; it might seem contradictory that spending money on CSR will increase profit, but the truth is that there is a strong correlation between good business and being good to the society”. By transforming community through CSR and creating better societies, the business benefits as well. In this regard, businesses create a better environment for themselves. For example, CSR can make labour recruiting easier, improve labour quality, and reduce turnover, absenteeism and crime (Davis, 1973:313).

Davis (1973:313) further argued that CSR programs by companies portray a positive image of the company to the public. This positive image increase benefits of the company in relation to employees and customers, which in turn may lead to improved sustainability of the business. Another argument for CSR by Davis (1973:313) is that CSR programs lead to “business viability”. He argues that businesses exist because they provide valued services to the society and in return, the society gives its support to the businesses. If a business fails to live up to the expectations of the society, that support can cease. Consequently, if a business wants to maintain its popularity, social status and power in the community, it must conform to what the society wants and respond to their needs (Davis 1973:314).

Another argument for CSR is that businesses that carry out CSR programs make themselves less vulnerable to government regulation. Businesses that do not support the new regulations for the simple reason that they are costly and limit flexibility in making decisions. Another argument for businesses to engage in CSR programs is that it is in the interest of the stockholders because “prevention is better than cure”. Social problems are best dealt with at the early stages before they grow into bigger ones. If businesses refuse to deal with current social problems, they could well end up spending more on them in the future (Davis 1973:317). Even though these arguments were documented in 1973, they are still relevant in today’s debates on CSR.

2.8. Argument against CSR

According to Davis (1973:317), “the classical economic doctrine of profit maximization” is the most significant argument against CSR, whereby businesses only have one function, which is profit maximisation. The manager is an employee of the stockholders and his or her appointment objective is to pursue this profit goal for his employer. People who ascertain this opinion believe that the reason being for establishing any business is to maximise profit or minimise losses in order to please its shareholders and that the concept of CSR is a distraction from the attainment of this goal.

This implies that corporate bodies only have a social responsibility towards the people who are directly involved in the business and not to the environment or the community in which they operate. Friedman (1970) argues that a corporate executive is an employee of the owners of the business and has direct responsibility to his employers. That responsibility is to conduct the business in accordance with the goals of the business, which is generally to maximise profit for his employers while conforming to the basic rules of the society, both those embodied in law and ethical customs. Of course, in some cases the employers may have a different objective. A group of persons might establish a corporation, not for profit making purposes, but to render services to the community, for example a hospital or a school (Friedman, 1970:211).

This argument is supported by Davis (1973:318). He argued that social programs do not pay for themselves, as these programs reduce the profit of the business. The additional cost for social programs may force small and medium size enterprises to go out of business.

Another argument against CSR is that it weakens international balance of payments. CSR agendas are expensive and businesses will try to find out ways to recover these costs and this will be done by adding these costs to the price of the products. These high prices will cause the business to lose popularity in the international market and they will have fewer sales, which in turn lead to weaken international balance of payment for the host country and fewer sales means fewer jobs (Davis, 1973:320). Furthermore, Jones (1980:60) argued that CSR is too vague and there is no set standard on how

CSR can be implemented. This argument is supported by Banerjee (2001:42) who stated that “CSR is too broad in its scope to be significant to organisations”.

Others argue that CSR is very important for the future growth of any organisation as it creates value. This value attracts customers and investors into the organisation which in turn leads to higher profits and overall corporate performance and sustainability of the organisation (Victoria & Muhammad, 2009:3). When CSR policy is properly managed it should benefit the company and the various stakeholders and give the company a strategic advantage.

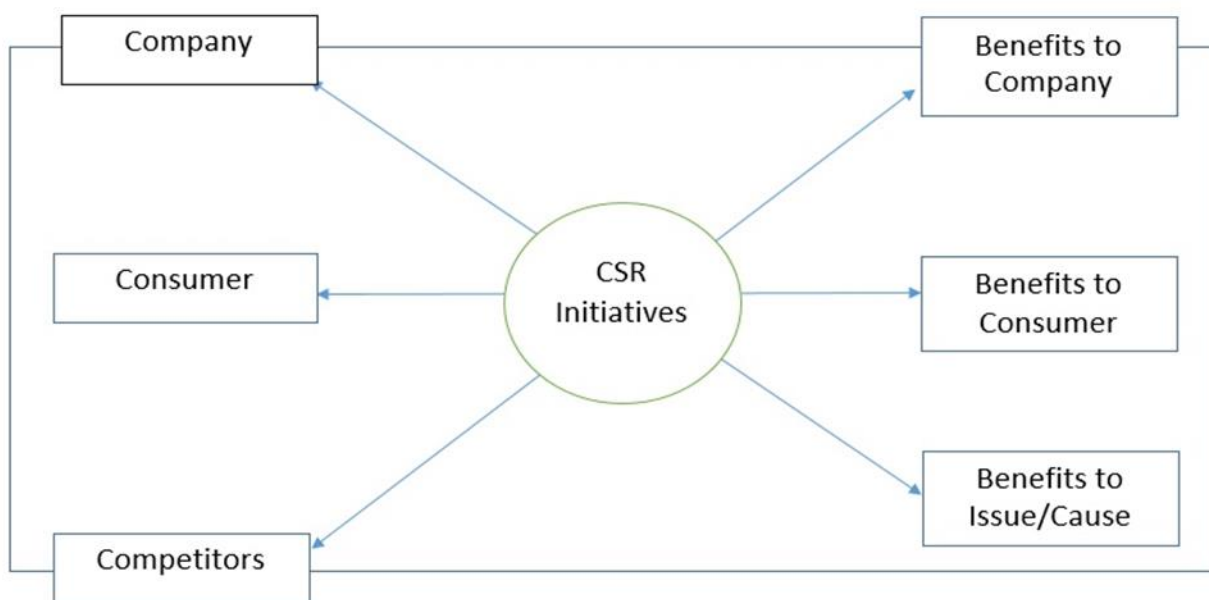


Figure 2.1: Contingent framework of CSR (Banerjee, 2001:39)

2.9. CSR as a Means of Community Development

In 2015, the World Summit on Sustainable Development (WSSD) agreed to commit and to work tirelessly in order to implement the agenda of the summit to eradicate poverty in all its forms and dimensions by 2030. This is the biggest world challenge and a crucial requirement for sustainable development. These sentiments have also been echoed by the International Council on Mining and Metals (ICMM) in its call for “continual improvement in performance and contribution to sustainable development so as to enhance shareholder value” (ICMM, 2013). Mining companies need to plough back investment into the communities in order to improve the living standards of the communities in which they operate, i.e. practice CSR.

CSR can best be carried out in communities where the people share the same ideas and depend on each other to satisfy their basic needs. Through the togetherness of the communities, companies can implement CSR policies by empowering the communities through skills necessary to effect change in their lives and the communities as a whole. These skills are developed using local resources and the formation of social groups working together. Community development (CD) seeks to achieve justice, equality, accountability, reconciliation, participation, mutuality, reciprocity and continuous learning (CDNOS, 2015:3).

Through CSR, businesses address infrastructural issues that can improve the standards of living of the communities in which they operate. CSR functions best in areas where the people are in unity (Simpson, 2015). The United Nations urges CD in communities to resolve their issues without involving external stakeholders, such as governments and NGOs, and stresses creativeness and independence by the community (United Nations, 1971).

