

***PwC Saratoga
2013/2014 US human
capital effectiveness
report***

**Executive summary for
the utilities sector**

About PwC Saratoga's 2013/2014 US human capital effectiveness report and utilities consortium

The PwC Saratoga 2013/2014 US Human Capital Effectiveness Report includes data from US operations for more than 300 organizations representing 12 industry sectors for the 2012 calendar year. Utilities sector benchmarks are based on data submitted by a consortium of 29 utilities organizations representing nearly a quarter of a million employees.

The US Human Capital Effectiveness Report takes a look at recent trends and what they mean for a wide array of industries. In this report, we explore top themes that emerge from the perspective of the utilities sector, as compared to a cross sector view (referred to as All industry in this report). The full PwC Saratoga Human Capital Effectiveness report contains thousands of additional benchmark results based on more than 30 demographic segments.

The purpose of the PwC Saratoga Utilities Consortium is to bring together utilities companies to focus on the unique challenges of the industry and to provide a forum through which workforce and HR topics can be benchmarked. Membership in the consortium includes participation in an annual human capital benchmarking survey and access to benchmark results, access to webcasts on human capital topics, and the opportunity to poll members on key issues.

In addition to the metrics covered across all industries, the Utilities Consortium focuses on the following industry-specific metrics:

HR Headcount Ratio	Healthcare Costs per Active Employee
HR Costs Per Employee	Average Retirement Age
Labor Cost per FTE	First Year Turnover
Compensation Costs per FTE	Voluntary Separation Rate
Average Benefits per Employee	High Performer Voluntary Separation Rate
Retirement & Savings Payments per Employee	Union Voluntary/ Involuntary Separation Rate
Percent of Employees/Executives Currently Eligible for Retirement	Percent of Employees/Executives Eligible for Retirement within 5 years

To learn more about PwC Saratoga's benchmark databases and measurement programs, or to become a member of the Utilities Consortium, please contact:

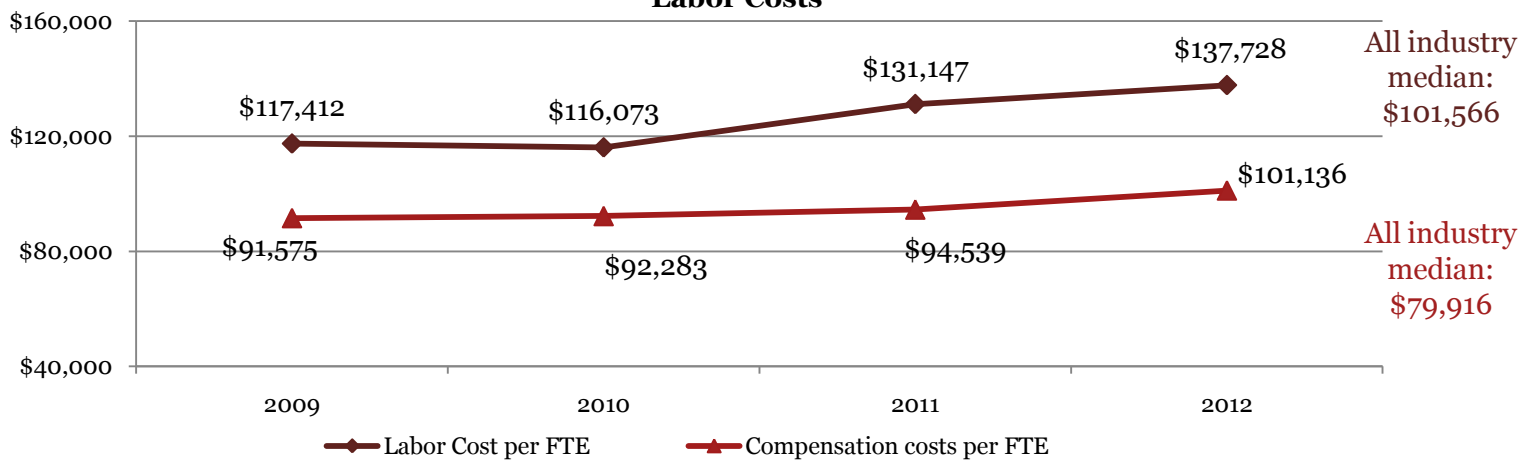
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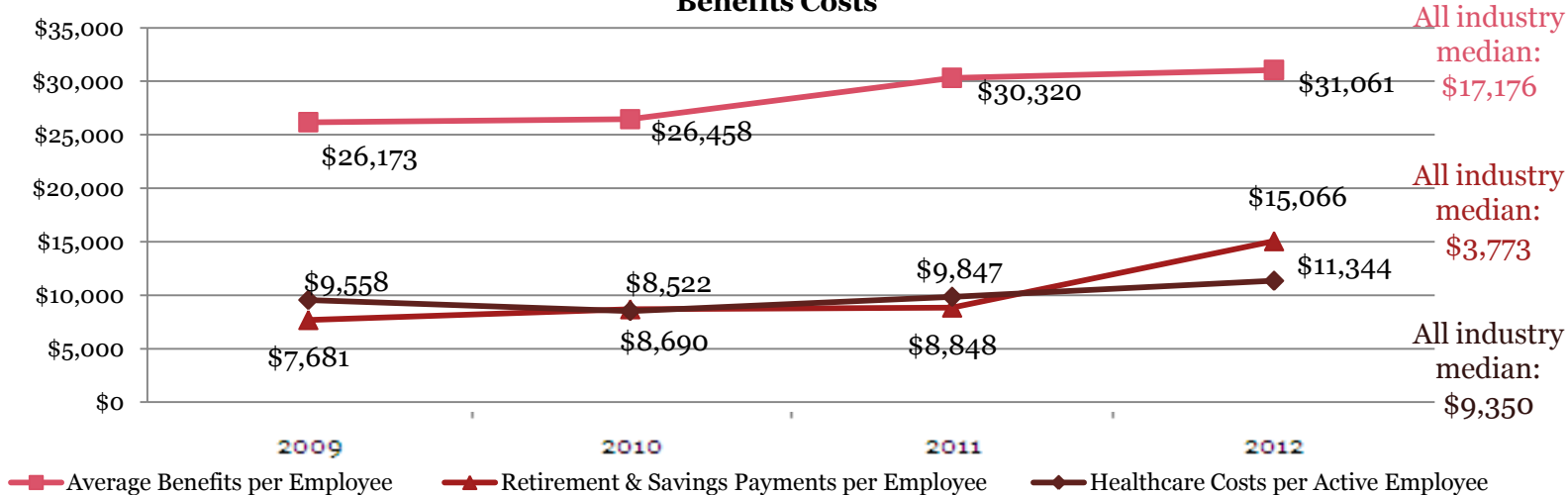
Labor investments and costs continue to rise:

