The background of the slide features a silhouette of a group of approximately ten people standing in a line against a bright, low sun. Behind them is a large, lattice-structured power line tower with several cross-arms and insulators. The sky is a gradient of light blue and yellow, suggesting a sunset or sunrise. The overall scene is industrial and professional.

Compensation Trends 2010: Rewarding Talent in a Changing Market - Featuring Lori Wisper

**Presented by the
Employment Services Division
of Energy Central**

 **EnergyCentralJobs.com**

› About Taleo

- Revenue of \$200M
- Acknowledged industry leader (Gartner, Bersin)
- Over 4,100 customers worldwide (47 of Fortune 100)

› Talent Management Suite

- Recruiting
- OnBoarding
- Performance Management
- Compensation

› Pay for Performance

- Retain key talent
- Top performers drive business growth
- Growth is good!
- Align employee activity with business goals





Lori Wisper

*North America Talent and
Organization Consulting*

Hewitt Associates

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Contents

- Sources of Data for Today's Session
- What Happened in the Last Year?
- Compensation Trends—Where Do Things Stand Now?
- The New Economic Reality: Rewarding and Retaining High Performers



Primary Source for Today's Discussion

Hewitt U.S. Salary Increase Survey 2009/2010

- ❑ Created in 1976
- ❑ Delivered in August 2009
- ❑ Medium to large U.S. employers
- ❑ 1,156 companies, **99 power/gas companies**
- ❑ Merit/overall salary increases
- ❑ Salary structure movement
- ❑ Variable compensation
- ❑ Special topics
- ❑ Free to participants

Hewitt Survey Findings of Impact on Organization Spending for 2010

- ❑ Update of the Salary Increase Survey
- ❑ Delivered in November 2009
- ❑ Medium to large U.S. employers
- ❑ 555 companies, **49 power/gas companies**
- ❑ Also focused on pay for performance
- ❑ Free to participants

Hewitt 2009 IEHRA Energy Industry Compensation Survey

- ❑ Partnership with Hewitt and Independent Energy Human Resources Association
- ❑ Data effective May 1, 2009
- ❑ 78 companies
- ❑ Data broken out by utility and nonregulated companies

What Happened in the Last Year?



