



Business case for diversity in the mining industry

Prepared for the Canadian Institute of Mining's
Diversity and Inclusion Advisory Committee

The following report was prepared after reviewing a myriad of documents provided by the Diversity and Inclusion Advisory Committee (DIAC) and presents a summary of these documents as they relate to the Business Case for Diversity.

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1 Introduction

In 2016, the mining industry is experiencing an unprecedented downturn in the mineral commodities cycle, and the Bloomberg World Mining Index is at an 11-year low. Focusing on diversity and inclusion can help the industry significant progress without significant expenditures, preparing for the next turn in the cycle¹.

While the Canadian workforce has become increasingly diversified, the mining industry is lagging behind, and has serious under-representation of Aboriginal peoples, women, and immigrants. This is attributed to hiring practices, poor community relations, and a negative perception of the industry². In addition to the social case for bringing more of these under-represented groups into the mining industry, there is a strong business case for it: The mining industry needs to diversify itself. Diversity bring new perspectives, new opportunities, and creates a better business environment³.

Lack of workforce diversity in the Canadian mining industry points to missed opportunities and to a limited labour market. Under-represented groups offer advantages, and in many cases skills and experience that could benefit the industry. Aboriginal participation in the industry presents an advantage to the mining industry, as many exploration sites and projects are on traditional lands or near Aboriginal communities. Women and immigrants also offer opportunities to the mining industry, as under-represented, highly-educated and experienced workers¹.

Aside from increasing the diversity in the mining industry, Aboriginal peoples, women, and immigrants are key target labour supply groups for the mining industry's increasing need for talent⁴. Based on the current economic climate, the Mining Industry Human Resources Council (MiHR) predicts that the mining industry will need to hire 106,490 workers, and that over 11,500 new jobs will be created in the industry. In the case of a faster expansion, the mining industry could need to hire up to 127,000 workers, with over 20,000 new jobs being created. Even in the case of a slower economic climate, the mining industry would have to hire nearly 86,000 workers, to replace retiring employees and workers leaving the industry for other reasons.

MiHR's available talent forecasts estimates that the total number of new entrants to the Canadian labour market in the mining industry will be 61,300 workers. There is a 50,000 person gap between the mining industry's hiring requirements and the industry's forecasted entrants into the labour market. Therefore, the industry will have to attract, retain, and keep under-utilized labour resources including Aboriginal peoples, women, and immigrants⁵.

¹ Mining Industry Human Resources Council, 2016. Strengthening Mining's Talent Alloy: Exploring Diversity and Inclusion. Available from: http://www.mihr.ca/en/publications/resources/MiHR_Diversity_Report_EN_WEB.pdf

² BCHR Task Force: Exploration, Mining, Stone, Sand and Gravel, 2015. Skilled Immigrant Recruitment & Retention for the BC Mining Industry: Phase One & Two. Available from: http://www.bc-ctem.ca/sites/default/files/skilled_immigrant_recruitment_and_retention_for_the_bc_mining_industry_phase_1_report_january_2014.pdf

³ Sara Kopamees, 2016. There's a place for women in mining. The Canadian Business Journal, vol. 9, no. 5, May 2016.

⁴ Mining Industry Human Resources Council, 2016. Strengthening Mining's Talent Alloy: Exploring Aboriginal Inclusion. Available at: http://www.mihr.ca/en/publications/resources/MiHR_Aboriginal_Report_EN_WEB.pdf

⁵ Mining Industry Human Resources Council, 2015. Canadian Mining Industry Employment Hiring Requirements and Available Talent: 10-year Outlook. Available at: http://www.mihr.ca/en/resourcesGeneral/MIHR-00283-02_LMI_National_Report_WEB_Final160615ENG_2015_06_16_052345.pdf

2 Business case for aboriginal peoples in the mining industry

Aboriginal peoples are a source of talent that presents an important opportunity. On a national level, Aboriginal peoples are well represented in the mining industry, as Aboriginal employees represent 3% of total Canadian workforce, and 5% of the mining industry. However, the mining industry is behind all other industries in the employment of Aboriginal workers in professional physical sciences, human resources and financial sectors. The industry's labour force is predicted to face a labour force shortage as of 2017, and the participation of more Aboriginal workers in the mining industry, specifically in the above sectors, would contribute to a strong mining sector.