Labor costs, which take into account benefits costs and compensation costs, continue to be higher in the utilities sector than other industries and increased in 2012. This can potentially be attributed to rising benefits costs and a higher tenured workforce. The increasing benefit costs are most frequently attributed to the cost of retirement benefits.

Labor Costs

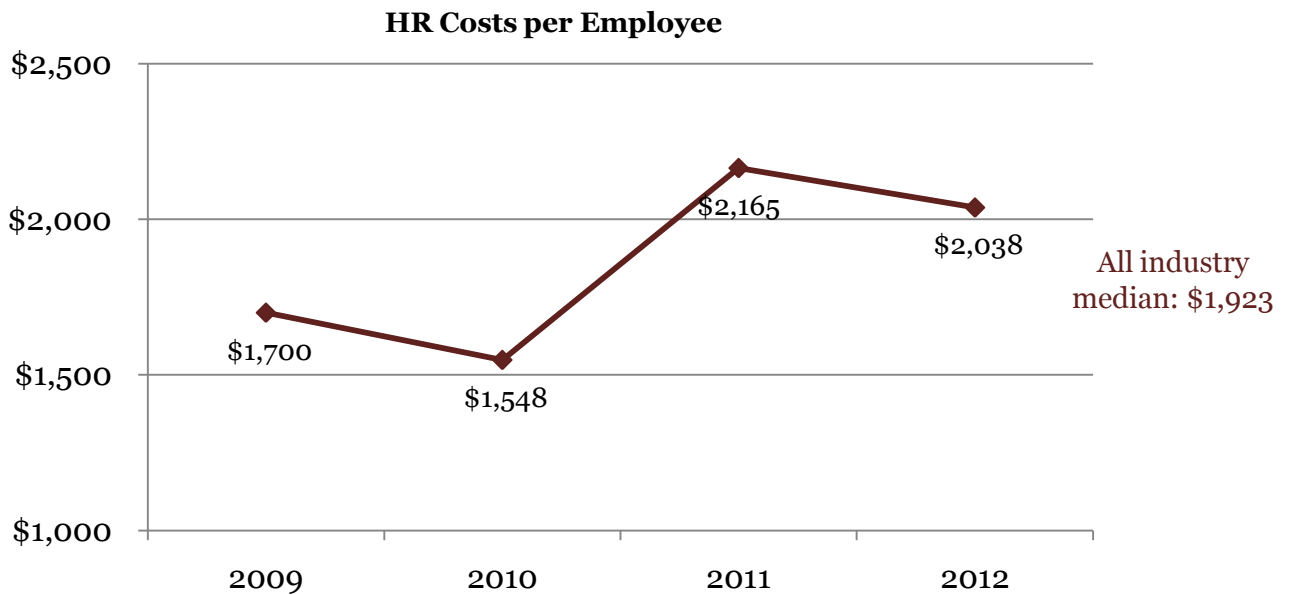


Benefits Costs



Investments in HR have stabilized:

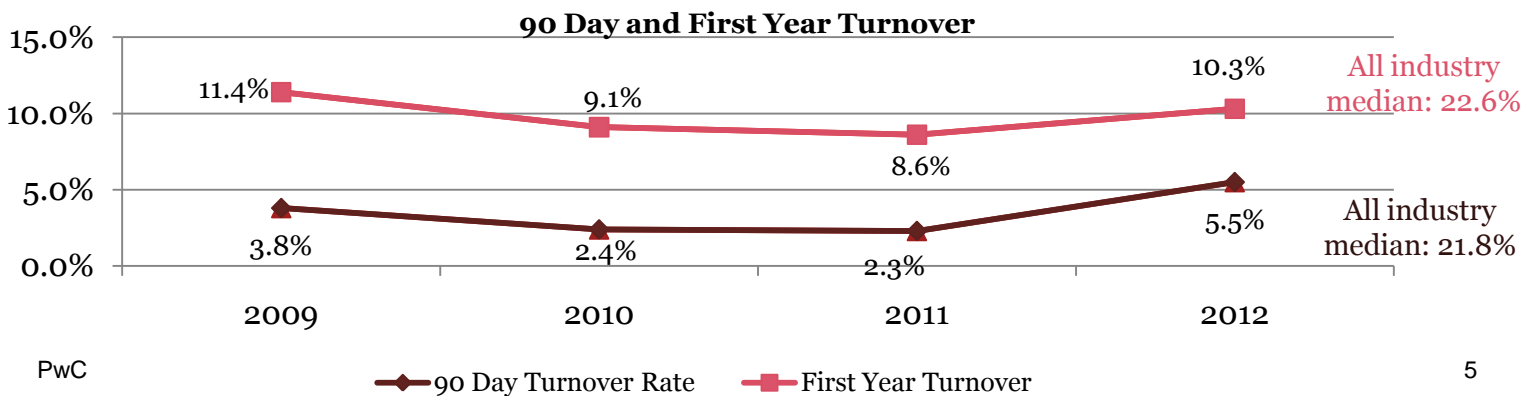
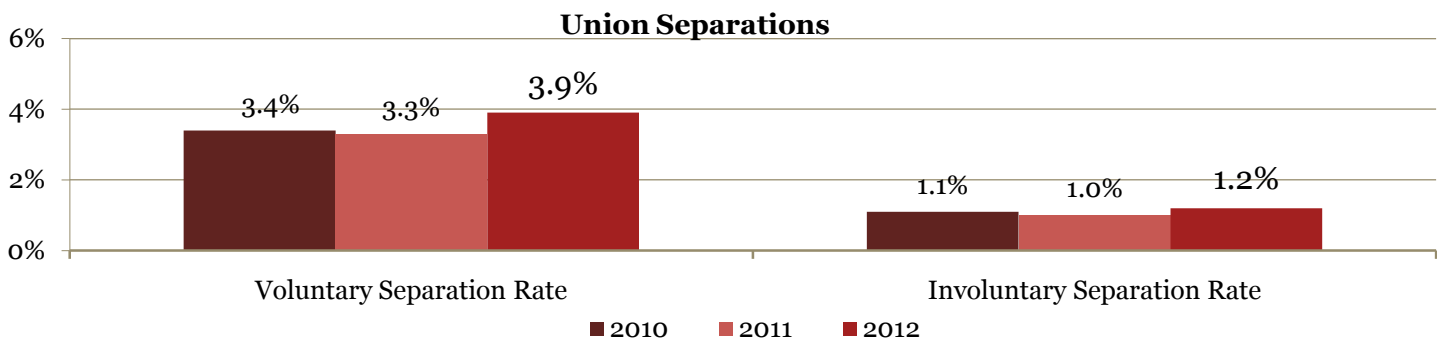