2.10. CSR as Corporate Social Investment in South Africa

Mersham et al. (1995:79) perceive South Africa as the gateway to CSR development on the African continent. The term CSR is often applied to designate the practice of good behaviour by businesses. The phrase “corporate social investment” is particular to South Africa as a result of its history and development. Subsequent to the dawn of democracy in South Africa in the early 1990s, big corporations argued that CSR was “neither an admission of guilt for their share of the agony of the deprived, nor is it implying responsibility for the socio-economic welfare of the country” (Mersham et al., 1995:79).

In other words, business people started embracing the idea of “investment” wider than the idea of “responsibility”, which linked businesses to the evils of the apartheid regime. Looking at the definitions of CSR and CSI, many elements are overlapping. South African companies prefer using CSI to CSR, even though the intent is similar. The surprising issue is how vibrant the industry appears to be when examining CSR and CSI in South Africa. This vibrancy may in part be due to South Africa’s unique history and

legacy surrounding apartheid. Generally speaking, CSR is weakly established in developing countries (Jamali, 2007:2).

During the apartheid era, companies were allowed to operate with impunity regarding workers' rights and compensation and environmental regulation. According to Fig (2005:599-601), the term CSI is more commonly used in South Africa than CSR because it reminds companies of their past and present responsibilities that were neglected during the period when the apartheid policy was practiced. As a result of the past injustices by the apartheid regime, the democratically elected government of the new democratic South Africa established the Black Economic Empowerment (BEE) policy which compels companies into redressing the market wrongs of the past. One of the most dominant CSR practices among companies today is the undertaking of BEE (Hamann, 2006:181).

2.11. CSR as Black Economic Empowerment (BEE)

After the 1994 democratic elections, CSR was used as a tool to redress the legacy of apartheid. Mining industries took the lead in the implementation of CSR initiatives (Busacca, 2013:1). Democracy in South Africa brought about changes in the political and institutional landscape of the country. The concept of CSR and the role it plays in the communities was affected by these changes in two ways.

Firstly, South African mining companies were listed on international stock exchanges particularly on the London stock exchange which compelled these companies to operate following international standards and forced these companies to comply with the international standards of CSR. Secondly, the democratically elected government after the post-apartheid era took charge of the mineral resources of the country. Potential mining investors were obliged to apply for mining licenses and concessions.

In June 2002, Parliament enacted the Mineral and Petroleum Resources Development Act (MPRDA). This represented a commitment by the legislature to achieving equitable distribution of the country's mineral resources while promoting sustainable development in communities where mining is being carried out. The BEE policy brought about

different standard of MPRDA obliging mining organisations to change their precedent established right under Mineral Act 50 of 1991 to the current right under the MPRDA condition that they implement the BEE policy (MPRDA, 2002:2).

The MPRDA requires organisations to build labour and social plans (SLPs), but it does not specify how the objectives can be achieved, thus compliance is at the company's discretion. For this reason, how mining companies comply with the Act is a reflection of their commitment to CSR (Busacca, 2013:26). The current weaknesses might be corrected through an implementation of legislative framework that address development such as the National Development Plan (NDP) 2030. The purpose of NDP is to promote sustainable economic development and maintain growth.

2.12. The Perception of CSR by Local Communities

Businesses that embrace the concept of CSR commit themselves to being part of the local communities in which they operate. It is not only corporations that are committed to improving the communities through CSR. International financial organisations are committed to establishing a good relationship with the local communities in which they operate. The World Bank, for instance, in 1998 hosted two conferences titled "Mining and the Community". These conferences were held as a result of considerable expansion of the mining industry on a global stage and important level of investment in developing countries, which triggered differences amongst local communities and mining industries. For this reason, it was argued at the turn of the 21st Century that the "proper management of relations with communities is going to be the biggest challenge in the next ten to twenty years" (McMahon, 1998:10).

The rights of local communities around the world where mining operations are being carried out should be recognised and respected. The conference urged that communities be consulted by corporations and the traditional rights, customs and values of the communities be taken into consideration when making important decisions that will affect the community (Kapelus, 2002:280:279).

The role of the “community” in the operations of mining industries has become more important. If companies can convincingly prove from distinct ways that the community where they operating are benefiting directly or indirectly from their operations such as (community development program), assist them with legal cover that aims to protect them from being controlled by other groups, for example environmentalists and labour organisation it will empower them to carry on with their activities without major disruption and limited cost (Kapelus, 2002:280).

2.13. Economic Aspect of CSR in South Africa

The apartheid regime in South Africa (1948), promoted white supremacy and the exclusion of non-whites from the political system, highly skilled jobs and quality education (Linford, 2011). With the dawn of democracy and the general democratic elections of April 1994, white rule and apartheid came to an end and an era began in which fighting the social imbalances formed under apartheid was given greater attention (Flores-Araoz, 2011:1). The first democratically elected president of South Africa Nelson Mandela, started his term of office putting in place plans to rejuvenate the economy by prioritising economic growth and sustainable development. He emphasised the importance of bringing together private and public stakeholders to address challenges hindering development (Field, 2013:1). Today in South, it is these partnerships that form the basis of CSR programs. Depending on the specific condition of the country, CSR might embrace different roles. For instance, “to Chinese consumers the hallmark of a socially responsible company is safe, high-quality products. For Germans, it is secure employment. In South Africa, what matters most is a company’s contribution to social needs, such as health care and education” (Fourie, 2005).

In 2005, a South African company called Trialogue that specialises in reporting on corporate social investment, identified certain areas in which businesses can carry out CSR in order to create an impact in South Africa. These include: Product development, health, disease such as HIV/AIDS, labour force skills development, security and safety, environmental protection, labour force equity and labour force relations (Triologue, 2005).

According to Visser (2004:34), Carroll's American CSR pyramid takes a different form in South Africa. The American CSR pyramid is shown in Figure 2.2 and the South African one in Figure 2.3 below. Both countries still maintain highest level of economic responsibilities, however, instead of legal responsibilities aspects in the second place, philanthropic responsibilities is maintain by South Africa followed by legal and ethical responsibilities.



Figure 2.2: Carroll's pyramid of CSR (Visser, 2004:34)

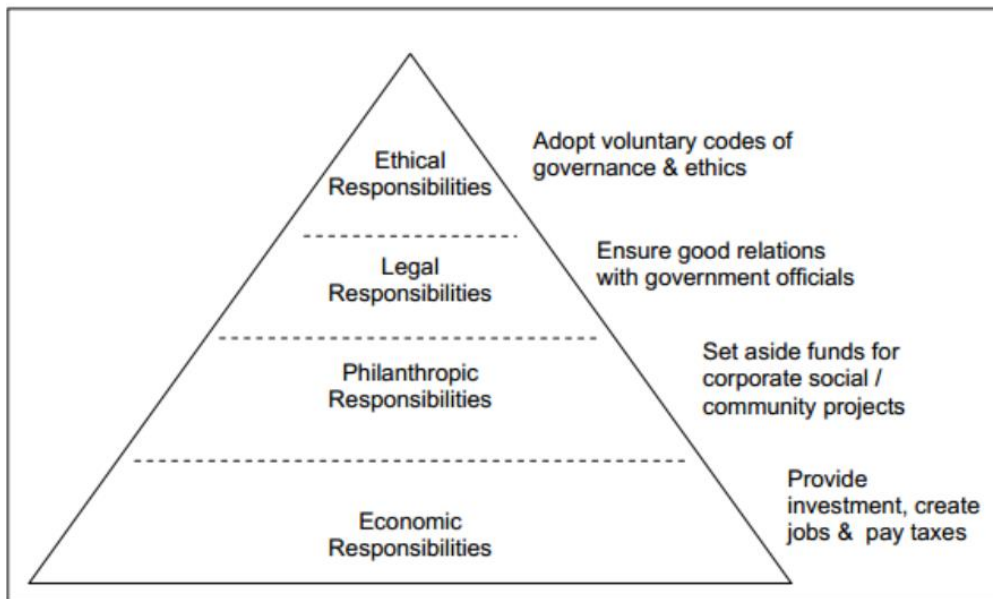


Figure 2.3: South Africa's pyramid of CSR (Visser, 2004:34)

Most businesses in South Africa benefited from the apartheid rule. Therefore, those businesses “would be expected or even summoned, to assist in the righting the wrongs of the past” (Olufemi, 2009:359). In 1992, the King Report on Corporate Governance was published by “the Institute of Directors” in Southern Africa (IoD). This report talked about the stakeholders’ interest and accountability beyond that of the shareholders (Rossouw et al., 2002:289).

