Securing talent
in this new decade of mining

by Grover Wallace

With most workers 45 years old and above, mining companies are about to lose a huge segment of experience and will need to find and train a new workforce.

It is important for today's mining executives and leaders not to underestimate the fact that, while the recent downturn in the economy did take its toll on balance sheets and productivity, factors such as emerging countries, aging workforces, globalization and individual knowledge growth did not lay dormant while the economy was in a lull.

It is key for mining leaders to be proactive in their talent strategies. Successful mining companies are developing a clear, concise and communicated strategy and placing a high priority on recruiting the right talent in global markets that parallels their business strategy. They are focused on placing the right people in the right jobs.

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Mining present and past

The present landscape. The best way to illustrate the current state of the mining industry is to quote a couple of statements from a recent mining journal.

"World's top gold producer says it plans to increase gold output to a lofty 279 t/a (9 million oz/year), within five years…" Barrick Gold – *Mining Weekly*, March 2011.

"High commodity prices and demand mean cashed-up and growth-hungry mining companies are scrambling to increase output levels and secure resources that will ensure production in future years," *Mining Weekly*, March 2011.

Mining companies and the industry support companies, such as drilling companies, are transitioning from frozen balance sheets, layoffs, reduced exploration, productivity and project holds to accelerated ramp-ups in productivity, increased merger and acquisition activity and sourcing talent. Record level commodity prices, increased demand and accelerated merger and acquisition activity are all placing huge pressures on mines to increase production rates in almost all areas of mining.

So what is driving this growth? First, there is increased demand for commodities such as iron ore, coal, aluminum and base metals to build the infrastructure in emerging countries. Second, the continued development of a robust middle class in Brazil, Russia, China and India as new buyers in the market demand access to items requiring raw materials.

Additionally, many countries are curtailing their own export of natural resources to meet their own internal demands. Russia, for example, is curbing its export of coal to satisfy its own internal need for power generation. India has placed export duties on iron ore and China has cut back its export of rare earth oxides to meet the increasing internal demand due to high infrastructure growth. The continued growth in the technology industry is leading to increased demand in minerals such as zinc, platinum, precious metals and rare earth resources. The continued global economic uncertainty and political unrest is also fueling demand for traditional safe haven investing in precious metals. Finally, peak levels of merger and acquisition activity in mining has placed extreme pressures on productivity demands. According to a *Deloitte* article, mining merger and acquisition activity in China surged above most all other industry sectors. In 2010 alone, there were 2,693 global mining merger and acquisition deals worth

US$13 billion. This was up 28 percent from 2009.

In the drilling industry, increases in metal prices, such as the price of gold climbing higher than $40.80/g ($1,400/oz) have prompted companies to restart idle mines, rekindle dormant projects or embark on new projects. This has all lead to a ramp-up for drilling and exploration services. According to an article by *Reuters*, in March 2011, "The sudden ramp-up of demand has caught many drilling companies by surprise." Connors Drilling has experienced this as it tries to meet the demand for its services and source top talent in a very tight talent market to operate its current and quickly growing drill fleet.

All of this is coming on the heels of a 2008 and 2009 global financial crisis, a time of mass reductions on exploratory spending across the mining industry. Now, 18-24 months later, the market has cycled into aggressive expansion mode again.

The past landscape. Overall, there has been a lapse in the U.S. mining industry with the economic recession and companies "tightening the financial belt." Most mining companies, during the past few years, chose to seek shelter and wait for the storm to pass. In doing so, they tightened their balance sheets through reducing fixed costs. The most prevalent fixed cost is labor, which typically are 50-60 percent of fixed cost budgets. Layoffs, reduced pay, benefit reductions and other downsizing opportunities bubbled to the top of mining company strategies. Additionally, companies eliminated or reduced exploration budgets, halted expansions, reduced, or even idled, production and froze technology enhancements and innovative growth.

On the labor front, many companies promoted from within rather than going to the street or created multifunctional job descriptions, as reduced output allowed for these synergies. According to some mining recruiters, their activity in the mining field dropped on average 15-25 percent during the past few years, as mining companies held tight to what they had in-house. Combining job duties had an upside for companies, as it provided a retention tool to keep their top talent engaged, challenged and learning new skills. This effort also enhanced resumes of employees.