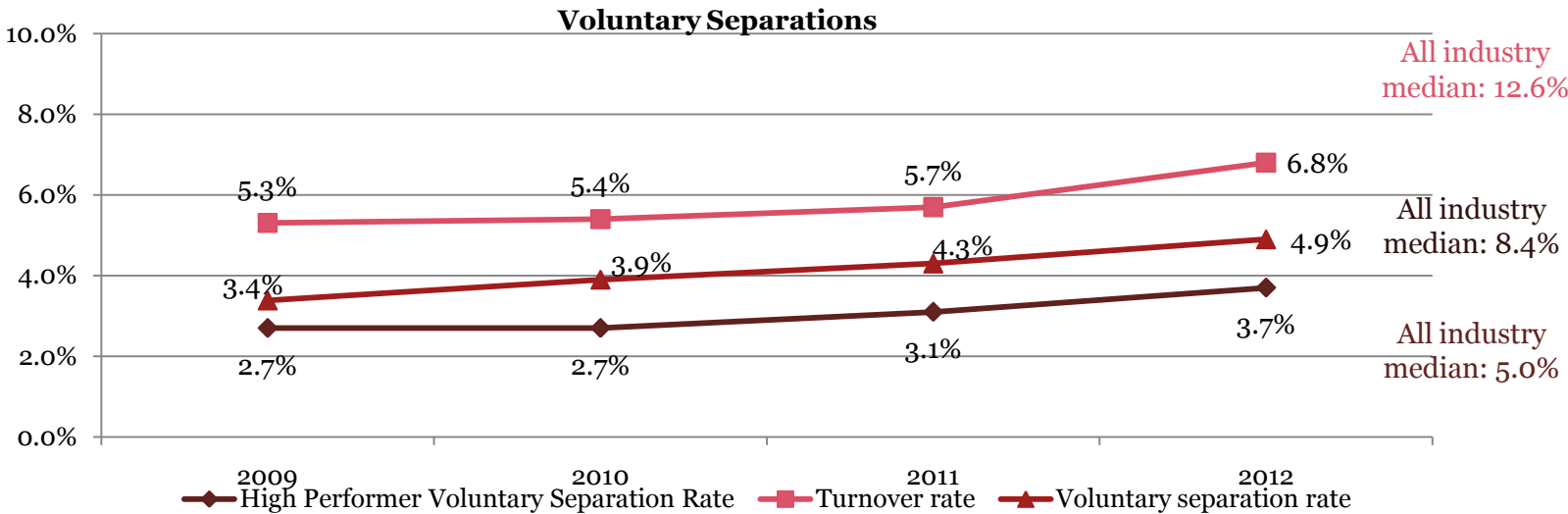
Utilities' HR costs have leveled off as all industry HR costs have shifted upward. At the same time, HR resources have stabilized over the past 3 years, with a median result of roughly 84 employees supported by each HR employee. As HR continues to look for ways to play a role as a strategic partner, it is important to evaluate whether investments are being made in strategic areas and programs (e.g., talent management, workforce/succession planning, predictive analytics).