The King report was revised in 2002 and the revised version was known as the King II. It advocated for “Triple Bottom Line Reporting” (Fourie, 2005:17). “King II was the first global corporate governance code to include a section on integrated sustainability reporting, requiring that businesses annually report on the nature and extent of its social, transformation, ethical, safety, health and environmental management policies and practices” (Visser, 2004:44). The King II report was further revised in 2009 which became known as King III. The state and businesses are supposed to form a partnership and adopt programs in order to foster CSR but South Africa companies still consider CSR as Corporate Social Investment.

Corporate Social Investment is classified by companies as philanthropic gestures and are not necessarily entrenched in the company’s main agenda. Companies do not include CSI in their annual plans. This phenomenon is a challenge because businesses

that do not incorporate CSI in their main business practices are not taking full social responsibility for their actions. Often, such businesses are simply 'green washing' (Fourie, 2005:7). Companies in South Africa need to understand that CSR is not only about investing a portion of after-tax profit in social development but also about how profits are made in the first place (Hamann, 2004:278). Investing in social issues by businesses should not be prioritise based on "whether a cause is worthy, but whether it presents an opportunity to create shared value that will benefit both the society and the business" (Porter & Kramter, 2006:78).

2.14. CSR as an Instrument for Self-correction of Market Failure

According to Mallen (2008:1), businesses have been receiving increasing pressure from Government, civil society, NGOs and individuals to be involved in the social matters of the communities in which they operate. Historically, businesses have looked at social responsibility issues as being a voluntary part of their corporate policies which were "good for our business" (SourceWatch, 2007:1). Although the concept of CSR has been around for a very long time, it has not been embraced by everyone and the concept is not well understood by many people (Mensah, 2009:23 & Hopkins, 2004:3).

Due to market failure and the inability of government to carry out its elementary responsibility and effectively manage the activities of the society and market structures of a free market economy, companies have a social responsibility to fill the gaps in the communities in which they operate (Idemua, 2007:369 and Amalric & Hauser, 2005). Hamann (2003:248-250), has argued that CSR and CSI should be geared towards the upliftment of communities and the community members. Its planning and implementation should be undertaken jointly, where businesses and the community respect the culture and custom of one another (Hamann, 2003:248).

2.15. The CSR Contribution to the Social Profile of Communities in South Africa

South Africa is one of the world's most affected nations by HIV/ AIDS. The high rate of HIV and AIDS amongst the economically active population of the society negatively affects companies by the loss of production through absenteeism and the cost of retraining employees and healthcare (Hamann, 2006:182). For this reason, many

companies focus their CSR initiatives towards HIV/ AIDS, health and education. In addition to education and health concerns, there is also a growing tendency by companies to include training and skills development as part of their CSR initiative. Hamann (2006) argues that these are not the only problems for companies to focus their CSR and CSI effort. Hamann (2006:180) lists a number of others' concerns including poverty, high unemployment levels, urbanisation, housing shortages, service delivery and environmental degradation. Fig (2005) echoes these sentiments.

2.16. CSR of Mining Industries

CSR in the mining industry mostly relates to activities of the company that aim at achieving economic, social and environmental sustainability, and there is a global shift in the way businesses perceive CSR (Hamann, 2003:237). During the 21st Century concerns about sustainability and social responsibility have become increasingly important matters within mining industries. The mining and processing of mineral resources by mining companies is seen as an activity that disrupt the environmental and society (Peck & Sinding, 2003:131).

According to Walker & Howard (2002), CSR and other voluntary initiatives are significant to mining companies for the following reasons:

- The public perception about mining companies is often very poor.
- There has been consistent legal pressure on the mining sector at local and international level. An example of this is Oxfam's campaign targeting mining industries and Friends of the Earth International's Mining Campaign.
- There has been more focus on the risk management and Socially Responsible Investment (SRI) by the mining sector.
- To maintain an operational license has always been a challenge as social groups usually oppose the expansion of the mining activities based on accusations of bribery for concessions, lack of community engagement, impact on arable land, pollution and related health impacts, and the influx of migrants seeking for jobs.

For mining industries, CSR is about harmonising the different needs of the community and the obligation to protect the environment and yet still make a profit. CSR is an important instrument to measure corporate behaviour towards stakeholders (Jenkins, 2004:23). CSR demands a company to be responsible towards all stakeholders including employees, customers, affected communities and the general public on matters such as human rights, employees' welfare and climate change (Hamann, 2003:238). The result of CSR programs within the mining industry is to legitimate their being, through the disclosure of social and environmental information (Peck & Sinding, 2003:132). The non-renewable nature of natural resources and the devastating effect of mining on the environment and communities, has led the mining industry to be amongst the most prolific disclosers of social and environmental information (Tilt & Symes, 1999:137). Most mining companies today disclose information patterning to social and environmental performance, health and safety issues and ethics.

2.17. CSR and the Mining Communities of South Africa

Mining has a very big effect on the local communities, for instance it leads to the creation of new communities, towns and create wealth to the community members, income from export revenues and royalties, the transfer of technology, skilled employment, training for community members and the construction of infrastructures, such as roads, schools and clinics (CAFOD, 2006; MMSD, 2002:200).

According to the definition of communities by the Mining Mineral and Sustainable Development Report (MMSD), there are three different types of community. These are occupational communities (households who depend on the mining operations for their livelihoods), residential communities (families who live within the neighbourhood of the mining operations) and indigenous communities (households with an ancient and cultural attachment to the land where the mining is being carried out) (MMSD, 2002:200).

These community types are not mutually exclusive. They may exist alongside each other. Communities exist within the mindset of its members and should not be mixed up with geographic or sociological proclamations of fact (Cohen, 1985). Mining companies

need to take these differences into consideration when carrying out community development plans or applying its CSR policies in the communities (Kapelus, 2002:275).

2.18. Different Dimensions of CSR

CSR is multi-dimensional as it involves diverse forms of participants. The benchmarks of CSR mostly include economic, social and environmental problems. However, there are different views and opinions about measuring CSR. The 2001 Green paper of European Commission pointed two measurements of CSR which are external and internal. The internal measurement involves the man power management, including safety at workplace, health, administering environment's impact and natural resources. The external measurement involves surrounded societies, stakeholders, environment at large and human right (European Commission, 2001).

Dahlsurd (2008:8) identified five measurements of CSR which include voluntary measurement, stakeholder measurement, economic measurement, social measurement and environmental measurement. From both theoretical and operational perspectives, Dahlsurd's measurements might be put under two categories; nature-based and content-based measurements. The willingness to participate and shareholder measurements are considered nature based, whereas social, economic and environmental measurements are content based. Nature-based measurements denote acquired character and actionable value. Content based measurements denote the principal idea of CSR and also define the scope of practice.

