

Recruitment and Retention Challenges in the Mining Industry

By Robert Schultz and Marc Grimm

Globally the mining industry is faced with a shortage of qualified talent to meet its production needs. Every year there are more people leaving than entering this sector to pursue job and career opportunities. Some of the key reasons for this trend include the general image of the industry, the declining numbers of graduates from mining related programs, and the draining of talent and knowledge as a result of mining industry turn-over and retirement.

These trends and challenges have been widely discussed in traditional mining countries such as Canada, the United States, and Australia for well over 10 years. Depending on [industry growth estimates](#), the [Canadian mining industry](#) alone will have to recruit between 27,000 and 70,000 employees over the next 10 years, due to retirement and voluntary separation. From 2004 to 2014, the number of individuals employed in the mining industry is expected to decrease by 12.9%. During this same time frame about 40% of Canadian mining employees expect to retire. Mining companies are now beginning to acknowledge that the current supply shortage is already impacting the productivity, efficiency and profitability of their operations. The shortage of skilled workers in combination with high turn-over rates are among the top factors impacting industry growth, either by stopping or delaying projects that would otherwise proceed, or by significantly adding to the cost of new projects.

[MRC-Business Consulting Service's](#) research has revealed the following critical risks for the industry:

- Increased competition for labour;
- Expansion of skills shortage;
- Increased competition for entry level talent;
- Increasing mismatch between the available labor pool and the competencies and characteristics required;
- Loss of operational knowledge, due to low retention rates and retirement;
- Loss of executive knowledge, due to retirement;
- Impaired productivity;
- Stagnating growth;
- Limited capacity among managers and leaders to access and respond to a changing environment.

As the mining industry seeks sustainable short and long-term solutions, which often call for the support of and collaboration with government, consulting experts, labor organizations, educational institutions, industry associations, native and special interest groups, there is a tendency to try to find a "One Size Fits All Solution."

Commonly industry wide solutions aim at improving the industry's image, improving relations with the educational sector, and attracting skilled foreign workers. In addition recommendations call for an increased number of women, native people/shareholders and non-traditional workers in the mining workforce as well as for the recruitment of general engineering and technical talent from other industries. Lastly training

and development programs together with the improvement of industry standards for the development of necessary industry knowledge and skills are thought to help in overcoming the current challenges.

While all of these strategies are part of a comprehensive solution to the problem, they are still generic in nature. These recommendations are non-discriminating by: company size, commodity, organizational set-up, production processes or other factors.

The current talent supply shortage is often portrayed as a problem beyond the control of the individual company, or as being primarily a recruiting issue. In addition to losing new talent, the industry currently has more than 50% of mining employees over the age of 40. Retirement poses a serious impending issue, with more than 40% of employees expecting to retire over the next ten years. The age-distribution of mining industry labor is due in large part to a mining boom in the 1970s (when a very large pool of twenty-something year-old employees was hired). Re-structuring, downsizing and lay-offs in the 1980s and 1990s resulted in a significantly reduced number of graduates and general talent entering the industry.

The primary recruitment and retention strategies, particularly of some larger operations, still focus largely on offering a competitive compensation and benefits package and financial incentives such as sign-on bonuses. As a result, the industry continues to experience rising labor costs and, while money may bring new employees into an organization over the short term, it won't retain them over time. As one senior HR representative of a large mining corporation commented, "The problem is less of bringing talent into our organization; it is the retention of the right talent over time."

Operations assume significantly increased costs through the lack of retention of existing staff; some corporations have more than 30% in turnover at mine sites and the associated costs are often ignored. When employees leave, they take valuable process knowledge, customer and supplier relationships and a host of organizational know-how with them. For skilled workers the cost of turnover is generally estimated to be between 50 – 150 % of their annual wage, compared to professionals whose costs are generally estimated to be between 100 – 250 % of their annual salary. These estimates should be considered 'conservative' when considering the following cost components:

- Past investment in the departing employee;
- Loss of knowledge and special skill-sets ;
- Loss in productivity.

As the mining industry is faced with increased competition with other industries over skilled workers and professionals, internal systems for retention management are becoming more critical. This will ensure that operations are able to:

- Quantify the actual costs of turn-over;
- Assess current and future skills and knowledge gaps;
- Identify current strengths and weaknesses with regard

to: recruiting, retention, talent development programs and strategies;

- Adjust the organizational strategy accordingly.