What Happened in 2009

**Aggressive
Risk Taking**

**Falling Confidence by
Investors/Depositors**

**Financial
Institutions
Highly
Leveraged**

**Growth of
Corporate and
Government
Dept**

**Stock
Market
Crashes**

**Bursting of
Housing
Bubble**

**U.S. Consumers
Over Extended**

**Highest
Unemployment in
26 Years**

Perspectives for 2010

**Cautious
Optimism**

**Prominent
“Sideliners”**

**Some Recovery
In Budget**

**No Salary
Cuts**

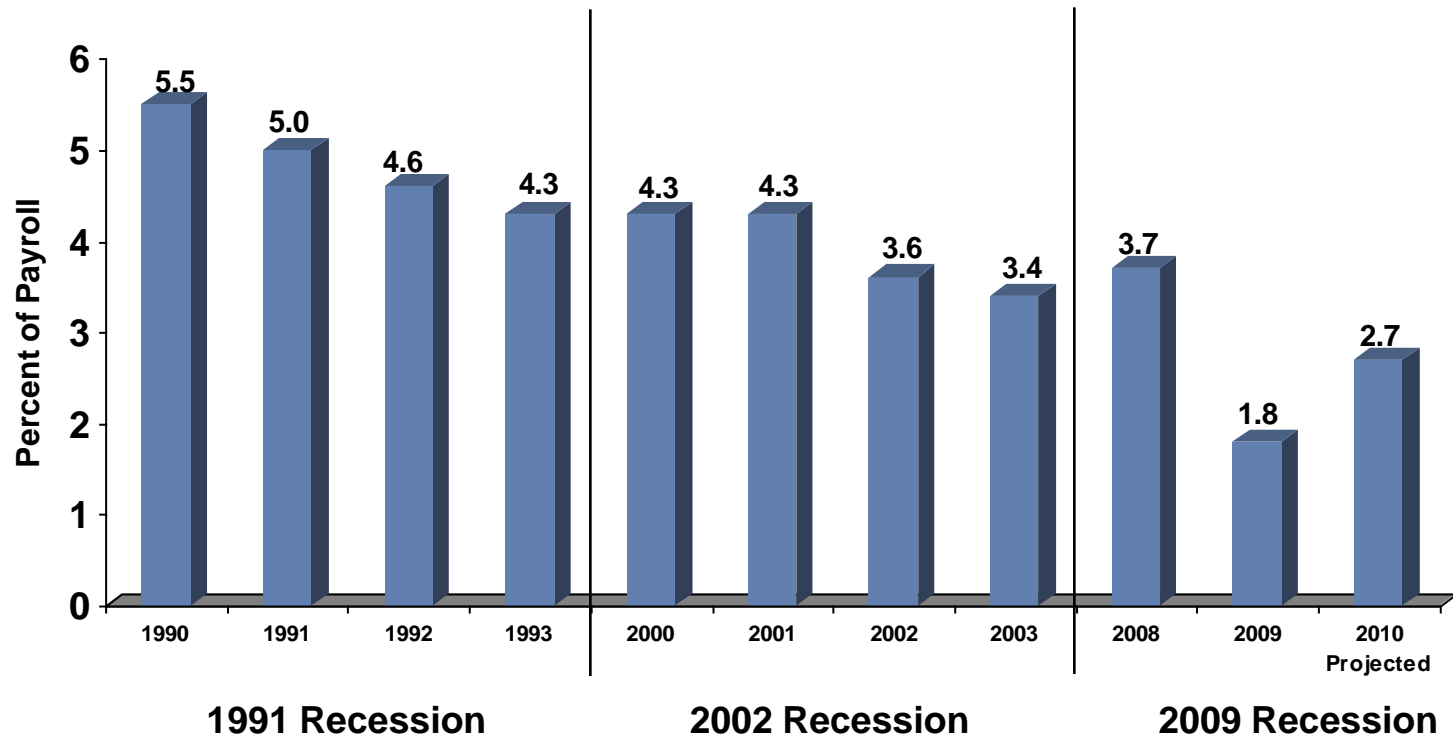
**Retention
Concerns**

**Anxiety About
Pay for Performance**



General Trends: Impact on Overall Salary Increases in Prior Recessions

Current crisis resulted in the most dramatic impact on base salary increases

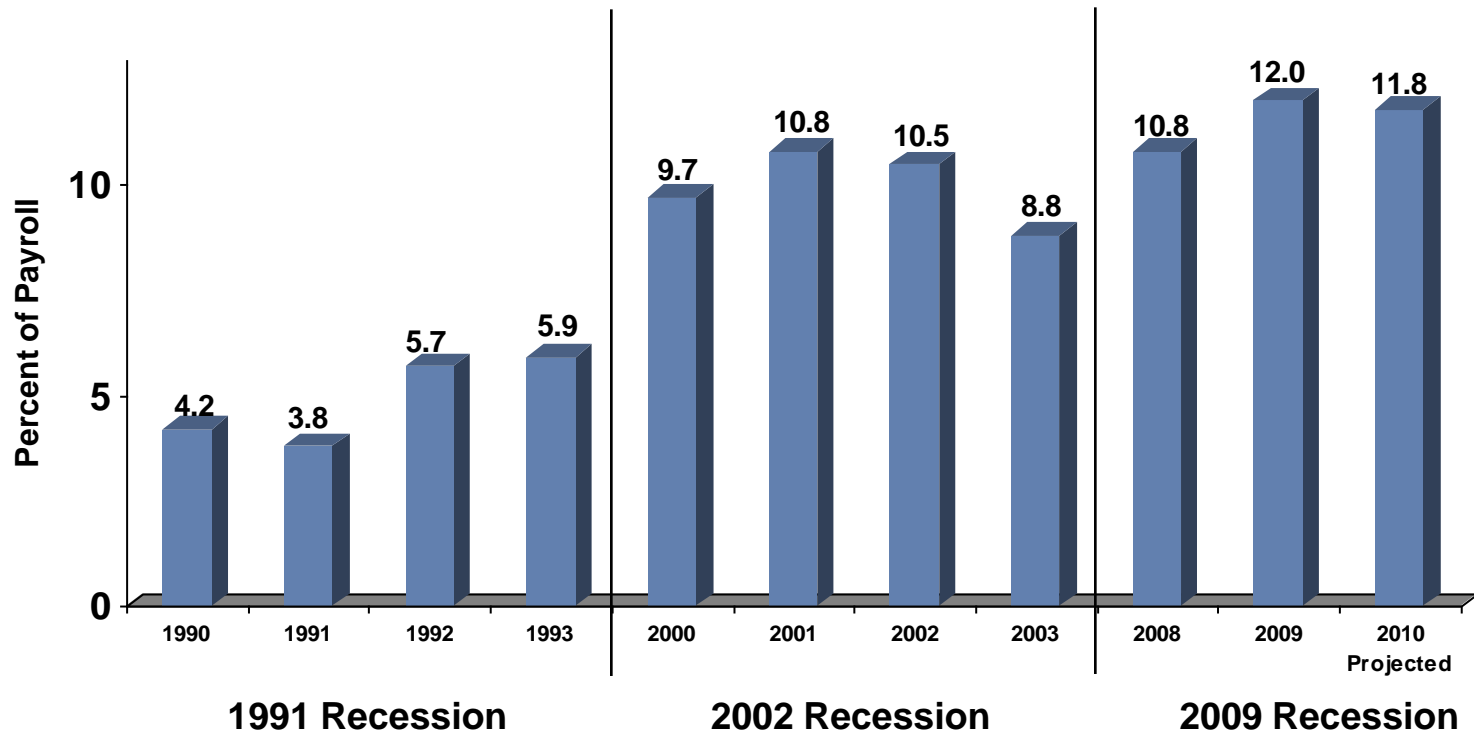