A company's goal should be to conduct its business in a manner that will preserve profitability and at the same time improve the economic conditions of the society. "This is well articulated in the seven sets of Novak's economic responsibilities, which include:

- Giving customers maximum satisfaction with goods and services of good quality and real value.
- Earn a fair return on the funds of the financiers and investors.
- Create new wealth to maximise social value and help the poor for their economic emancipation and also optimise efficiency by raising wages of the employees.

- Create new jobs
- Defeat envy through generating increased mobility and giving people the sense that their economic conditions can improve.
- Promote innovation” (Lantons, 2001:595).

The social measurement of a CSR program is paramount in linking the business and the society. Its main focus should be to work towards building a healthy community and for that reason embrace certain social issues within their current business plans and take into consideration the full extent of their impact on the communities (Dahlsrud, 2008:4). The implementation of the above mentioned economic and social concerns can lead to an amicable working business environment in and out of the firm.

An organisation’s CSR program covers different subjects that can be grouped through the three distinct points.

- Firstly, it covers Labour practice and labour right. This cover includes the overall core labour working conditions and set of standard as it enumerated in ILO recommendation and Tripartite declaration regarding international businesses. Freedom of organisation is regarded as the most imperative labour right, that include also exclusion of force or enforced labour, collective bargaining, eradication of child labour, acceptable working condition (This is reviewing wages, health and workplace environment safety, rest period in a weekly basis, standard, eradicate employees discrimination, equal opportunity and weekly working hours (ILO, 2000).
- Human rights, which include the protection and respect of international human rights ethical agreement for organisations. The United Nation’s international policies on human rights compel organisations to respect and support international human right in their organisations (United Nations, 2004). It is the responsibility of organisations to protect and promote all suitable civil, political, economic, social and cultural rights of those under their sphere of influence.
- A social measurement of CSR is CSI and philanthropic activities in communities, which contain programs to alleviate poverty, sponsoring culture and social activities, financially supporting hospitals, epidemic services to tackle issues such as HIV/AIDS and prominent cancer and basic education; building academic institution, supporting

action related to naturel disaster, joining action with the government and NGOs venture. The above CSR programs are “intended to remove the social welfare deficiency and improve the quality of life of the communities” (Carroll, 1991:40).

A very important concern of businesses around the world is the environment. The operational activities of companies have a serious effect on human and naturel resources such as water, land and air.

2.19. Conclusion

CSR can take many forms and has different meanings to different people. Many mining companies are making strides to integrate CSR into their businesses plans, but there is lack of a generally acceptable definition and consensus on the meaning of CSR. Companies engage in CSR if they know that it will benefit them in the future and boost their financial results. The notion of CSR has been observed in different ways by academicians and businesses. CSR is highly related with regards to corporate and national environment. Many academics and business owners believe that CSR should be voluntary not compulsory.

Before the 21st Century, CSR was perceived negatively as managers “giving away stockholder’s assets”. Later, during the 21st Century, it was perceived in a positive light as something companies should undertake and potentially be complementary to their business interests. CSR is a term that is used throughout the world to designate good social practices of corporations. The expression “corporate social investment” (CSI) is particular to South Africa as a result of the historical past and development of the country. The term CSI is commonly used in South Africa instead of CSR because it reminds companies of past and present responsibilities that were neglected during apartheid. Businesses are called upon to relook into challenges facing the sustainable development of mining communities. The WSSD in 2015 agreed to commit and to work tirelessly to fully implement the agenda of the summit, which was to eradicate poverty in all its forms and dimensions by 2030.

Challenges facing mining communities in South Africa can be redress using CSR within areas such as infrastructure development, education and health. Economically, businesses in general are called upon to embrace the concept of CSR in order to develop the communities. There has been continuous pressure from individuals, NGOs, the Government and civil society on businesses to involve communities in the design of CSR practices.

South Africa is one of the most unequal countries in the world. According to Statistics South Africa (2010:1), South Africa has the highest Gini coefficients of 0.62 comparing to the rest of the world; the country is also one of the most affected nations by HOV/AIDS and still is negatively affected by policies of the apartheid era. Mining companies have developed the reputation of being organisations only out to make profits without worrying about the consequences the operations have on the environment and the society. After the democratic elections of 1994, CSR has been used as a tool to redress the legacy of apartheid. After the dawn of democracy in South Africa in 1994, CSR became a tool for mining companies to correct the mistakes of the past.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

This chapter motivates the research method applied to assess the CSR of selected mining companies operating in South Africa.

The objective of this research was to describe the socio-economic challenges faced by communities surrounding the mines, describe the sustainable development opportunities for mining communities and describe the steps taken by South African mining companies to address these challenges and opportunities facing these mining communities.

3.2. Research Methodology and Design

Research method refers to the process of gathering, organizing, analysing and summarising the evidence of data (Mouton, 2000). The research approach involves three methods, namely qualitative, quantitative and mixed methods (De Vos, 2007; De Vos et al., 2002; Shen 2009:66).

3.2.1. Qualitative Research

According to Mariaty (2011:2), qualitative research methods can be used in a variety of study methods that have their theoretical background from a number of disciplines including sociology, anthropology, social psychology, philosophy, and linguistics. The process of qualitative research is largely inductive. Qualitative research methods can be used in diverse studies. It is possible to describe a set of main characteristics that lead to an in-depth understanding of the social world by investigating their social and material state of affairs, their experiences, their stand point and histories. In this research, to determine how mining companies have carried out their CSR policy in the communities surrounding their operations, the qualitative method will be used.

3.2.2. The Research Design

In research, there are five designs. These are: experimental design, survey design, longitudinal design, comparative design, and case study design (Bryman, 2004:33). In

this research, the case study design was used since the purpose of this research was to understand how mining companies implement their CSR policies to benefit communities surrounding their mining operations.

3.2.3. The Case Study Design

Yin (2009:18) defines case study design as “an empirical inquiry that investigates a contemporary phenomenon in-depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly marked”. This study will be based primarily on the evidence cases of mining companies. The reason to undertake a case study design is to “generate an intensive examination of some cases”, and “engage in a theoretical analysis” (Bryman, 2004:52). Case study design is more appropriate than other designs, such as survey and experimental research, because of its advantages in eliciting rich data and utilising multiple sources of evidence to enable in-depth understanding of the social phenomena being investigated (Yin, 2009:9-10 and Punch, 2005:145). Case studies incorporate the study of individuals, small groups, organisations, communities and the nation in order to understand units such as attributes of individuals, actions and interactions, incidents and behaviour settings (Babbie & Mouton, 2007; Punch, 2005; Yin, 2009).

3.3. Philosophical Assumption

The philosophical assumption behind this study is not to elaborate on CSR, but to investigate how CSR of mining companies impacts on the economic and social profile of mining communities in particular.

3.4. Interpretive

According to Klein & Myers (1999), the idea behind the interpretive method is that facts are obtained throughout social constructions. The interpretive method looks at the closeness between the researcher, the subject matter of the research and the situational constraints shaping this process. Methodologically, the interpretive research is not concerned with defining dependent or independent variables and testing hypotheses, but creating an understanding of the social aspects of the facts (evidence) (Walsham, 1995).

3.5. Data Collection Technique and Instrument

Data collection in this study was by means of documentary reviews. Secondary data analysis is “the use of existing data collected for the purposes of a prior study, in order to pursue a research interest which is distinct from that of the original work” (Grinyer, 2009:1; Zikmund et al., 2013:160). Secondary data includes the following: project and program reports, meeting reports, posters, newspapers, staff meetings, books and journals and also different categories of information related to the study.