In addition to contributing to the labour force, Aboriginal peoples are the youngest and fastest-growing segment of the Canadian population (2013) and have knowledge about local culture, communities, and the environment that make for effective partnerships with Aboriginal communities. Also, since many mining projects are developed on traditional Aboriginal territory, it is necessary to establish a good relationship with local Aboriginal communities. Further, because of the proximity of exploration sites and projects with Aboriginal communities, Aboriginal Peoples present an important labour source. Creating meaningful employment opportunities is often part of Impact Benefit Agreements and is a part of maintaining a social license to operate in the project area.

Aboriginal entrepreneurs are well established in the primary sectors and in knowledge and service-based sectors. With the rapid rate of Aboriginal business development and growth, many Aboriginal businesses and organizations are partners working towards the sustainability of mining projects and are suppliers of goods and services for the mining sector.

Creating a respectful and welcoming workplace environment, and enabling Aboriginal employees to pursue opportunities in the mining industry is a way to make significant progress without large expenditures⁴.

3 Business case for women in the mining industry

Women represent 48% of the total Canadian workforce, but only 17% of the mining industry workforce (2014). The lowest levels of female employment are in “Trades and production occupations”, at 5% in all industries, and 4% within the mining industry (2011). However, there is a larger proportion of women under 35 working in mining than men (38% vs. 34%), indicating some success in the industry’s efforts to attract young women into the industry⁶.

It is projected that the Canadian mining industry hiring requirements will exceed 100,000 workers by 2024, and only 850 to 950 of these jobs are expected to be filled annually by post-secondary graduates and by immigrants. Since there are 13 times as many women in Canada’s population as Aboriginal peoples, and over twice as many as immigrants, women offer a significant opportunity for the mining industry⁵. Employers will need to attract, recruit, and retain women, who present an educated and skilled resource⁷.

Other than just filling the industry needs, gender diversity in firms is positively correlated with return-on-equity and perceived overall performance. Women bring a unique skillset to management positions, including the ability to communicate with the general public and to people who have less technical knowledge about the industry but who can be advocates for it³.

Women in Mining (WIM) Canada demonstrates through studies that women are experienced, prepared to work, and willing to work in all aspects of the mining sectors. An increase in women’s participation in the mining industry provides access to a broader base of talent, increased innovation potential and enhanced market development, and a stronger financial performance and improved governance. A critical mass of women at all levels of an organization within large firms has been linked to higher levels of organizational performance⁷. In fact, although only 7% of mining firms have women in directorate positions, it is shown that return on assets ranges from -2.86 for all male boards to +6.40 for Boards with two or more women⁸.

WIM Canada has analyzed the overall available research on women on boards, provided by over 20 years of data, thousands of companies, and hundreds of research institutions, in addition to their own research. They have established six areas in which gender diverse boards have improved company performance:

- (i) Improved financial performance: Companies with more women board members generally significantly outperform those with fewer women.
 - Over the course of 2006-2012, large-cap (greater than USD 10 bn) companies with at least one woman on the board had a share performance 26% higher than companies with no women on their board. For small-to-mid cap stocks, companies with women on the board outperformed those without by 17%.

⁶ Mining Industry Human Resources Council, 2015. State of the Nation: Women in Canada’s Mining Industry.