Source: Hewitt Survey—U.S. Salary Increases 2009/2010



General Trends: Impact on Variable Pay in Prior Recessions

These plans have survived the greatest challenge



Source: Hewitt Survey—U.S. Salary Increases 2009/2010



General Trends: What Happened in the Last Year?

On the compensation side

- ❑ 75% of companies reduced overall salary increase spending
- ❑ 48% of employers introduced pay freezes
- ❑ 20% of organizations instituted salary reductions for part or all of the workforce
- ❑ Promotions were greatly reduced
- ❑ Salary structures were frozen
- ❑ Shift/premium pay arrangements were constrained
- ❑ Highest funding for variable pay on record

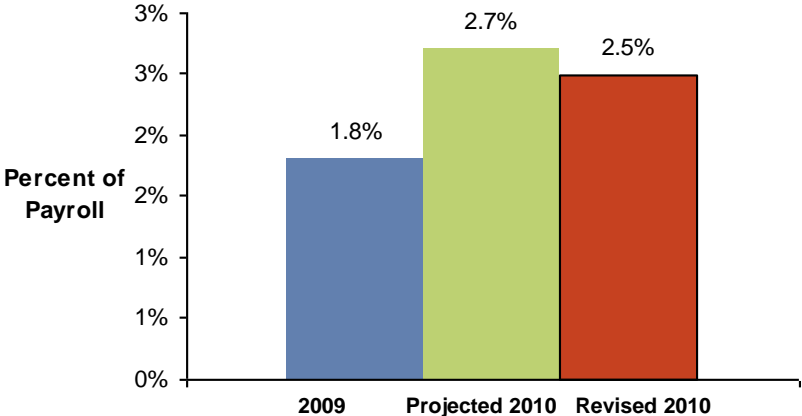


Where Do Things Stand Now?

