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CANADIAN MINING PERSPECTIVES: How to boost productivity at Canadian mines

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Australia's mining sector led a national turnaround in productivity in the last quarter of 2006. The same cannot be said for Canada's resources sector.

In February 2007, STATISTICS CANADA reported a fall in Canadian national productivity in 2006, driven largely by falling productivity in the resources sector. According to StatsCan, "Output per hour worked declined by nearly 10% in the resource sector, by itself shaving a full percentage point from productivity growth in 2006."

Mining led this drop, principally because output grew only modestly while employment increased by over 10%, the most of any industry in 2006.

Part of a long-term 25% drop in labour productivity in mining since its peak in 1999, last year's figures reflected the declining productivity of conventional oil wells and the shift to lower-productivity output from oil sands deposits. In fact, there was a 60% hike in employment in the oil and gas sector (almost all in Alberta) with thousands of workers hired on megaprojects that will not begin producing oil for years.

This sounds like bad news for the resources sector in Canada. But the problem is even starker that it at first appears. Productivity figures are notoriously unreliable because they are influenced by changes in price.

With a global commodities boom in full swing for a number of years now, that means Canada's poor mining productivity figures are artificially inflated by high prices. And with world commodity prices expected to correct downwards in about two years, this should be a source of great concern to the Canadian mining industry. Only those companies whose operations are capable of continually improving their productivity will continue to deliver the returns demanded by shareholders.

This is a significant medium-term risk for the mining sector, and it needs some immediate action if that risk is to be effectively managed. It's time to make improvements today.

In a tight labour market, this is easier said than done. With skills shortages, high turnover and recruitment bottlenecks afflicting almost every part of the industry, managing productivity risk requires increased investment in both skills development and the recruitment function.



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When you think of training, you generally picture new employees with little industry experience (of which there are many in the mining sector at present) learning new skills. But when you look at what's happening in the mining industry labour market, the picture is more complex.

Along with shortages of appropriately skilled labour comes increased staff turnover as companies compete to poach the best and brightest. And with that comes much more rapid promotion of line personnel into management positions to fill the vacuum left by supervisors and managers who've opted for greener pastures.

Coaching managers how to manage becomes a critical part of any campaign to increase site productivity, just as important as bringing on and training new employees.

Combating high turnover is also critical. There's little value in accepting and reacting to high turnover, when there are practical things you can do to reduce it. The question is, where to start?

Ironically, one of the most effective ways to reduce turnover is to implement more rigorous performance management. It's morale-boosting and empowering for staff. At one site recently, a new performance management system was introduced for half the staff, among whom turnover fell by 75%. The remainder of the site, where the new system was only introduced as a "light touch", experienced a 30% fall in turnover.

Better performance management thereby delivers a double-barrelled benefit. It improves the productivity of your existing workforce while at the same time eliminating significant productivity lags associated with staff turnover.

The other important element is recruitment. While many managers can identify the problem, most organizations still don't manage their recruitment function as an important part of their operational environment. Recruitment can itself be a production bottleneck as operations await adequate skilled personnel to meet increasing demand.

Generating "recruitment velocity" is therefore a discipline in itself. A business needs to advertise, interview, make offers and bring people on site faster than their competitors if they want to win.

On one site recently, management could not understand why despite painfully high wage costs, turnover remained at unacceptably high levels and the recruitment pipeline trickled rather than flowed. It turned out that workers were opting for other sites with better social and community infrastructure such as schools, sporting facilities, and environmental conditions.

Dealing with such a wide range of issues transforms recruitment into an integrated, highly strategic part of an organisation's business. And it should be managed accordingly.

The challenge of building ongoing productivity improvement into the mining industry is unavoidable. Crunch time is not too far over the horizon. Smart operators will start working now.

(Jeremy Goff was until recently a member of the Australian firm, PARTNERS IN PERFORMANCE INTERNATIONAL. The company's website, at www.PIPInt.com has an "Our Results" section of case histories including one on an Arctic diamond mine. Or readers may download copies of the company's newsletter, "Pip Speak", in the "Our Media & Articles" section.)

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