



# Social management capability, human migration and the global mining industry



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## ABSTRACT

This article examines the social management capability (SMC) of the global mining industry to identify, understand and manage complex social and environmental issues, such as human migration. Our contribution is based on the analysis and interpretation of two sets of qualitative data: (i) existing literature on SMCs and its relevance to demographic pressures in mining, and (ii) a series of industry-commissioned “deep dives” exploring high profile legacy cases. These sources provide a coherent picture of how the mining industry has positioned itself in responding to contentious social and environmental challenges. Our findings suggest that, considering the dynamic nature of human migration issues like in-migration and resettlement, the industry does not have sufficiently robust SMCs. The absence of these SMCs has resulted in ad-hoc strategies for managing high risk, high cost issues. In concluding, we argue that a major step change is needed within the industry in terms of developing and then rapidly advancing its SMCs.

## 1. Introduction

Mining industry managers are increasingly attuned to the potential that internal management systems must adapt and respond to external social systems (Huq et al., 2016). Developing or exploring new management capabilities can involve disrupting or formulating alternative organisational routines that consider stakeholder issues and interactions (Peng et al., 2008). This complex environment of stakeholder relations present many “known-unknowns” for the mining industry. Management of human migration in the vicinity of mining operations falls neatly into the category of known-unknown for at least three reasons. Firstly, human migration is commonly identified among corporate social responsibility (CSR) scholars as a risk generating social phenomenon (Banks, 2007; Bainton and Macintyre, 2013; Kemp and Owen, 2015; Bainton, 2017), but the risk parameters in terms of drivers, costs and knock-on effects in mining are largely undocumented. Secondly, while it is known that mining operations engage with human migration risks, there is limited knowledge as to when this occurs in the project lifecycle, and at what levels of sophistication. Thirdly, the effectiveness of business strategy and decision-making routines is an important factor in understanding the overall risk profile

of human migration for specific mining projects, however, there is limited knowledge available to evaluate the industry’s underlying social management capabilities (SMC) in this area.<sup>1</sup> Management capabilities for managing in-bound forms of human migration, also known as influx and in-migration, are especially weak relative to potential consequence and cost.<sup>2</sup>

In 2009, The World Bank Group’s private sector investment arm, the International Finance Corporation (IFC), developed a guidebook to assist investors and developers to better manage project-induced in-migration (PIIM). The opening paragraphs of the guide provide readers with an indication of the general complexity associated with managing this phenomena:

The rate of influx; overall footprint, duration, and sustainability of in-migration; the resilience of the affected area; and the potential severity of negative impacts all determine the significance of the consequences of in-migration for a given project. As such, whatever their scale, projects across sectors, including agribusiness, tourism, manufacturing, and infrastructure, as well as oil, gas and mining, should consider the potential for project-induced in-migration. (IFC, 2009, p.v)

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<sup>1</sup> We follow Huq et al. (2016)s broad based definition of SMCs as constituting the “skills, practices, relationships and processes” that assist industrial actors in responding to “stakeholder pressures; address regulatory gaps; and improve social performance”.

<sup>2</sup> In this article we use the term “in-migration” to describe an increase in population into a particular mining area. “Influx” is another common term used to describe the same phenomenon, particularly when demographic change is of a rapid nature.

The guide was similarly instructive about the types of impacts a project can expect to experience if in-migration is not properly managed:

As a result of the deteriorating social context, the project may face increased risks of disruption as the changing circumstances outside the project gate lead to social unrest, disruption of activities and work stoppages. This often leads to an increased investment in security, and increases reputational risks associated with the increased intervention of national security forces in what are considered “project matters.” (IFC, 2009, p5)

While it is generally accepted that in-migration will impose additional costs on the business, the external costs of unmanaged in-migration to host communities and local administrators remains largely unknown and undocumented.<sup>3</sup> At this stage, and given the relative infancy of the knowledge base surrounding the management of PIIM, researchers are unable to effectively qualify or quantify the social risks attached to in-migration in mining. For our purposes, we define social risk as the dynamic interface that connects ‘risk to people’ with ‘risk to projects’, acknowledging that such risks have the potential to accumulate, transfer and rebound across mining industry actors (Kemp et al., 2016).

This article contributes to the knowledge base by examining the mining industry’s ability to identify, strategize and operationalize capabilities associated with the management of in-migration and resettlement risks. Our contribution is based on the analysis and interpretation of two sets of qualitative data: (i) existing literature on SMCs and its relevance to demographic pressures in mining, (ii) a series of industry-commissioned “deep dives” on high profile legacy cases where human migration was a relevant factor (Kemp et al., 2008, 2013; Kemp and Owen, 2015; Martin et al., 2016; Anaya, 2017). These sources, taken together, provide a coherent picture of how the mining industry has positioned itself in responding to contentious and operationally significant sets of social issues.