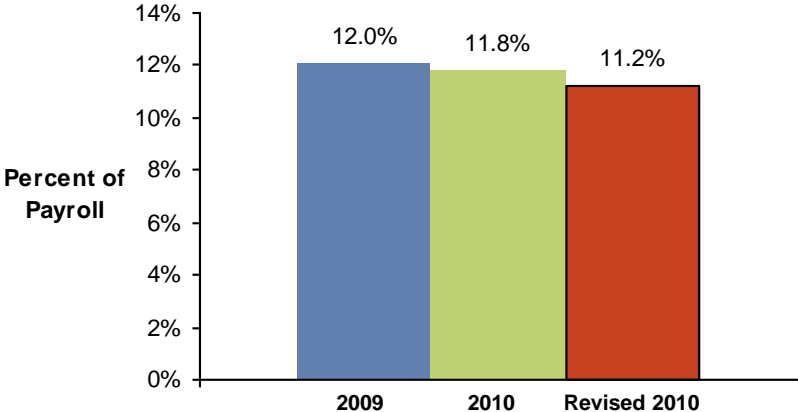


Where Things Stand Right Now

Salary Increase Budgets



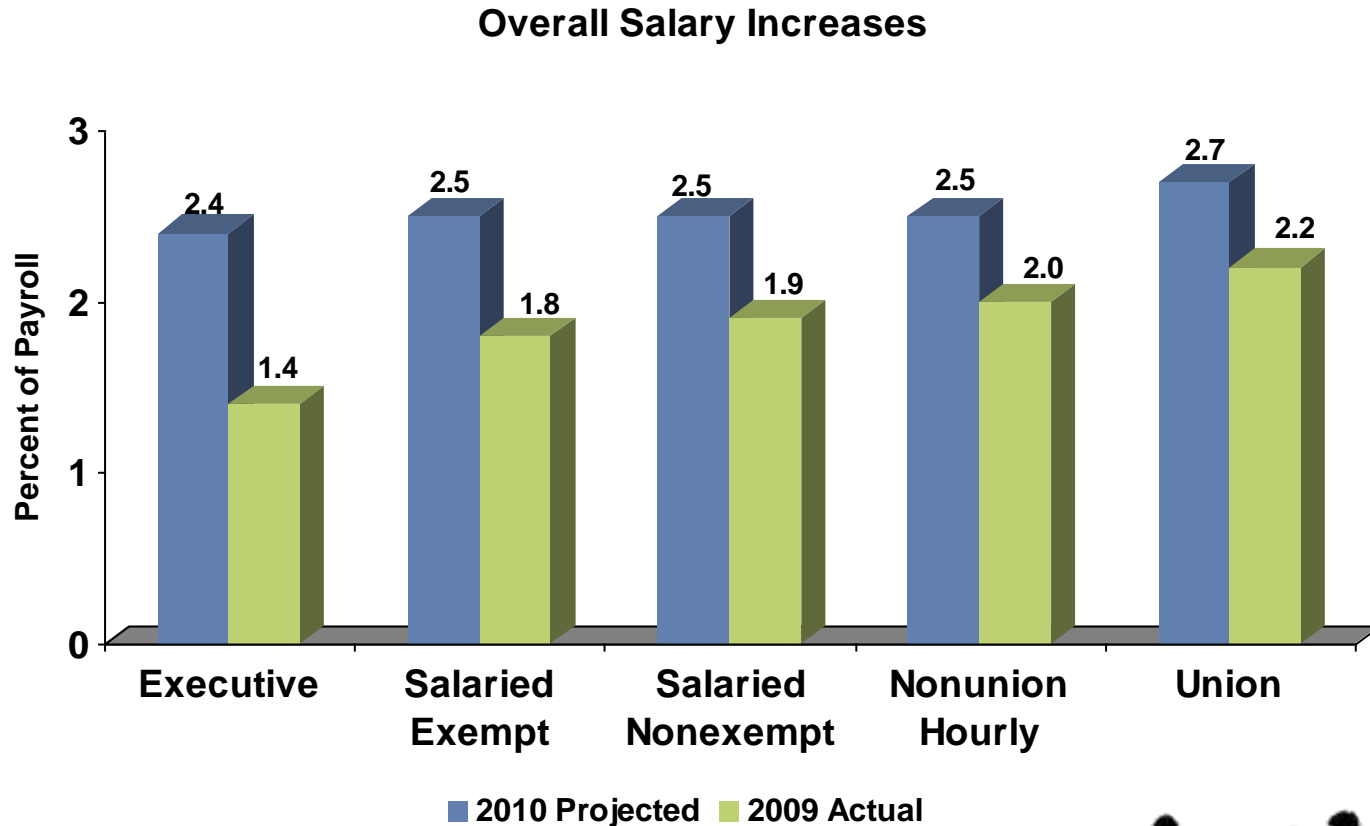
Variable Pay Budgets



Source: Hewitt Survey—U.S. Salary Increases 2009/2010 and Impact on Organization Spending for 2010



