

Contractor Social Management in the South African Mining Industry Lessons Learned



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Disclaimer

- This paper was due to be based on a case study, however the client kindly requested that the project not be discussed.
- The presentation thus presents more generally lessons learned from my experience with working with various contractors involved in the mining industry in South Africa.



South African Context





Mining

- The discovery of diamonds in Kimberley (1867) and gold in the Witwatersrand (1886) transformed the economy of South Africa.
- These discoveries led to a mining boom, attracting foreign investment and establishing South Africa as a major player in the global mining industry.
- South Africa's reliance on mining has decreased significantly. In the early 2000s, mining contributed around 15% to the national GDP. By 2023, this contribution had declined to approximately 6%.
- There are currently over 500 active mining operations in the country (of various sizes) employing ~450 000 people (2.5% of the South African workforce).
- There are some areas within the country where there is still a high dependency of communities on the mining sector, mining being the main contributor to the local economy.





Social Context

- Apartheid legacy, high economic inequality and communities divided by wealth.
- High levels of unemployment (over 30%), particularly youth (~37%).
- Very low levels of education and skills (~30% of adults have completed schooling and only 12% have a formal qualification). This is lower in rural areas where mining activities are based.
- Influx of immigrants (4% of the population), mainly from other African countries such as Zimbabwe, Malawi, DRC, Nigeria and many of which are illegally in the country.
- Growing informal settlements, particularly in areas where there is a possibility of employment.
- Social issues: xenophobia & intolerance of non-locals (outsiders), prostitution, gangs, child trafficking, alcohol and drug abuse, domestic violence, FASD.
- Opportunistic pressure groups dominate the agenda for impoverished communities. Militant individuals move between various pressure groups motivated by personal gain and the expense of the poor.





Community Action

- In developed countries, community-based protest action (as opposed to industrial action) against mining companies is primarily related to environmental and social concerns.
- In South Africa, community-based protest action against mining companies are rooted in socio-economic issues, such as job creation, local procurement opportunities and infrastructure development.
- Very high unemployment, lack of education & skills, poor service delivery as well as a history of unfulfilled promises both by government and some mining companies fuel the risk of community action.
- Such action places a risk to mining in terms of production/construction stoppages, damage to infrastructure, equipment as well the safety and security of the workforce as well as other community members and even loss of life.

"Let's not forget that God is Watching US to change the lives of the POOREST"



istockphoto.com – protest action





Contractor Social Performance Management in Mining





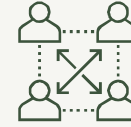
Contractors – Impacts & Risks

- Contractors form a large part of the workforce at mining operations and most of the workforce on projects.
- Contractors interact with local communities through local employment, procurement of goods and services, secondment of labour.
- The activities of contractors can significantly impact on communities, impact on existing stakeholder relationships and if not properly managed pose substantial risks to projects and operations.
- Key aspects of contractor social management include:
 - Identification of impacts and risk linked to contractor activities.
 - Developing mitigation and management measures.
 - Identifying contracts that pose material risks (social materiality).
 - Ensuring that social performance requirements are planned for and adequately costed.
 - Management and monitoring of the implementation of social performance management requirements.





Project Contractor Social Performance Management



Planning

Planning

- Contractor impacts and risks identified.
- Mitigation and management requirements identified (ESIA) CSMP in place.
- Contractor social performance requirements identified (including KPIs and Performance Targets).
- Local employment requirements.
- Local procurement requirements.
- SED initiatives planned.
- Contractor housing planned.
- Stakeholder Engagement Plan developed (incl. protocol for contractors).

Procurement

Procurement

- Engagement with contractors on social performance requirements.
- Social performance requirements included in tender requirements.
- Social performance part of tender adjudication.
- Social performance requirements included in contracts.

Implementation

Implementation

- Stakeholder engagement.
- Contractor reporting protocols.
- Contractor CSMPs
- SED projects implemented by contractors.
- Contractor monitoring in place.
- Regular contractor engagement in place.
- Grievance management processes in place.

Close-Out

Close-Out

- Social performance requirements included in contract close-out.
- Measures in place to ensure social performance commitments are met.
- Poor social performance documented for future procurement processes.
- Consequences for poor social performance by contractors.



Lessons Learned





Lessons Learned

Local Procurement



- **Meaningful participation of local business**
 - Set aside contracts for local businesses
 - Plan for partnerships with local companies
 - Identify opportunities for collaboration, knowledge and skills transfer

Local Employment



- **Maximise local employment**
 - Clear definition of 'local person'
 - Alignment of employment processes – 'business as usual'
 - Prevent individuals from monopolizing on employment opportunities



Lessons Learned



Skills Development

- **Skills to be anticipated with sufficient time for training and upskilling**
 - Labour and skills to be identified early in the planning process
 - Skills development initiatives and training in place in preparation for construction phase
 - Alignment of skills development and training initiatives – operations, other projects and other contractors



Socio-Economic Development / Corporate Social Investment

- **SED/CSI projects to mitigate project**
 - SED initiatives aimed at mitigating risks
 - Contractors to participate in initiatives providing opportunities for training and skills transfer
 - Alignment/collaboration with initiatives implemented at operations, other projects and contractors



Lessons Learned

Housing of Seconded Labour



- **Minimise housing demand**
 - Minimise seconded labour (local employment initiatives)
 - Plan ahead for housing of labour (construction villages vs inflated rentals)
 - Contractors to provide housing rather than give allowances

Project Communications and Ongoing Stakeholder Engagement



- **Manage Expectations**
 - Communications and Stakeholder Engagement Plan aimed at managing risks
 - Commence early
 - Dedicated personnel for ongoing communications, engagement and management of grievances



Do you
have any
questions?



Making
Sustainability
Happen

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Let's continue the conversation!

Message me your questions or comments in the IAIA25 app.

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