We begin the paper with an extended problem statement that describes in-migration in the context of mining. Our focus is largely on rural or remote regions in developing countries. While the existing literature supports a description of issues in general demographic terms, it provides few insights into how mining companies strategize or respond to in-migration as a capabilities issue. In light of this, we draw on known and relevant proxy data from the area of mining-induced resettlement to highlight distinct capabilities gaps in managing human migration events. For the purposes of this paper we refer to resettlement, and the resettlement literature, as including all forms of involuntary displacement caused by project activities. While resettlement or displacement can be viewed as a deliberate act of “pushing” people away from project activities, research indicates that the push and pull forces of human migration are closely interconnected. Our findings suggest that firstly, considering the dynamics and operationally complex nature of social and environmental issues like resettlement and in-migration, the industry does not have sufficiently robust SMCs. Secondly, the absence of these SMCs has resulted in ad-hoc approaches to managing high risk, high cost social issues. This second finding reflects a tendency by managers to distribute their attention disproportionately toward immediate exploitative opportunities rather than exploratory solutions over the longer term (See Walrave et al.,

<sup>3</sup> It is also worth noting that PIIM can result in benefits for local populations, projects and regions through improved economies of scale for infrastructure and markets and for landowners through increased rents and heightened property values. While this article focuses primarily on negative consequences in mostly rural communities in developing countries, we would argue that in order for proponents to effectively harness short and long term benefits of project induced migration, SMC are equally as important. The authors agree with one of the anonymous reviewers of this paper, who points out that “if steps are taken to limit inward migration, costs may be avoided, but benefits may also be avoided”.

2017). In concluding we argue that a major step change is needed within the industry in terms of developing and then rapidly advancing its SMCs.

## 2. Problem statement: in-migration and business risk

In-migration on its own, does not pose a substantial risk to mining operations. As the IFC guidebook notes, operational risks from in-migration are primarily born of issues arising from “outside the fence”. In other words, in-migration tends to exacerbate social and environmental risks such as population pressure, increased demand on infrastructure and services, which subsequently rebound onto the operation. This section draws on our own extensive engagement with the mining industry, and other relevant studies from the disciplines of anthropology, demography and geography. We outline common drivers of in-migration in mining and describe how this issue intersects with other issues related to the management of social risks in mining.

### 2.1. In-migration and economic enclaves

Economic migration is a widespread phenomenon. The prospect of mining-related employment and business opportunity is one of the most significant drivers of in-migration.

These “enclaves” of opportunity (Araias et al., 2013) attract different types of entrepreneurs, from those who have capital, to those who seek to benefit from the capital of others, through to those wanting to be closer to social and hard infrastructure that has accompanied the mine’s development. The population “pull” of resource development centres is often referred to in industry as the “honeypot effect”. In many instances, the ease by which migrants are able to move and integrate into the local population demonstrates that migration can be viewed as positive by migrants and host communities alike.

Procurement and supply chain management is the front line of defence for mining operations in attempting to curtail in-migration (Jackson, 2016). By working with local authorities to prioritize access to business opportunities for local people, mining operators have sought to soften one of the key drivers of in-migration: access to economic opportunity. Where mining operations have developed and applied criteria qualifying the status of local people, this has in some cases served to inhibit access to a highly lucrative link in the resource development supply chain. In other cases, a localisation strategy has driven potential employees and suppliers into the “zone of benefit”, exacerbating in-migration and creating new forms of competition and internal tension with the host population (Bainton and Macintyre, 2013; Bainton, 2017).

Local benefit zones are not the only strategy that operations use to curtail in-migration. A companion strategy has been to employ a long distance commute model for its workforce, with benefits directed at regional centres away from the mine. While this model contains workforce costs and lessens operationally-specific in-migration, it diverts activity to other locations, concentrating population pressure elsewhere. The effects of this model are most evident when multiple mining companies operate from the same regional centre. While this approach allows individual operations to push migration pressures outwards, this can create, a large externalised cost on regional governments and small towns which then bear the brunt of managing rapid in-migration. This phenomenon is especially evident during a mining “boom” (Akbar et al., 2013).

Preventing “outsiders” from accessing local employment and procurement opportunities is no easy task because of the multiple avenues through which some communities are able to incorporate newcomers into family units, or establish partnerships through joint ventures. To be effective in understanding and responding to the social and environmental dimensions and risks of the employment and business

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