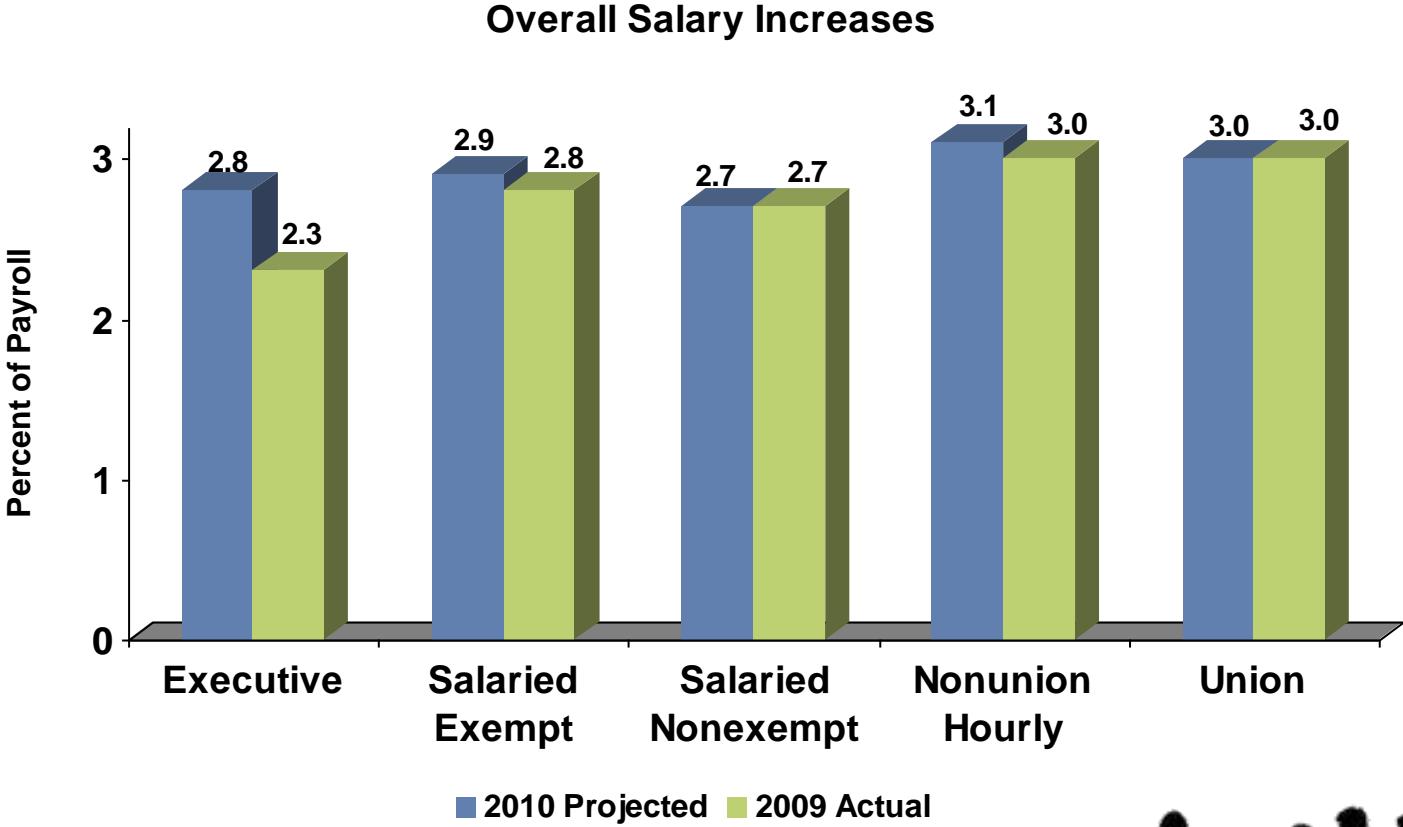
Hewitt U.S. 2009/2010 Salary Increase Survey— Overall Salary Increases by Employee Group