Additionally, companies that took advantage of the down time and focused cost-cutting efforts, but maintained their research and development and innovative efforts, are now finding themselves further ahead and more competitive than those companies whose strategies led them to cut research and development and innovative technology. These same companies are now leading the charge on attracting new talent.

The days of mass hiring are over for Connors Drilling.

Finally, U.S. mining growth has also been stifled as government regulations continue to tighten, placing huge hurdles for companies to gain new mining permits, land and added mineral resource reserves. High commodity prices have allowed companies to re-evaluate domestic projects, despite the challenging regulatory environment in some domestic jurisdictions.

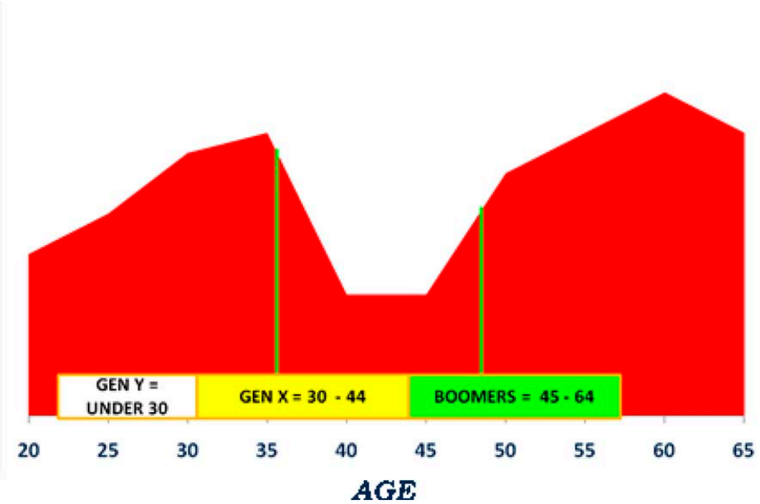
The talent gap issue

Overall, mining is missing a generation of workers. Age demographics show a talent gap from ages 30 to 45, roughly a 15-year gap. As mining slowed down, so did the sourcing of talent (Fig. 1).

With most workers 45 years old and above, mining companies are about to lose a huge segment of experience and skill critical to the sustainable success and training of the newer generations of employees. According to SME data, in 2005, more than 58 percent of the industry members were already over age 50. To compound this, older workers are retiring faster now that their 401K and retirement plans have received a recent boost due to the short-term rally

Figure 1

Mining skipped a generation.



in retirement accounts since the global financial crisis. Boomers who were ready to retire a few years ago held tight as they watched their 401K's and pensions swing into the red. They, too, sought shelter to ride out the storm. Now that their retirement plans have recovered somewhat, they are taking advantage of the opportunity to retire.

Other factors in the mining talent gap include the reduction in skilled craft and mining professionals. Over the past five to 10 years with mining markets down, there has been a reduction in mining engineers, geologists, skilled crafts and specialty trades. The brick and mortar mentality of mining is now competing with high-tech careers. Often, the mining industry battles the stigma of not being the glitzy career path. With the historic softening of the mining industry, colleges are finding many engineers are moving toward more diversified degrees such as mechanical and chemical engineering. In a recent request of resumes from mining schools to populate Connors' intern program, Connors found that nearly 64 percent of the degrees sought were mechanical engineering; only 16 percent were mining engineering. There is also a noticeable lack of skilled trades such as mine mechanics, electricians and skilled drillers.

It is very important for organizations to spend the time and money up front to hire the right people, otherwise they will spend tenfold later because of poor hiring practices.

Retaining what you have

So what is driving some of this turnover in the mining and exploration sectors? One is the flood of new opportunities that is creating a surge of job seekers and resumes in the talent landscape. With the ramp up of growth and increased recruiter activity, people are dusting off their resumes and testing the job market activity (Fig. 2).

As previously mentioned, during down times, companies who reduced workers and combined job tasks were able to capitalize on synergies and retain talent through keeping them challenged. However, this also allowed for these individuals to broaden their job knowledge and, in turn, enhance their resumes. Now, with the ramp up of productivity, companies that are still trying to capitalize by "doing more with less" and not replacing resources are at risk of losing people to burnout and higher marketability.

Job security. If companies are not revising and communicating their new business strategy for growth, then employees will only have past company actions to base their perception of their future growth. If the past was that of layoffs, reduced pay, benefits and other reductions, then companies will have employees questioning their own job security. These employees will seek companies that do have a future of growth.