The researcher used the desktop analysis, which is also known as secondary analysis, because much has been written on mining and CSR. This method reduces transport costs since there was no in-depth interview required and it is easier to obtain information from the Internet. It is a widely endorsed way of making assessment (Zikmund et al., 2013:160).

3.6. Data Analysis

Data processing is the method of organising data in a manner that can enable easy retrieval of information for analysis purposes (Babbie & Mouton, 2001). The information collected was analysed using a qualitative method of analysing data. According to the research by Babbie & Mouton (2001:490), qualitative data analysis refers to “all forms of analysis of data that is gathered using qualitative techniques regardless of the concept used to govern the research”. These forms include the content-analysis method, thematic clustering, ordering and systematisation of information gathered from company’s report, newspapers, articles, journals, books and online information from the Internet. The researcher will use Miles and Huberman’s (1994) framework to analyse qualitative data which comprises of three interrelated activities namely information reduction, information display and the drawing of conclusions (Punch, 2005). Miles & Huberman (1994) encourage early interweaving of data collection and analysis as opposed to systematically separating the data collection stage and then engaging in data analysis at a much later stage. The advantages of early data analysis during the research process are that it enables collection of new information to fill up gaps, or to analyse patterns that arise during information analysis. It makes data analysis an on-

going process, which starts immediately when the data collection process begins, and allows for the production of interim summaries throughout the analytical process (Miles & Huberman, 1994). “Desktop data analysis is important for researchers who prefer to conduct the research at a fixed place and testing hypotheses using existing data sets, rather than seeking funding to finance the data collection process and data entry clerks” (Boslaugh, 2007:2-10).

The case study approach was used to examine the South Africa mining industry. Desktop research was undertaken on different mining companies in South Africa. The case study research method allowed the researcher to closely examine the information within a specific context by comparing positively existing information found on newspapers, articles, books, reports and conferences. This information was then compared against the benchmarks of CSR discussed in Chapter Two.

3.7. Delimitation of the Study

The study concentrated on the role of CSR in the economic and social profile of mining communities in South Africa. The study focused on mining communities in general and the companies that carry out operations around those communities.

3.8. Ethical Consideration

According to De Vos et al. (2005:57) definition, “ethics is a set of moral principles which is suggested by an individual or group which offers rules and behavioural expectations about the conduct towards experimental subjects and respondents”. Ethical clearance has been obtained from the Faculty of Business and Management Sciences making sure that the research complies with expected ethical requirements. The ethical principles that bind the researcher in doing the study include: getting data from published sources which have been made public and to make sure that no unpublished articles are used. The researcher will make sure that the secondary data does not contain any identifying information and to make sure the data is anonymous. Other ethical issues that will be addressed by the researcher include:

- *Do no harm*

The researcher will make sure that the information does not cause any harm to any company.

- *Confidentiality*

The researcher will make sure that the information gathered remains confidential and used only for the purpose of the study.

- *Plagiarism*

The researcher will make sure that all sources of information are acknowledged and if the information is part of another research project and is not publicly accessible, except to the original research team, explicit, written permission for the use of the information has to be obtained from the research members (Tripathy, 2013:1478).

3.9. Summary

This chapter motivated the qualitative method to examine the role of CSR on the economic and social profiles of mining communities in South Africa. The qualitative research method incorporates a variety of study methods that have their theoretical background from a number of disciplines including sociology, anthropology, social psychology, philosophy, and linguistics. The design that was used in this study is the case study of how mining companies implement their CSR policies within the communities in which they operate.

The means of data collection in this study was the desktop, which is the use of secondary data. The data was organised in a way that was easily retrievable for analysis purposes and the information was analysed using a qualitative data analysis method. The researcher ensured that all the ethical procedures were observed which included getting data from published sources which have been made public and to make sure that no unpublished articles are used.

CHAPTER FOUR: HOW MINING COMPANIES IN SOUTH AFRICA APPLY CSR

4.1. Introduction

This chapter outlines how South African mining companies apply CSR based on information available from books, journals, reports, websites and more to source evidence on CSR by companies carrying out mining operations in South Africa.

4.2. The Mining Industry in South Africa

The mining sector has contributed 8% on average to the country's GDP in nominal terms over the last 10 years. The mining industry generates an estimated 18% of the economy's income (Chamber of Mines, 2012:1).

"The mining industry has a huge impact on the South African labour market as it provides more than 1.3 million jobs" (Chamber of Mines, 2012:1). Despite the huge economic impact of the mining industry, there are also some worrying concerns about the industry in particular and the country in general. These concerns include high levels of unskilled labour within the sector. Roughly 10 people are dependent on one person's wage, on average, that is paid by the mining companies. The mining industry also contributes in many other ways to the economy. These are summarised in the figure below:



Figure 4.1: The mining industry's ways of contributing to the economy

The mining industry is far from booming. Cost inflation and political insecurity are the main reasons for the decline in physical production volumes of the mining industry after the Marikana tragedy (Statistics South Africa, 2013:4). Ernst & Young (2013) reported that South Africa's mining sector is amongst the top 10 business risks for two reasons: cost inflation (as a result of infrastructural problems such as high prices of electricity which augmented by 238% within a period of five years, rail network problems and inadequate skilled labour) and resource nationalism. In 2012, there was a significant difference between the catalyst for mergers and acquisitions (M&A) in South Africa and those of other African countries. Strikes are also a major factor affecting contribution of mining companies in South Africa. The 2012 and 2014 strikes showed how vulnerable platinum mining operations were. Production stopped and as a result, affected the economy of Rustenburg, dragging up to 80% of local businesses to the verge of collapsing (World Bank, 2014). African countries with unexploited mineral resources continue to pull growth-driven investments. Contrarily, South Africa's well-established mining and metal industry is undergoing industrial reforms as a result of extensive labour unrest, political instability, increasing resource nationalism, low wages and the rise in energy prices. However, it is the labour unrest and political insecurity that mostly deter investors (Ernst & Young, 2013:48).

Using information gathered from articles and reports by the Chamber of Mines (2012) it is deduced that mining industries in South Africa play a very important part in the economy. Mineral resources contribute up to 26% of the total export value of the country. Mining shares make a total of 18% of the total value of JSE. Recently there has been a decline in mining revenues due to falling commodity prices and increased labour disruption of mining operations. These events have pushed investors to increase demand for shareholders returns. It was also found that despite the position South Africa is occupying in the global mining industry, the country has fallen behind in the area of foreign direct investment (FDI). The country has been unable to redress the situation due to the increase, electricity and regulatory challenges.

A study carried out by Statistics South Africa (2013:4) found that cost inflation, labour unrest and political insecurity, played a major role in the decline of mining companies output. Political insecurity and labour unrest play an important role in influencing mining companies' production capacity. For example, the unrest that took place in Marikana in 2012 saw the suspension of operational activities for some time which led to a decline in production capacity.

4.3. Socio-economic Challenges of South African Mining Communities

According to Yirenkyi (2008:184-187), communities around mining operations are faced with many socio-economic challenges.

- **The relocation/resettlement of the host communities**

"The law usually compels communities to vacate the area where mining is proposed to be carried out, which often generate conflict between the communities and mining organisations. The principal challenge is often with the inventory of properties, rate negotiation and acquiring suitable land to resettle the communities. Often community members do not want to relocate because it creates loss of social band, disturb communal manner of living and psychological issues".

- **Disturbance to plants and animals**

“The activities of mining companies disturb plants and animal life through the removal of topsoil and stream diversion, loss of farmlands, disturbance of ecosystem and water turbidity”.