Source: Hewitt Survey—U.S. Salary Increases 2009/2010 for the 2009 data
Hewitt Survey—Impact on Organization Spending for 2010 for the 2010 data



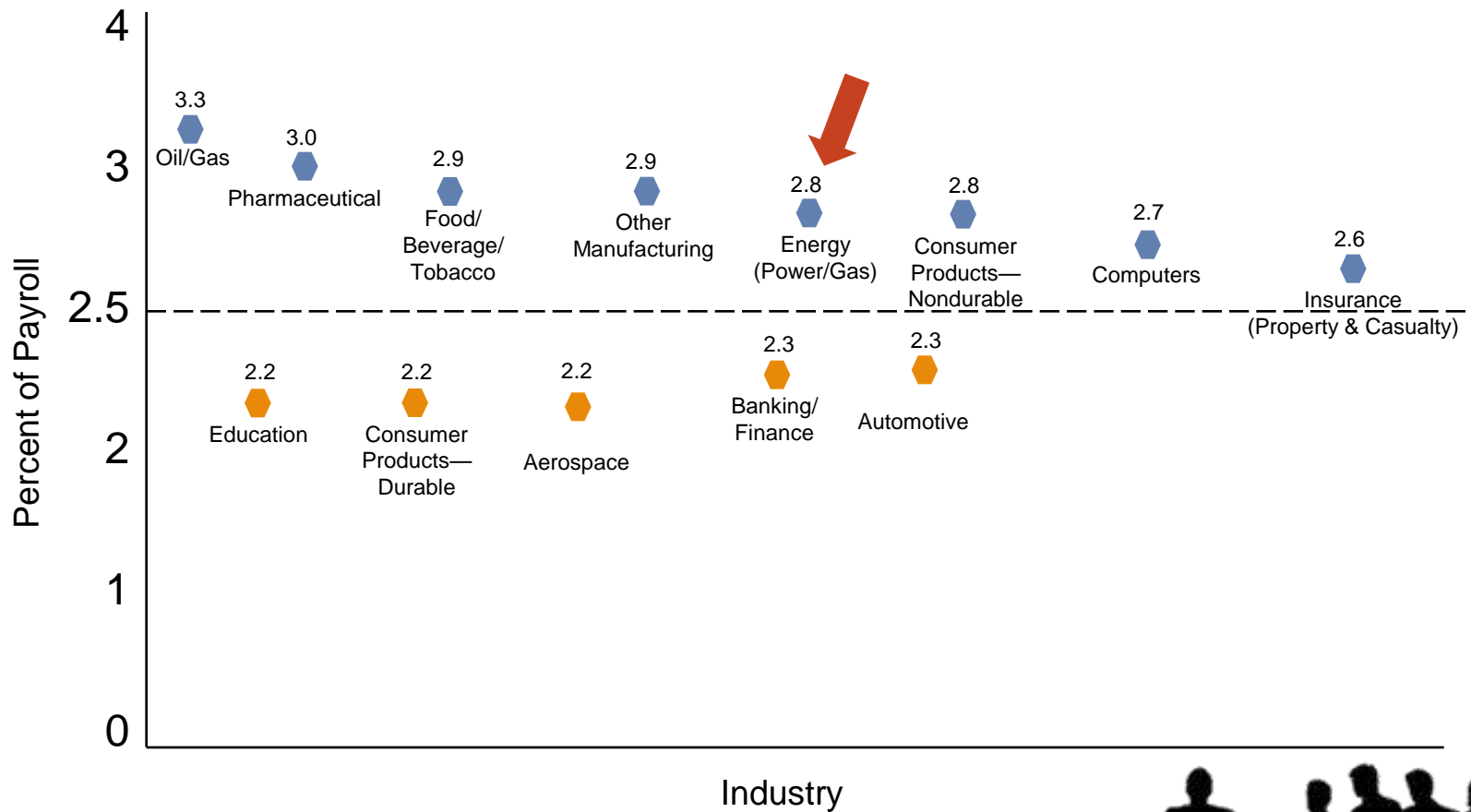
Hewitt U.S. 2009/2010 Salary Increase Survey—Energy (Power/Gas) Overall Salary Increases by Employee Group