Reduction in compensation and benefits. For the most part, people will tolerate little or no wage increase during down times, especially if they have a loyalty to their company. However, in good times, if companies are still attempting to "tighten the belt" and hold to minimal increases while the profit side of the balance sheet grows, employees will begin to test the market for those companies who are rewarding their employees appropriately and offering more attractive financial incentives.

Career path became stagnant. Much like with compensation, people are for the most part tolerant of halting career growth in down times. However, as a business grows and people find their career still at a standstill, they will seek opportunities to restart their career path.

Retention strategies – What is working

First and foremost, companies who have a formal retention plan in place that targets diverse groups and is not a "one size fits all" plan and recognizes diverse generations are farther ahead.

Here are a few tools companies are using to retain the Gen X's and Y's:

- Solid company branding and market recognition.
- Challenging and diverse project work.
- Leadership development and continuing education.
- Ethical leadership and internal controls.
- Competitive entry-level pay.
- Competitive with a choice of good family benefits.
- Flexible time off policies that allow for more family time.
- Company paid MBA programs.

Successful retention of Boomers is accomplished through the following:

- Clear communicated direction and business strategy.
- Stock options (if possible).
- 401K with competitive matching (3-6 percent average).
- Leadership development.
- Informal leadership opportunities.

Attracting new talent in this competitive environment

Recruiters and human resource professionals are strategically narrowing their recruiting focus to specific areas. While the age 50 and over are not typically out on the job market, recruiters are having some success in "raiding" competitors to secure seasoned leadership for clients, filling the voids in organizations that are losing experienced employees to retirement.

Target areas for recruiters

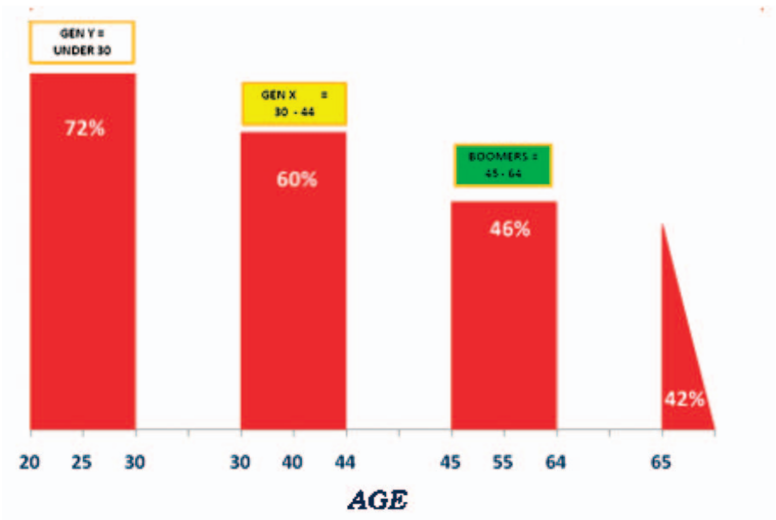
In Fig. 2, the left side of the talent gap is where the most activity is occurring. The 30-40 age group is the group "sprucing up" their resume and testing the waters. These are the employees who typically will change jobs every three to five years and have held tight during the past downturn. Now they are out marketing themselves for a leadership role or something more challenging and rewarding.

Sourcing the right talent

A quote from the book *Good to Great*, by Jim Collins:

Figure 2

Survey percentage of voluntary turnover expected during the next 12 months. (In a Deloitte survey of 300 plus executives in the fall of 2010 the following data illustrates what those executives feel they will lose to voluntary turnover in the next 12 months.)



"People are not your most important asset. The right people are your most important asset."

It is very important for organizations to spend the time and money up front to hire the right people, otherwise they will spend tenfold later because of poor hiring practices.

Employers involved with employees who are continual safety risks, employees continually pushing the envelope on attendance or poor performance know the consequences and costs of poor hiring decisions. Worse is the cost and resource drain associated with an employment litigation claim.

On average, mining companies will spend in the range of $4,000 to $6,000 per new hire from the time they take an application, to stepping into their first day of productive work. Good companies will spend upward of $8,000 to $10,000 per employee. This does not include the training of the employee beyond the baseline entry-level worker. An upfront investment of time and money is small compared to the costs associated with the time and money spent in employee litigation, a serious injury or other costs and time in dealing with a less than stellar employee.