Utilities HR Headcount Ratio		All Industry
2009	92	97
2010	85	91
2011	85	88
2012	84	90

As the economy improves, voluntary turnover rates increase:

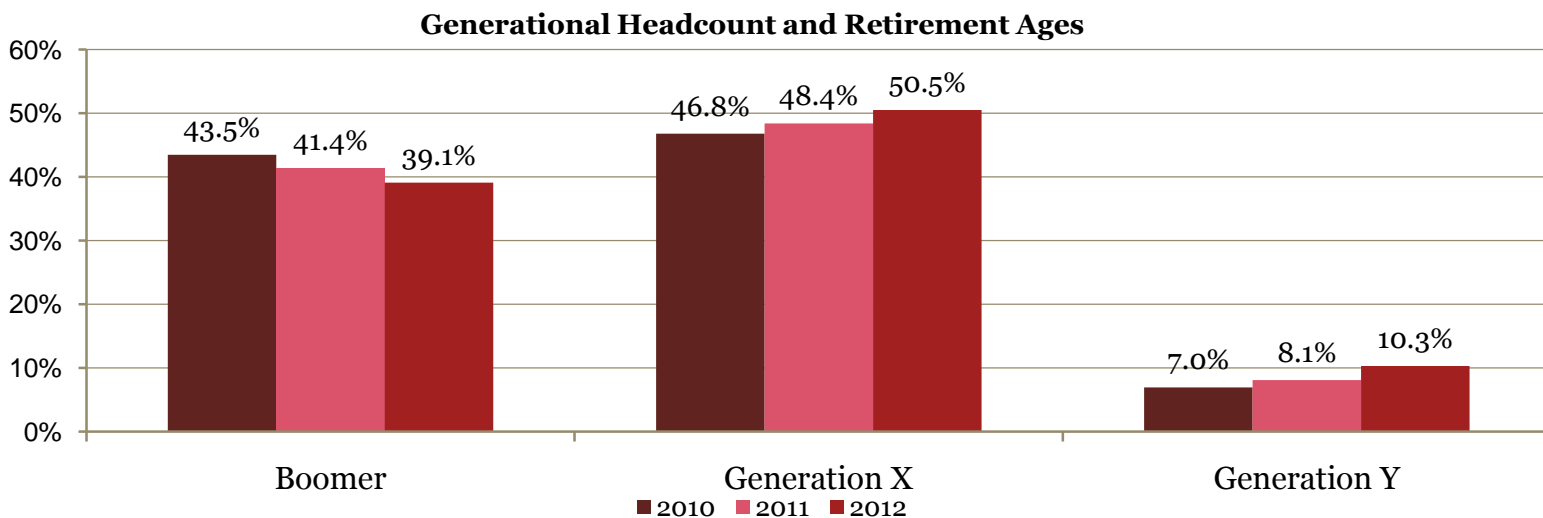
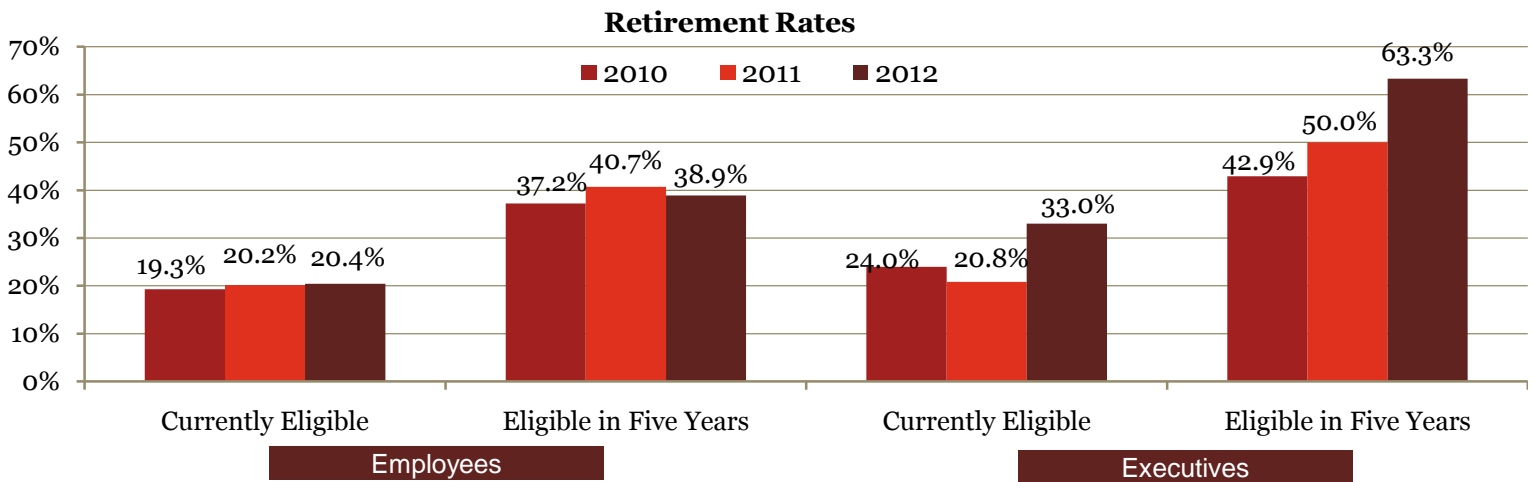
Voluntary turnover in the utilities sector is following an upward trend. Specifically, high performers and early tenured employees are departing at increasing rates, compared with the rates over the past two years. Though still lower than all industry norms, utilities need to maintain a continued focus on onboarding and succession planning to replace critical positions being that might be impacted by a retiring workforce.



