Mining Firms Dig Deeper To Lure Scarce Workers

Robert Guy Matthews, Wall Street Journal, 1-4-11

Demand for commodities has boosted the need for more miners around the world, prompting warnings from companies that a shortage could slow growth and increase costs.

The need for workers is forcing some companies, such as BHP Billiton, to prepare to fly workers to and from remote mines. Others, such as Rio Tinto, say the shortage is accelerating efforts to automate operations. Nittetsu Mining Co. of Japan was forced to slow expansion plans to develop the Sol Naciente copper mine in Chile because of a shortage of miners. The miner says that it expects to pick up the mine's expansion plans by this spring.

Vale of Brazil, Xstrata PLC of Switzerland and Anglo-American PLC of Britain, along with BHP and Rio Tinto, are in the midst of expansion projects throughout the world in the hope of meeting demand fueled by China, India and other developing countries. But some mining companies say the industry is facing increased competition for skilled workers from the oil and natural-gas industry, which is also ramping up spending for exploration and development.

While the scarcity translates into higher costs for mining companies, it benefits workers, who can move from one mine to another, seeking better pay and working conditions.

Kyle Hirsch, a silver miner in Big Creek, Idaho, left his job at the Lucky Friday mine, owned by Hecla Mining Co., and started working at another nearby silver mine, which was paying $350 more a week. "I have been a tramp all my life, going from mining job to mining job," says Mr. Hirsch, 44 years old, who now works as a driller at the Crescent Silver mine in Idaho. "Right now is a good time to mine. Mining is money."

Idaho-based United Mining Group Inc., which owns an 80% interest in the Crescent Silver Mine, says it pays a two-person crew of miners about $100 for every foot of rock they clear. Typically, a crew clears a depth of about 10 feet during a shift, totaling about $1,000.

Last year, the crews were earning less, about $70 to $80 for each foot of rock excavated, according to Greg Stewart, president of United Mining Group. "We have to pay more now," says Mr. Stewart, because of the competition for workers.

In Australia, BHP Billiton says there aren't enough workers in a remote region of Queensland state, where it already has a coal mine but wants to develop a new one. It plans to fly 500 workers from Brisbane, about 500 miles away, to near Moranbah, Queensland, and then fly them back home after a couple weeks. "Caval Ridge in Queensland is a project in which BHP Billiton is pursuing a 100% fly-in, fly-out work force," a company representative says. The company will have to pay to house the workers there, as well as pay for the air travel, but declines to estimate the higher labor costs.

BHP Billiton warned investors last year that it faced "skills shortages in engineering, technical service, construction and maintenance. These shortages may adversely impact the cost and schedule of development projects and the cost and efficiency of existing operations."

Rio Tinto says it doesn't have enough drillers or truck drivers for its huge iron-ore operations in Australia's Pilbara region, or locomotive drivers to haul ore from the mines. The company has launched a program to

automate all these functions.

"There just aren't enough people," said Sam Walsh, Rio Tinto's iron-ore chief executive, during a November conference call with analysts. "Of course, there is the benefit of running these pieces of equipment automatically. We have seen substantial improvements in fuel economy on haul trucks."

Rio Tinto declines to estimate its increased labor-market costs.

Metals analysts are predicting that in the short term labor shortages will hurt miners on cost and efficiency, but that in the long term, costs are likely to fall as machinery and automation replace miners. They also say mining companies have more cash, as higher prices for silver, gold, copper, zinc and coal help offset the higher labor costs.

The U.S. mining industry, excluding the oil and natural-gas sectors, employed a seasonally adjusted 219,200 people in November, up 5.8% from 207,200 a year earlier, according to the U.S. Bureau of Labor Statistics. In Australia, the government said in October that the country's mining industry employed 135,000 people at the end of June 2009, up 5.5% from 128,000 a year earlier.

Average pay for miners varies from country to country, and according to the task: drilling, driving and engineering. Australia has the highest average annual pay, according to Australian government statistics, reaching $100,000 Australian dollars (US$97,750) in 2009, the latest year available. In Canada, the average wage was $70,044 Canadian dollars (US$70,198) in 2009, according to the Canadian government. Miners in the U.S. earned an average of $63,728 in 2009, according to the U.S. Bureau of Labor Statistics.

Albert Draine, 33, was working earlier this year at a silver mine in Idaho, considering a job at a mine in Alaska for better pay, and then heard of openings at another nearby Idaho silver mine, which was paying more. He applied and was hired. "The benefits are the same, but the pay is higher," he says.