Some of the commonly referenced strategies to address the problem of retention in general and to offset the risks regarding the potential knowledge drain in the industry are summarized in the following tables:

RETENTION
Implementing proactive human resources management practices and succession planning programs
Retaining senior employees to minimize the negative impact of attrition
Developing a collaborative, cross-industry strategy for training/educational programs, and employer-provided training to facilitate the availability of a skilled labor force
Ensuring standardization of skills and consistency of training delivery in order to facilitate recruitment
Actively supporting and enhancing the people skills and relational abilities of all employees through training and development programs
Recognizing and leveraging the motivators and learning styles of emerging and departing generations
Engaging in benchmarking to work towards best practices as an industry
Putting greater emphasis on addressing cultural issues, soft skills and management support
Providing access to professional development/ on-going educational opportunities
Supporting structured professional/trade development
Planning technical career paths for employees
Training managers to actively manage retention in their areas

RISK MANAGEMENT
Developing voluntary mentoring programs to facilitate the transfer of knowledge from experienced employees to their potential successors
Facilitating the capture of knowledge and experience that will be necessary to maintain skill levels in the industry
Tracking pertinent workforce statistics
Establishing retirement projections and identify talent shortages
Planning the organization's future workforce, considering the company's changing organizational, market and technical needs
Rehiring selected retirees
Delaying the departure of older workers due to retirement

Fundamental Conclusions Regarding the Future:

In all polled marketplaces, employers stressed the need for research to identify the barriers and best practices for retaining employees throughout the industry. While some of the suggested solutions above can be addressed by the general industry as a whole, other recommendations require individual organizations to take action based on their specific needs and requirements. This would allow individual mining operations to turn an industry-wide threat into an opportunity for positive differentiation within a highly competitive business environment. Management of human capital and knowledge will be one of the keys to future business success.

Looking at a consolidated view of all identified recommendations and strategies on how to overcome current and future recruitment and retention challenges, we anticipate an increase of competitive differentiation within the industry. This will expand the competition for talent beyond compensation and benefits, and drive differentiators such as organizational culture, a company's value proposition to the market place, market performance, business strategy, and the organization's vision for the future to the forefront. This broadened approach to position oneself as the "Employer of Choice", will require a significant commitment, investment, and active involvement of management on all levels. However, the result of such actions substantially improves the organization's ability to attract/acquire, retain and develop the right talent for the organization. At the same time, this Total Talent Management approach will increase productivity and lower the cost of doing business. It will improve the operations ability to leverage the current opportunity in the world markets and sustain the organization when market prices fall or fluctuate and the industry goes through renewed waves of consolidation.

The industry wide supply challenge for unskilled and skilled labor will only ease as raw material prices fall. At this point, mining operations will very quickly respond and start to lay off human capital that exceeds the new demand. Retaining experienced miners will remain critical to success. The current supply challenge for engineers and management talent will continue regardless of raw material prices. This is due to the described developments regarding overall birthrates, enrollment numbers in mining programs, competitive recruitment efforts from other industries (for example [Oil and Gas](#)), and the demographic trends involving the Baby-Boomer Generation. The latter will also continue to pose significant risks to mining companies with regard to maintaining a sufficient knowledge and skills base that ensures organizational competitiveness in the future. The current supply challenges are being addressed in multiple ways:

1. Tactical Approaches

Considering the impacts of recruitment & retention issues as a 'pain' that is only temporary (lack of un-skilled and skilled miners), and continuing to compete for talent strictly from a monetary point of view.

Accepting that the recruitment and retention issues impair productivity and profitability, but taking comfort in the fact that currently high raw material prices and subsequently record margins cover up negative impacts.

Trying to sustain the company by focusing on quick wins and tactical “band aids.” This approach assumes that long term, strategic investments won’t be justified as the industry ultimately will have to face falling raw material prices.

2. Strategic Approaches

Approaching the current issues as short-term as well as long-term problems that can only be resolved by a systemic approach that integrates functional areas of HR with the strategic direction of the business.

Successfully addressing the current and future recruitment and retention issues in the mining industry is less a function of reinventing the wheel or thinking out the box than it is of aligning all Human Resource activities with the strategic direction of the business. Building a sustainable and integrated Total Talent Management system will make mining companies less vulnerable to market as well as demographic developments. A well developed Total Talent Management approach helps organizations address such issues as talent shortage, retention issues, knowledge drain in light of employee retirement etc., regardless of whether these issues arise as a result of demographic developments, market growth or market consolidation etc. In essence, Total Talent Management means having the right talent on board to the extend needed at the time. This will only be achieved however, if a company has the necessary data available to determine current and future organizational needs, interpret this information across the HR function and, as a result of this assessment, establishes tangible goals for Total Talent Management that are in alignment with the companies’ mission, vision, and strategic direction.

The illustration shows how a Total Talent Management approach can be used to assess a company’s ability to attract and retain talent. This assessment (Anticipated Supply & Demand Assessment Process – ASAP) identifies organizational strengths and weaknesses, increasing companies’ flexibility to respond to an ever changing business environment based on continued improvement (of talent management) and better forecasting ability. ■

total talent management example

What answers and results should you expect from the **Total Talent Management** strategy?



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