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Contract Workers at Chile's State Copper Company Renew Strike

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Contract workers for the world's largest copper mining company, Chile's state-owned Corporacion del Cobre (CODELCO), renewed their demands for better benefits and work conditions in April, shutting down operations and driving world copper prices to new record highs. Workers represented by the Confederacion de Trabajadores de Cobre (CTC) struck in 2007 for higher pay and production bonuses, as well as education and health benefits (see NotiSur, 2007-07-27). The workers again blocked production at some of the world's largest copper mines when they said CODELCO was not meeting the terms of the agreement that settled last year's strike.

Initial settlement in early May
When the CTC accepted the government's initial offer on May 5, the strike ultimately ended after 20 days, with reported losses of US$100 million to CODELCO. CTC leader Cristian Cuevas said some 5,000 operators would accept the government offer of a 500,000-peso (US$1,100) bonus and the analysis of strike demands at two negotiation tables.

Protesters who blocked roads and attacked full-time staff traveling to mines caused the losses and led copper prices to surge as much as 12% to a record US$4.2605 a pound in New York on heightened speculation that the disruptions would spur shortages of the metal. "People thought that it would be resolved by now, and it's still not," said Leonardo Suarez, head of research at brokerage Larrain Vial SA in Santiago on May 5. "The strike is creating a shortfall of copper."

CODELCO planned to resume production that day at El Teniente, the company's second-largest mine, which was halted May 4 after contract workers threw rocks at transport buses, a company official said. CODELCO's union miners, who stopped going to work because they were concerned they might not have been safe, did not plan to return to El Teniente that day, said Julio Jalil, a CODELCO union leader.

"We'll set up a plan so that workers travel only during the day," said Pablo Reyes, a union leader for mine employees. That measure would prevent the mine from working at 100% of capacity, he said. "I hope today will show us the way out," Luis Garrido, a CTC leader, said in a telephone interview before the scheduled meetings.

The CTC generally represents the contractors, who outnumber full-time miners by almost two-to-one. CODELCO has massively increased its hiring of contract workers during the copper boom of the first years of the 21st Century.

CODELCO hires contractors for construction, maintenance, cleaning industrial sites, running restaurants and providing other services. There are more than 30,000 contractors at CODELCO's mines, while the company has 17,000 employees.
The strike saw several days of tension and a number of confrontations between police and strikers. Cuevas said the dialogue would seek to assure that CODELCO fulfilled its legal obligations under last year's Ley de Subcontracion. He said issues like the reinstatement of fired workers and the payment of back wages for subcontractors who went for days without working still had to be resolved.

CODELCO failed to provide contractors with improved health plans and access to better schools, items that were agreed on in last year's accord, CTC spokesperson Claudio Valenzuela said in an interview on April 20. "This issue has yet to be resolved," Juan Villarzu, CODELCO's president from 2000 to 2006, said in an interview in mid-April. Villarzu declined to make any further comment on the strike.

Santiago Gonzalez, Chile's mining minister, said that CODELCO had fulfilled all aspects of the 2007 agreement with the contract workers.

CTC spokesperson Andres Leal said contract workers are sometimes paid about 250,000 pesos (US $544), the same as full-time housekeepers and well below CODELCO's salaried workers, who earn six times as much. "We have been pushed into this situation," Leal said during an April 20 interview in Rancagua, Chile. Leal is vice president of the biggest contractors union at Teniente and is one of six directors of the CTC who were behind the strike. "Some of our workers live in shacks."

The contractors' strike last year lasted two months and cost the company US$200 million in lost production and damages. The walkout ended after the company agreed to pay bonuses.

**Partial resumption of operations**

CODELCO said on May 3 that it resumed output at its Andina mine for the first time since the strike began. The mine was producing at 80% of its capacity on May 5, a CODELCO official said. El Salvador, CODELCO's smallest mine, had been shut since the strike started on April 16.

The Norte mine, according to April reports, continued to function normally during the strike. The government's offer included a bonus for workers of at least 500,000 pesos, or US$1,073, Arturo Martinez, leader of the Central Unitaria de Trabajadores (CUT), an umbrella group for Chilean unions, said on broadcaster Chilevision. The CUT was negotiating with the government on behalf of the confederation.

Labor unrest in Latin America has contributed to a 26% jump in copper prices this year before May 5. "This strike is the icing on the cake in a very tight market," Suarez said. Demand for copper may outpace supplies this year, pushing the price as high as US$5 a pound in 2009, Suarez said. El Salvador remained shut on May 5 because striking workers had blocked roads, a company official said.

El Salvador produced 3.8% of CODELCO's copper in 2007, while El Teniente produced almost 25%. "You can't work when the roadways are taken over," said Egidio Masias, a CODELCO union leader at the mine, said in a telephone interview. "I hope this ends soon." The company, which is Chile's

**Drought, natural gas shortage slow copper production**

As CODELCO's increased revenues have poured into corporate and government coffers, the generally fiscally conservative Bachelet administration has faced growing pressure to spend more on social programs and on copper laborers (see NotiSur, 2006-02-24, 2006-09-08 and 2007-09-28). The record copper prices have caused large expansions in the copper extraction industry. Chile's northern neighbor, Peru, rose to the world's second-largest producer of copper in 2007, reported Lima newspaper La Republica in February. Peru outpaced the US and Australia in terms of copper production, according to the US Geological Survey (USGS).

Peru also became the second-largest producer of zinc in the world and maintained its position as the top producer of silver. But copper production in Chile remains below its peak potential. In addition to labor stoppages, copper production has been hampered by a natural gas shortage that has hemmed in Chilean industry for several years (see NotiSur, 2004-04-30). Many industries have attempted to convert to greater use of diesel fuel, but this has led to greater pollution problems in Chile and greater equipment unreliability.

Chile may be forced to further limit power use for the first time since 1999 because a drought has reduced water levels at hydroelectric reservoirs, said Sergio Zapata, an energy analyst at Santiago stock broker BanChile Corredores de Bolsa. The drought pared electricity output at utilities already strained after neighboring Argentina decreased gas shipments starting in 2004. In northern Chile, generators designed to run on natural gas are using diesel instead, increasing the risk of machinery failures and blackouts, Zapata said. "There can be a problem at any moment because of equipment breakdowns," Zapata said in early April.