- **Disturbance to sacred places**

“In rural communities, there are certain areas reserved to invoke ancestral spirits such as shrines, cultural and spiritual areas to bind the dwellers, sanctuaries, cemeteries, and most often it requires these places to be displaced resulting in conflict between the mining companies and the communities”.

- **Noise and air pollution**

“During construction and mining operations, machinery can cause a lot of noise disturbing communities close to the mines. Dust from blasting and movement of vehicles especially in the dry season, causes air pollution”.

- **Water pollution**

“During mining activities, streams are sometimes polluted as a result of spillages. This pollution has a negative health impact on communities that depend on these streams for domestic uses and as a source of drinking water”.

It has been noted that the rooted causes of the Rustenburg community area’s socio-economic problems come from mining company activities. These problems are most acute in informal settlements (squatter camps) around the mines. These residents suffer adverse social conditions that include lack of certain basic services such as sanitation, clean water. The community also suffer from crime, and disease. It been stated that “You don’t have to be a genius to see what the real threats are in the community where mining companies operate, unemployment, crime, the disrupted social fabric created by the migrant system, and the fact that you have a lot of single men living in hostels in proximity to your operations” (Hamann & Kapelus, 2004:88).

4.4. CSR Practices by Mining Companies in South Africa

Mining companies in South Africa have engaged in CSR initiatives within the communities in which they are active in in many ways. Siyobi (2015) illustrated that in less developed nations social and economic challenges, such as poverty, health, and

education can be overcome through CSR policies. Policy and law makers often regard the corporate sector as an area that can be used to carry out developmental projects to promote growth, poverty reduction and human capital development. It follows that CSR for mining companies may include activities and initiatives in line with the national and local developmental agenda (Siyobi, 2015:2).

Many South African companies consider CSR as simply CSI or as charity to communities (Marais, 2010). CSR is measured through charitable actions that are not essentially set in the organisation's fundamental strategy (Visser, 2004).

A study by Mensah (2009:16) stated that "Absence of a rigorous partner associated with inadequate consultation and implementation of CSR policies could have harmful and unmaintainable effects on the community". Furthermore, the author points that "one way to effectively implement CSR is through a partnership between corporate bodies, the government and the community concerned". For example, Anglo American spent R100 million (\$9.4 million) from 2012 to 2014 on educational programs in Limpopo and North West Provinces (Siyobi, 2015). However, the CSR policy and agenda of Anglo American still faces several challenges that influence effective realisation of their specified CSR objectives to enhance education. The policy challenges include lack of co-ordination and cooperation with relevant stakeholders, weak policy alignment with key official development plans and poor monitoring and evaluation once the projects have been initiated.

Some companies like BPH Billiton, a global leading mining company, carried out CSR through BPH Billiton Development Trust. The CSR takes the form of development projects in the areas of education and training, capacity building, socio-economic development and health care (IOA, 2011). Coal of Africa (CoAL) have committed over R500 million to carry out social and environmental projects in different communities for over thirty years and promote employment through its Vele coking coal project. The latter is expected to generate 30000 direct and indirect jobs (IOA, 2011).

Hamann (2004) points out that companies perceive CSR as benevolent work to assist the communities. In order to carry out these policies, companies are faced with challenges, such as lack of monitoring and evaluation, also lack of coordination and cooperation with considerable stakeholders at local, provincial and national sphere. These challenges are mostly in the implementation phase. At national level, the South African government has developed a developmental framework which aims at eradicating poverty, by bringing down the number of communities with members living with a monthly household income of below R5419 from 39% to 0% by 2030 and reducing the Gini coefficient of 0.69 to 0.6 (Hamann, 2004:1).

Furthermore, Anglo American uses three CSR programs measured against the objective of promoting on sustainable community development. Research is done on the aims of each program, the geographical choice of implementation, dimensional building of rural communities by vigorous involvement in decision making process in these programs, included value added that the recipients obtain, whether it being human capital, financial or social (De Coning & Günther, 2009).

Marais (2010) points out that Anglo American's CSR program might contribute to the sustainable development of the communities in which they operate. This contribution will largely depend on the way the organisation designs its CSR initiative and also responds to local conditions. The author noted that Anglo American's "Socio-Economic Assessment Toolkit" (SEAT) was established to help Anglo American contribute to the "economic, social and educational well-being of the communities". As such Anglo American's CSR program may significantly contribute towards long-term sustainable community development. The advantage of its CSR program is that it is built on continued interaction between the mining operations and affected communities. This interaction allows the organisation to better appreciate the worries, priority and the needs of the communities around their operations.

A study carried out by Wheeler et al. (2002:297) pointed out that CSR can be used as a theoretical framework for exploring corporate attitudes in relation to its shareholders. CSR can bring about a balance between the different demands of the communities and

responsibility for protecting the environment and pursuing profit (Jenkins, 2004:23). An important aspect of mining industries' CSR programs is the need for individual companies to show their commitment by documenting their performance concerning their social and environmental agendas (Peck & Sinding, 2003:131). Companies that are committed to CSR are obliged to disclose their contribution to social and environmental goals (Tilt & Symes, 1999:137). This has led to many large mining industries to disclose information about their CSR policies in regard to things such as social and environmental performance, health and safety issues and ethics. Corporate citizenship has long been a popular concept in South Africa but CSR is regarded as a thing reserved for big companies. Many small and medium sized enterprises (SMEs) do not comply with CSR policies because they think their operations are small and can go unnoticed.

4.5. A Critique of South African Mining Companies' CSR Practices

4.5.1. Window Dressing

The efficiency of CSR programs of the oil, gas and mining sector of South Africa's mining industry are questionable (Frynas, 2005). Mining companies have always portrayed themselves as good corporate citizens, but there is often little or nothing to show in the form of sustainable development in the affected communities.

Within the mining industry, three dimensions have been implemented to support sustainable development (economic, social and environmental). Sustainable economic development can be achieved by carrying out investments that will generate income to ensure future development and long-term sustainable livelihood of the communities (Epps, 1996). Sustainable environmental protection can be achieved by reducing the environmental impact of natural resource exploitation and land rehabilitation for future use (Sánchez, 1998). The priority areas of most mining companies CSR to communities are education, HIV/AIDS, health, welfare, entrepreneurial and skills development, arts and culture, environment, policy and advocacy. The mining companies should not only support social development programs financially but get involved with the community members around the mines to ensure sustainable development in the long-run through capacity building and the transfer of skills. Mining companies also should get involved

physically in infrastructural development and investing in social and human capital of the mining communities. If the projects earmarked for CSR by the community are properly identified, evaluated and well implemented, this will lead to sustainable development.

4.5.2. Missed Opportunities

Mineral development might bring or create new communities and transform existing communities' health and environment. However, mineral development might cause considerable disruption to the environment and surrounding communities (South African Minerals Industry Report, 2006). New mineral development projects might be a source of employment creation and source of funding for roads, schools, and health clinics to isolated area, but the benefit might come with poor compensation for the loss of existing livelihoods and the damage to the community environment and culture.

There are distinct challenges that mining companies might address in the community such as lack of access to formal education. In the Rustenburg area, for example, 31% of the population around their twenties have completed high school, but only 5% of this population makes it to higher education. There is a lack of basic educational infrastructures in the town (North West Department of Education, 2013). According to the Bureau of Market Research (2011), substantial poverty levels and income disparity threaten social cohesion. This poverty is a challenge mining companies can address. According to the report, there is a 26.4% unemployment rate in Rustenburg. About 35% of the youth are unemployed and 30% of the economically active population earn no income, while a further 24% of households live on a monthly income of less than R600 per month.