Source: Hewitt Survey—U.S. Salary Increases 2009/2010 for the 2009 data
Hewitt Survey—Impact on Organization Spending for 2010 for the 2010 data



Industry Overall Salary Increase Outlook for 2010 Salaried Exempts

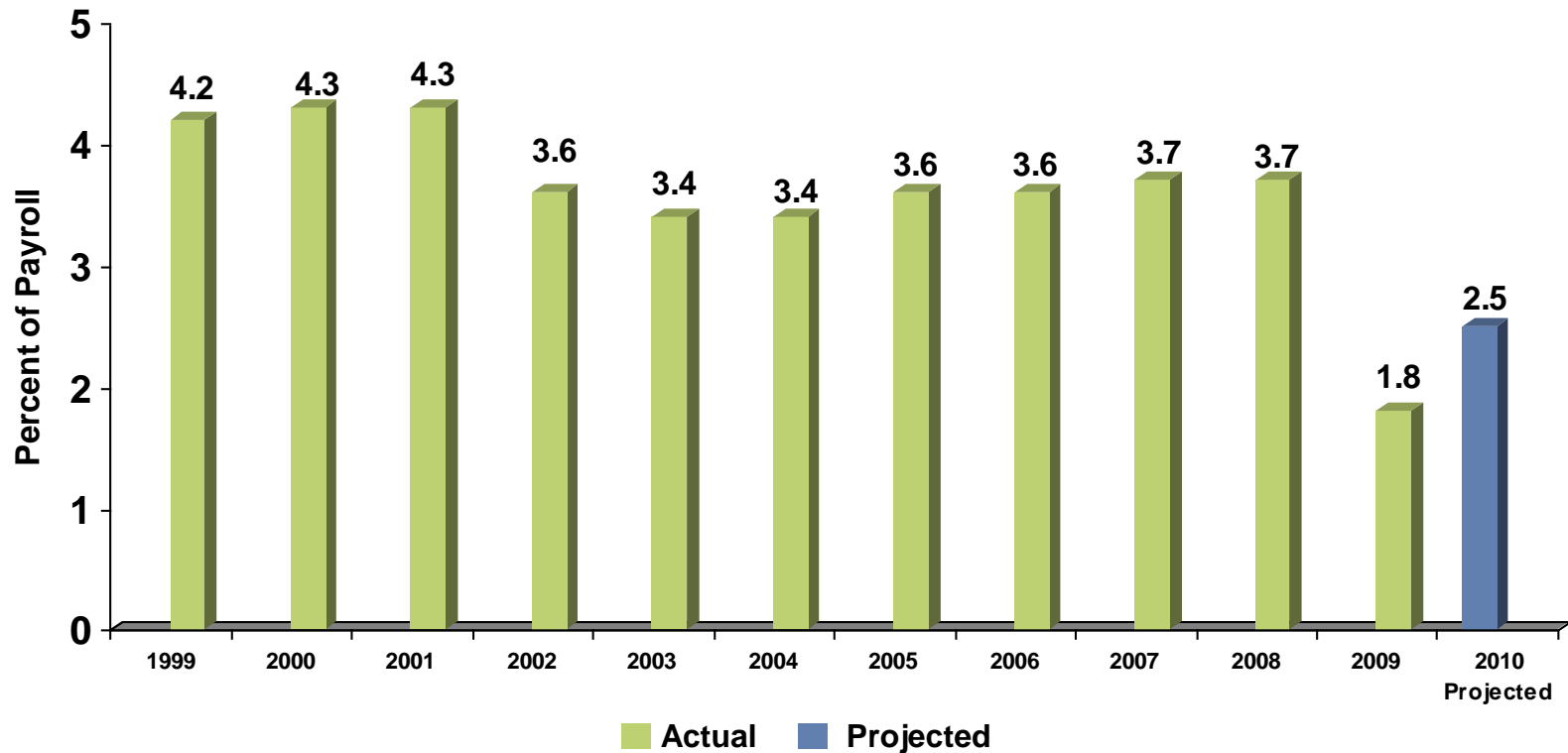


Source: Hewitt Survey—Impact on Organizational Spending for 2010