Aging workforce presents challenges for succession planning:

The economic slowdown in 2009 and 2010 led to a decrease in voluntary turnover and retirements for a large number of organizations across industries. As a result of this drop in employee retirements, many organizations reduced the emphasis they placed on succession planning programs and long term workforce planning. This trend is quickly changing as the economy strengthens and employees consider retirement once again or simply alternative job opportunities.

While employees eligible for retirement currently and over the next 3-5 years seems to have stabilized, eligibility rates for executives in the utilities sector have continued to increase. There has been over a 50% jump in executives eligible for retirement since last year. Based on retirement trends, organizations need to replace retirees and successfully transfer key knowledge through succession planning and training and development initiatives.



Conclusion

As the economy continues to strengthen, PwC Saratoga expects that turnover for employees in their first year will rise. Organizations are continuing to focus on the quality of new hires by evaluating and enhancing their hiring, onboarding, and assimilation practices in order to improve engagement among new joiners. Utilities organizations are also focusing their attention on the implementation of succession and workforce planning tools in an effort to mitigate any future challenges caused by the retirement of these populations.

Furthermore, costs related to retirement plans and benefits are particularly high, and have seen an upward spike in recent years. Retirement benefits costs are growing at a faster rate than other benefits costs. In response to these trends, utilities organizations are often shifting to defined contribution plans, de-risking defined benefits plans, or implementing other hybrid designs and solutions.

Over the coming years, utilities companies will need to mitigate the risk of workforce retirement by attracting new talent, successfully on-boarding and retaining that talent, and using succession and workforce planning strategies to develop employees so they are equipped with the knowledge and skills to take on their predecessors' roles.

PwC Saratoga Service Offerings

<p>Metrics, Benchmarking & Training</p> <ul style="list-style-type: none"> • Largest global database of metrics • Workforce & HR department metrics • Approximately 2,000 clients globally • Well developed industry consortia across 8 major sectors • Measurement programs in the US, Europe, Latin America, and Asia • Metrics 101 and Metrics 200 courses • Custom training sessions • Dates and locations available at www.meetpwc.com/saratoga/workshops 	<p>Dashboards/ Scorecards</p> <ul style="list-style-type: none"> • HR/Workforce dashboard content • Dashboard prototypes & mock-ups • Roadmaps and technology planning • Data assessments • Roll out and communication planning • Integration with business intelligence systems 	<p>Employee Engagement</p> <ul style="list-style-type: none"> • Turnkey capability to design, collect and analyze employee engagement survey data • Global deployment ranging from 100 to 100,000 employees in any language • Robust web-based data collection, reporting and action-planning tools • Linkage to workforce and business outcomes • Manager level reporting and training to drive change and organizational improvement 	<p>Exit Survey/Turnover Analysis</p> <ul style="list-style-type: none"> • Turnkey, technology driven process to collect, aggregate and report exit survey data • Established processes to collect survey results from employees pre or post departure • Establishes re-recruitment opportunities and alumni network • Link survey results to turnover metrics/benchmarks to establish size and scope of issues
<p>New Joiner/Onboarding</p> <ul style="list-style-type: none"> • Evidence based framework to assess and improve the new joiner experience • Unique survey at critical 60 /180 days to gauge orientation and assimilation processes • Identify root causes of new joiner turnover • Improve the orientation, engagement and productivity of new employees 	<p>HR Voice of Customer & X-Ray Analysis</p> <ul style="list-style-type: none"> • HR department customer satisfaction survey • Full scope activity analysis/time & motion study • Integrated HR department analysis - department benchmarking, customer satisfaction and activity analysis 	<p>Predictive Analytics</p> <ul style="list-style-type: none"> • Statistical modeling of employee, workforce, customer and business data • Output helps clients proactively manage human capital initiatives and determine their impact on operations and business performance • Delivery of client focused predictive models that assess attributes of high performers, retention risk, quality of hire source, etc. 	<p>Additional Offerings</p> <ul style="list-style-type: none"> • Financial Fitness Survey • Diversity survey/benchmarking • Talent assessment • Conjoint analysis • IFRS surveys • Customer engagement • Expatriate benchmarking • Wide array of custom surveys • Ability to provide technology infrastructure as an in-house solution

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