According to Luzipho (2014), the mining sector of South Africa is viewed by the Association of Mineworkers and Construction Union (AMCU) as facing triple challenges of poverty, inequality and unemployment. A study by Adeleke (2017:1) drew attention to the common benefits and harmful consequences of mining across the world: "at the heart of the contestation are concerns about the irreversible damage that mining causes to the environment as well as the destabilisation it causes to host communities".

4.5.3. Failure to Address Sustainability Issues

Community engagement is an important way of addressing the sustainability of mining companies. According to Adeleke (2017) there is a gap of trust and partnership between government, communities and business. The community engagement must involve building sustainable relationship between communities, the state and extractive companies, cultivate long-term relationships, develop mutual trust and respect, acceptable representation on the part of communities, and informed participation in the decision-making process. According to Calam (2018), transforming stakeholder relationships is important as mining industry has to adapt to the new approaches to the communities in which they operate to meet increasing demands for local employment opportunities, improved infrastructure, and focus on greater environmental protection.

From a study carried out by the Bench Marks Foundation, it can be deduced that mining companies lack the commitment with regards to improving the lives of local communities around their operations. The Mineral and Petroleum Resource Development Act (MPRDA) and Mining Charter require social plans to be drawn up, but these plans are usually not made public, so makes it difficult for local communities to get directly involved in the social planning. Mining companies tend to focus their attention on things such as the construction of clinics, classrooms and housing, but neglect things such as the environment, economic, social and health impacts that the mining activities have on the local communities.

Communities around the Rustenburg mining area of the North West Province are affected by carbon dioxide (CO₂) and sulphur dioxide (SO₂) released from platinum smelters. These toxic gases also give rise to acid rain, which contaminates the soil and renders it infertile for farming. Mining activities and the waste from informal settlements also contaminates water sources as a result of lack of access to waste removals and sewage systems. Platinum mining has several methods for its extraction and each method has an effect on the environment and the community. For instance, the impact of open cast mining includes the removal of buildings, trees, top soil and road. Deep subsurface mining, on the other hand, entails the sinking of underground shafts and supporting tunnel with timbers and wood. Deep shafts have negative effect on the

quality of ground water, as a result of lowering the level below that of the pit, disturbing the ecosystem and wells (ALRN, 2005).

The mining operations cause health problems, such as high levels of respiratory infections, and the influx of migrant labour to the mines spreading HIV/AIDS. The policy of subcontracting, the living-out allowance and the lack of job opportunities for women cause them to turn to sex work as a source of income. Most of the communities around the mining operations do not benefit from the mining CSR operations. Unemployment and poverty remain very high in these communities. Mining companies often prefer to use migrant labour instead of training the local community members to do the jobs. South African mining companies do not provide levels of environmental, income, health and safety standards to its workers compared to their operations in North America, Europe or Australia (The Bench Mark Foundation, 2012:1).

From the data gathered from Earthworks & America (2004) and Kingsley (2004) on mining and environment, the authors found that mining in general is bad for the environment. Mining leads to soil degradation of the environment which often render the soil infertile. Mineral extraction has a negative effect on the environment. Extracting minerals requires the use of certain chemicals that are very dangerous to the environment and the population around it. It was found that water sources around mining communities are usually contaminated by the disposal of acid mine drainage (AMD) that infiltrate into the water sources and causes problems such as low PH as a result of pyrite in the rock.

Miranda et al. (2005) and Yirenkyi (2008:184-187), note that mining in general is damaging the environment. According to Environmental ENSight (2012), the government must adopt comprehensive legislative and other measures to:

- Avert pollution and environmental degradation
- Encourage conservation
- Protect environmentally sustainable development
- Utilise natural resources and promote reasonable economic and social development

- Mining companies should treat their waste before disposing it in order to protect the environment and the community members.

Frynas (2005) argues that there is ineffectiveness in CSR programs of the oil, gas and mining divisions. These companies have not done enough and have not shown their commitment to bringing about a more sustainable community development. Even though CSR is used to sustain the development of the communities surrounding the mining companies operate, these actions are more questionable as they are tied with investors whose main focus is profit maximisation. Mining companies must design CSR programs that can be measured in terms of sustainable community development. The program must be designed with a clear objective for each program and scope must be provided through which the community will take active part in the decision making of the CSR projects in the community. Looking at the economic aspects of CSR, it means that more money has to be invested through CSR. Environmentally, the companies need to reduce the natural resource exploitation and carry out rehabilitation programs to protect the resources from disappearing, saving them for future use; these rehabilitation programs involve cost and profit loss. The carrying out of CSR involves risk that are either intentional or unintentional.

4.5.4. Failure to Address Worker Wellness

A study carried out by Kingsley (2004) found that populations in areas where mineral extraction is being carried are usually disadvantaged as they struggle to carry out farming and suffer from several health issues. Strydom & Mpemnyama (2016) stated that “the Johannesburg High Court passed a landmark judgement which paved the way for silicosis and tuberculosis class suits against gold mining companies to go ahead for not protecting the environment and the community against pollution that negatively affected the health of some workers”. Bakan (2004) and Mitchell (2001), criticised mining companies for irrational behaviours towards the community and environment. Despite policies put in place by the government for mining companies to follow in order to protect the environment and the communities, most companies pay little or no attention to these policies (Bakan, 2004).

Mining communities are faced with socio-economic challenges such as the rise of informal settlements (squatter camps) in which the populations in general suffer worse social conditions and lack basic services such as sanitation and clean water. To overcome the socio-economic challenges facing mining communities in South Africa, the implementation of CSR by mining companies is one of the best ways to eradicate the socio-economic challenges such as poverty, health, education facing the mining communities (Siyobi, 2015 & Siyobi, 2015:2). Hamann (2004) and IOA (2011) point out that “companies perceive CSR as a compassionate effort to contribute to the communities”. A study by IOA (2011) found that by implementing CSR jobs can be created and the living standards of the community improved. However, not all the community members are employed, and the companies are often faced with policy implementation challenges.

In the absence of CSR or government services, deficiencies in education, health, culture and clean water have pushed people to expressing their anger through violent protests to attract companies and government attention. There are many mining companies that are exploiting resources around communities and are doing little or nothing to better the lives of surrounding community members.

4.6. Summary

Chapter Four makes findings from anecdotal evidence on CSR as applied in the mining industry of South Africa. South Africa is an important member of the global mining industry and mining forms a backbone of its economy. Despite the economic recession that occurred in 2008 and a significant fall in commodity prices over the last 9 years, the mining sector still contributes significantly to the GDP of South Africa. The mining sector contributed 8% on average to the country’s GDP in nominal terms over the last 10 years. Despite the scale of South Africa’s mining industry, the communities surrounding these mining companies are suffering from economic hardship.

CSR policies can and should be used to overcome social and economic challenges, such as poverty, health and education in mining communities. Mining companies fail in their CSR policies due to insufficient consultation with the local communities. Mining

companies tend to focus their attention on things such as the construction of clinics, classrooms and housing but neglect things such as the environment, economic, social and health impacts that the mining activities have on the local communities. CSR can and should be used as an instrument for community upliftment.

Mining companies have portrayed themselves as responsible citizens, but they have not done enough to show how this assertion has been translated to address the pressing need of sustainable development in the societies and whether developmental programs geared towards the community have been effectively carried out to bring about higher living standards that are sustainable.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1. Introduction

Chapter five concludes and makes recommendations based on the argument of how mining companies in South Africa apply CSR. The analysis in the previous chapter shows that some companies are making positive contributions through CSR programs to sustainable community development in the communities they operate; there are other companies that are not doing enough.