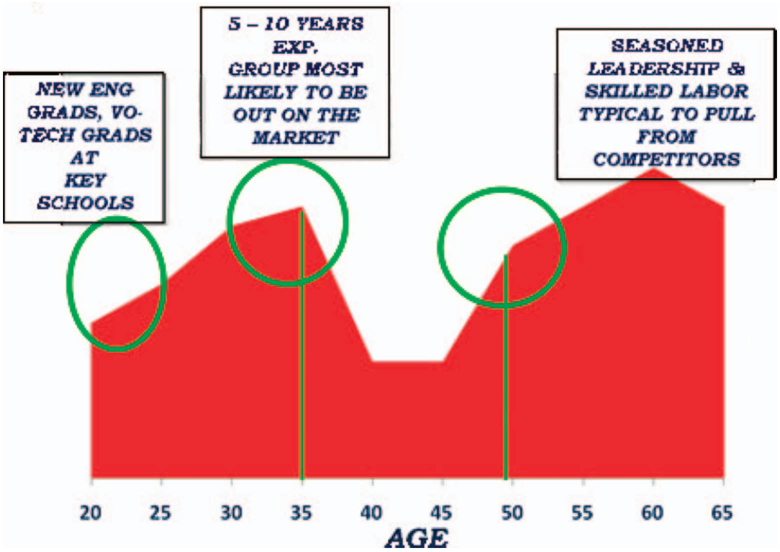
What is working and not working …. in drilling

With Connors Drilling, the previous strategy of hire in bulk numbers, get them on board and out in the field just to get through the busy season is gone. This strategy no longer aligns with the company's culture of safety excellence and professionalism.

Connors now makes the commitment and allocates the time and money to evaluate all

Figure 3

Target recruiting areas.



potential applicants even before they step foot into the 50-hour new hire orientation class. Some of the tools used are:

- Background checks.
- Interviews.
- Drug screens.
- Fit for duty.

Connors works with a third-party sourcing group who specializes in sourcing skilled labor in chemical plants, the mining industry and the drilling industry. The firm has integrated and aligned with Connors' hiring strategy and culture. They manage applicant flow, applicant screening, pre-interview screens, background checks and all support functions associated with Connors' intense sourcing process.

Once the screening firm turns the candidate over to Connors, a formal interview is completed, preferably face-to-face. Connors trains and, when possible, engages company supervisors in the interview process. Front line supervisors are a critical piece, as they spend 80 percent of their time with the new hire, not the human resource department or the upper management. Their input to the selection is paramount to the long-term success or failure of any sourcing process.

The key to a successful selection process is setting the standards to align with the long-term business strategy of the company and sticking to company standards regardless of outside influences such as referrals, past employment or other pressures to hire individuals.

Connors' success is based on its intense sourcing process that is complemented by other processes once an employee is hired. Connors has an enhanced new hire safety and orientation process to include internal certified trainers as well as outside mining professionals and consultants incorporating more hands-on applications both in safety and professional behavioral expectations. Once an employee successfully completes their new hire process, they instantly move into a structured career ladder and training process.

This all takes time and money and at times challenges the operational group when they demand to get people on board quickly to produce. However, everyone from senior leadership, operational managers, health-and-safety and human resources are all aligned and hold steady to the long-term business strategy.

Beyond the new hires

Identification and retention of key talent is just as important as selecting the right people. Identifying key talent, leadership and strategically matching them in a formal succession planning process is the key to continuing successful talent management.

All too often senior management falls prey to promoting those who achieve the best technical accomplishments yet lack in the leadership and soft skills of people management, whether it be engineers, drillers, miners, accountants or others. However, nearly all management failures are a result of poor handling of soft skills and not their technical skills.

Organizations who have in place a formal succession planning process with leadership development opportunities gain much more of a competitive advantage in the market for attracting and retaining top talent.

From angst to action

So what do companies need to do to gain the competitive edge of securing talent in this fast growing and competitive mining markets?

First and foremost, it is imperative for companies to set a clear, concise and communicated long-term business strategy and ensure that talent acquisitions, talent retention and talent growth strategies are all aligned. This is the foundation for all other actions.

Second, have in place a sourcing plan that provides the time and money to hire and place the right people in the right jobs and never deviate from your standards.

Finally, continue to foster the talent pipeline internally with effective leadership programs, career ladders and training processes, competitive wages and benefits that support an active succession plan and the overall business strategy. ■