⁷ Women In Mining Canada, Mining Industry Human Resources Council, 2010. Ramp-UP: A Study on the Status of Women in Canada’s Mining and Exploration Sector. Available at: <http://www.mihr.ca/en/publications/resources/Ramp-UPFinal2010.pdf>

⁸ Mining Industry Human Resources Council, 2014. Addressing Systemic Barriers for Gender Equity in Mining. Available at: <http://www.mihr.ca/en/publications/resources/MiHRGEMProjectOverview.pdf>

- A study of 215 Fortune 500 Firms from 1980-1998 showed a correlation between a strong record of promoting women into executive positions and high profitability. The 25 Fortune 500 companies with the best record of promoting women to high positions were up to 69% more profitable than median firms in their industries.
 - WIM Canada’s research showed that mining companies with gender diverse boards outperformed all male boards in 2014 by 49% on EV/Reserves, and showed that all male boards had 92% more negative ratings on earnings per share.
- (ii) A more robust talent pool: The proportion of graduates worldwide who were female represent an average of 54% (2010). Implicitly, to have access to the largest talent pool, gender diversity must be achieved. In addition to having access to a higher talent pool, it is found that a group’s collective intelligence is correlated with social sensitivity of the group, which generally increases with the proportion of female members.
 - (iii) Improved corporate governance: Boardroom dynamics are more collaborative, the content of boardroom discussion is more likely to include perspectives of a wide range of stakeholders, and difficult issues are less likely to be brushed aside, resulting in better decision making.
 - (iv) Balanced decision making that leads to better results: Balanced perspectives lead to gender diversity being correlated with better strategic decision-making. Further, interviewed board members noted that companies with female board members are seen as forward-thinking.
 - (v) Better corporate social responsibility practices: Women on boards are seen to increase companies’ CSR ratings through their relational abilities, which in turn positively impacts corporate reputation.
 - (vi) Better risk management: Women are generally more risk aware, not necessarily more risk-averse, than men. Women balance more factors in risk decision making processes, and the nature of risks taken by women are slightly different than those taken by men. Studies suggest that women require the promise of a higher return on investment. Further, having at least one female director on a board appears to reduce a company’s likelihood of bankruptcy by 20%, and increasing the number of female directors on the board lowers the likelihood of bankruptcy even further⁹.

⁹ Women in Mining, PricewaterhouseCoopers LLP, 2015. Mining for Talent 2015: A review of women on boards in the mining industry 2-12-2014. Available at: <https://www.pwc.co.uk/assets/pdf/women-in-mining-2015.pdf>

4 Business case for skilled immigrants in the mining industry

As the mining industry is struggling with a soon to be labour skills shortage due primarily to the retirement of baby boomers, it is essential that the industry attract and retain skilled workers. In addition to the labour skills shortage, a significant shift in the age structure of Canadian miners has occurred. In 2011, 38% of Canada's mining labour force was over 45 year old, and 36% was between the ages of 15 and 34, compared to 45% and 26% in 2006, respectively. This mid-career labour gap in the mining and exploration sectors is attributed to huge waves of layoffs during the downturn in the industry in the 1990s. Today, this means that a generation of professionals are not in the industry.

Skilled immigrants in the mining industry tend to be older and to have more experience in their careers. Therefore, they represent a potential labour source for mid-level employment. Important advantages that the inclusion of immigrants can bring to the mining industry are transferable skills, openness to relocation and commitment to a mining career. Further, they are likely to have a university education, as the percentage of immigrants without post-secondary education is lower than for Canadian-born workers. The skilled immigrants can fill the generation gap of experienced and qualified workers⁵.

Skilled immigrants present 22% of the Canadian workforce, but are under-represented within the mining industry, at just 13%, lower than in any other industry sector. They present a potential labour source, as only 22% of foreign-trained immigrants work in an occupation that corresponds to their expertise and training. Skilled immigrants not accessing employment opportunities presents the labour industry with a qualified worker source to counter the predicted labour skill shortages over the next ten years¹⁰.

¹⁰ Mining Industry Human Resources Council, 2016. Strengthening Mining's Talent Alloy: Exploring Immigrant Inclusion. Available at: http://www.mihrc.ca/en/publications/resources/MiHR_Immigrant_Report_EN_WEB.pdf