5.2. Limitation of the Study

The study was limited to mining industry only and to the use of CSR. Due to the method of research (qualitative and desk top method), the information gathered was limited to what was readily available and opinion. The study focused on the CSR of mining companies in South Africa.

5.3. The Social Issues

5.3.1. The social and economic challenges facing mining communities surrounding the mines

Communities surrounding the mines are faced with multiple socio-economic challenges ranging from low levels of education, pollution of the environment, HIV/AIDS among its workers and poor safety. These communities seek economic assistance from mining companies operating in their community in areas such as health development, infrastructure development, creating jobs and improving service delivery.

5.3.2. Sustainable Development

Some multinational companies pride themselves as being good corporate citizens, but their impacts are often insignificant. Most of the community members continue to live in poverty. On aggregate, there is little to show on how CSR as practiced, has added value to the sustainable development of communities surrounding the mines. Within the mining industry, the level in which CSR might create sustainable development rest on its economic, social and environmental contribution. It must encourage investment. Its

operation must support and not break down the social order. Its operation must not undermine the environment and natural resource base of the community.

5.3.3. Addressing the Socio-economic Challenges Facing Mining-affected Communities

The steps that have been taken by South African mining firms to address communities' socio-economic challenges and opportunities have been insufficient. Trust and partnerships need to be restored between the government, communities and business. The building of sustainable relationships between communities, the state and extractive companies requires the cultivation of long-term relationships. Transforming stakeholder relationships is also an important step the mining industry has to take to meet community demands for local employment opportunities, improved infrastructure, and increase environmental protection. A collaborative platform must be part of the solution where existing knowledge and data from multiple sources can be put together in building a visually accurate, real-time landscape for the user to help members from mine-affected communities.

5.4. South African Mining Companies' Response to the CSR Opportunity

The South African mining industry is an integral part of both the South African economy and global metals mining industry. Mining in South Africa is a key promoter to many marginal communities. Mining in South Africa improves the current account of the balance of payments. Despite the fall in commodity prices, South Africa still exports considerable value of minerals. However, the action of commodity prices has negatively affected mining revenue and investors. Mining share prices have reduced significantly as a result of negative cash operating margins from 2014 till today, averaging between 30% to 40%. The negative cash operating margins have left shareholders unsatisfied with the returns on their investment relative to the risk involved.

5.5. Conclusion

The current study addressed the problems faced by mining communities' as a result of the disposal of harmful chemicals into the environment through mining operations which causes soil infertility and air pollution, damages the environment, and leads to a high

level of poverty amongst the communities near these mines. Notwithstanding, these companies having enjoyed high profits for decades; they have paid lip-services to the developmental aspect of the communities surrounding the mines and the negative impact on these communities of their operations. The Constitution of South Africa stipulates that basic utility and social services and facilitating economic development are government responsibilities, but this research argued for mining company's co-responsibility with the government as compensation for the damages on the environment and its complicity in supporting the policy of apartheid.

This study has reviewed the concept of CSR and sought to look for a suitable definition to find out why companies engage in it. The study reviewed CSR prior to the 21st Century and CSR in the 21st Century. It has considered arguments for and against CSR and how CSR can be used as a means of community upliftment. It noted the close links between CSR, CSI and BEE in South Africa. It observed how the local communities perceive CSR and the challenges of the economic circumstances facing mining investment in South Africa. Notwithstanding all of the above, this dissertation argues that CSR can be used as an instrument for correction of market failure and the improvement of social profiles of communities in South Africa. The study made use of a qualitative method. Mining companies operating in South Africa have a social and economic responsibility towards the communities near their operations. Providing basic services to the communities is a government responsibility as mandated by the Constitution of South Africa. On the other hand, mining activities negatively affect the communities and so they have a co-responsibility with government to provide these basic services.

The well-established mining and metal industries of South Africa are undergoing industrial reforms as a result of environmental disturbance. Mining companies qualify as an enemy of the environment as their production releases dangerous chemicals that pollute and endanger life around communities they operate. Mining companies should be able to carry out their CSR policies in line with the national and local developmental agenda to protect communities and the environment. When these policies are well implemented, they can be used to overcome the social and economic challenges such

as poverty, education and health facing mining communities. The MPRDA Act and Mining Charter require social plans to be published since CSR expenditure is a tax-deductible. The community must have a say in the decision making on what projects to carry out as CSR by the mining companies but these plans are rarely made public and thus make it difficult for local communities to get directly involved in the social planning. Some mining companies in South Africa make contributions to their communities through CSR. For example, CoAL has focused its CSR activities in generating direct and indirect jobs to combat unemployment in the community. However, most of the communities around the mining operations remain under-developed, facing serious socioeconomic problems. These communities face potential environmental dangers through water pollution, noise and air pollution and disturbance to sacred places. To conclude, it can be said that mining companies in South African are not doing enough through CSR to overcome the social and economic problems facing communities close to the mines.

The main risks involved in carrying out CSR programs are that too little money is allocated to them and what is allocated is not spent on the things the communities feels are most important. CSR should be a strategy to create a good relationship with all stakeholders, to invest, employ and serve the community in an acceptable manner. The long-term sustainable development of a mining industry in South Africa requires that there be a balance between mining operations, sustainable profits, and community development. The government already does engage with mining companies to create sustainable communities through the legislative agenda on development plan, such as the NDP 2030. CSR policies should be supplemented in order to achieve this development plan.

5.6. Recommendations

Poverty has many causes. The development of the mining industry can be a vehicle for alleviating poverty, but it is not one that is currently being fully exploited.

CSR should be a very important practice by mining companies in South Africa. For mining companies in South Africa to maintain a cordial relationship with local

communities, municipalities and the government. It is important for these mining companies to practice CSR and on the other hand, CSR will maintain the reputation of the company.

- In order to successfully bring about sustainable community development, there has to be accountability and a greater management support on the social funds set aside for CSR programs, and the communities should be consulted to know their priority areas before carrying out the projects.
- Given this social obligation, CSR should be considered as an integral part of the activities of mining companies. CSR is the maximum possible contribution consistent with sustainable mining operations. Donations and philanthropic gestures by mining companies should not be made at the cost of the environment of the community members. One way of reducing the risk of this being a cost is to ensure local communities are fully involved in the CSR decision-making processes.
- Mining companies should look for the best ways of involving the community that do not result in excess transfer to few well-connected members.
- For the mining companies to ensure that CSR programs carried out in the communities are effective and efficient, it requires social needs prioritisation by the community. There has to be constant review, monitoring and evaluation programs in place to make sure that the CSR programs remain in line with the aims of the mining companies of improving the social and economic lives of the communities in and around the mining companies.
- South Africa mining companies with other stakeholders such as NGOs and civil society should work together to provide CSR programs to the communities so as to establish the most important social and economic challenges facing the communities around the mines.
- For mining companies to provide CSR programs that are essential to the communities, the companies have to engage vigorously and align their programs with developmental policy agenda such as the NDP 2030, the local economic development plan and integrated development plans.

Way forward in research

- Conduct surveys of communities on their perception of mining companies' CSR practice.
- Conduct surveys among employees on their perception of CSR practice.

5.7. Summary

Chapter five draws conclusions and make recommendations. It concludes many South African mining companies pay lip-services to the developmental aspect of the communities surrounding the mines and the negative impact on these communities of their operations. They are profit driven. For this reason, the responsibility to address poverty falls largely on the shoulders of the government. It is recommended South African mining companies do more and work more closely with the communities their operations affect.

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Appendix A: Proof of registration

Appendix B: Grammarian's Certificate

Appendix C: Ethical certificate