Putting Salary Increase Budgets in Perspective

All Industries

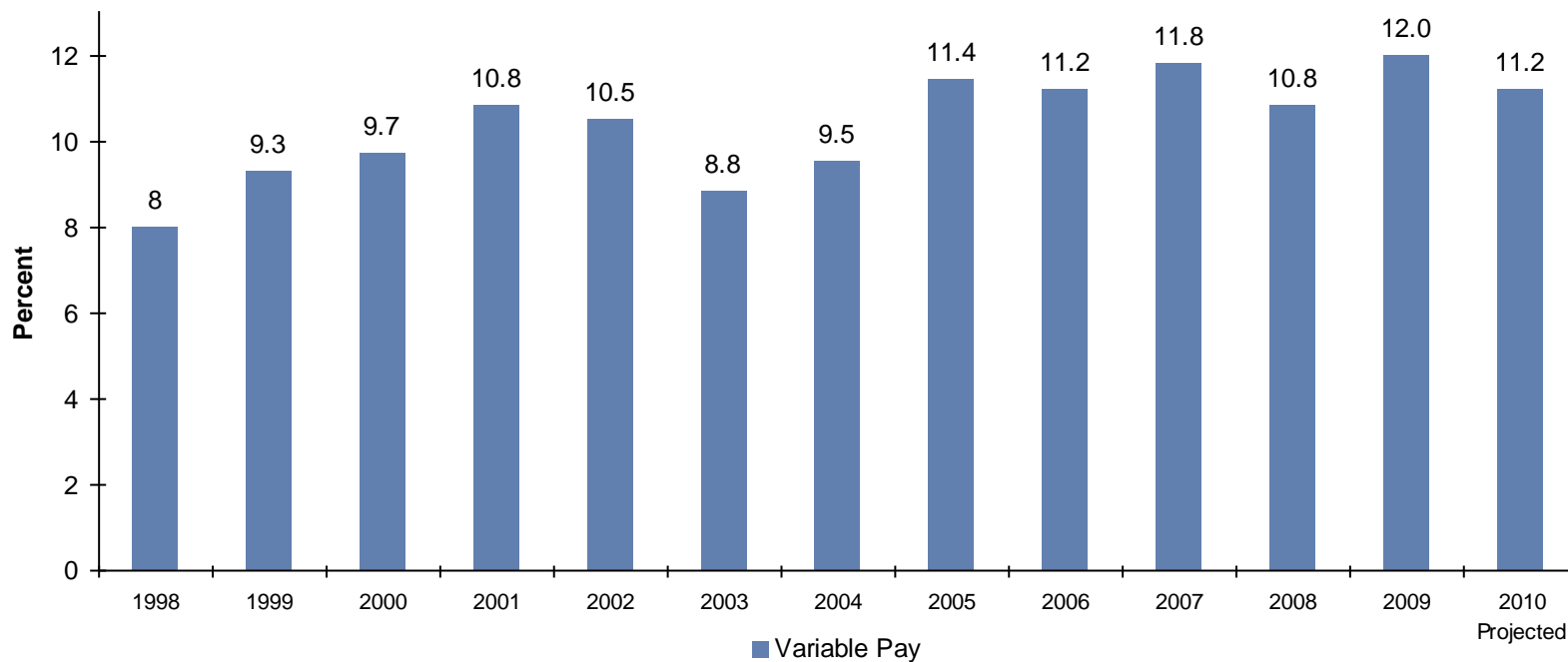


Source: Hewitt Survey—U.S. Salary Increases 2009/2010 and Impact on Organization Spending for 2010



Putting Variable Pay Spending in Perspective

All Industries

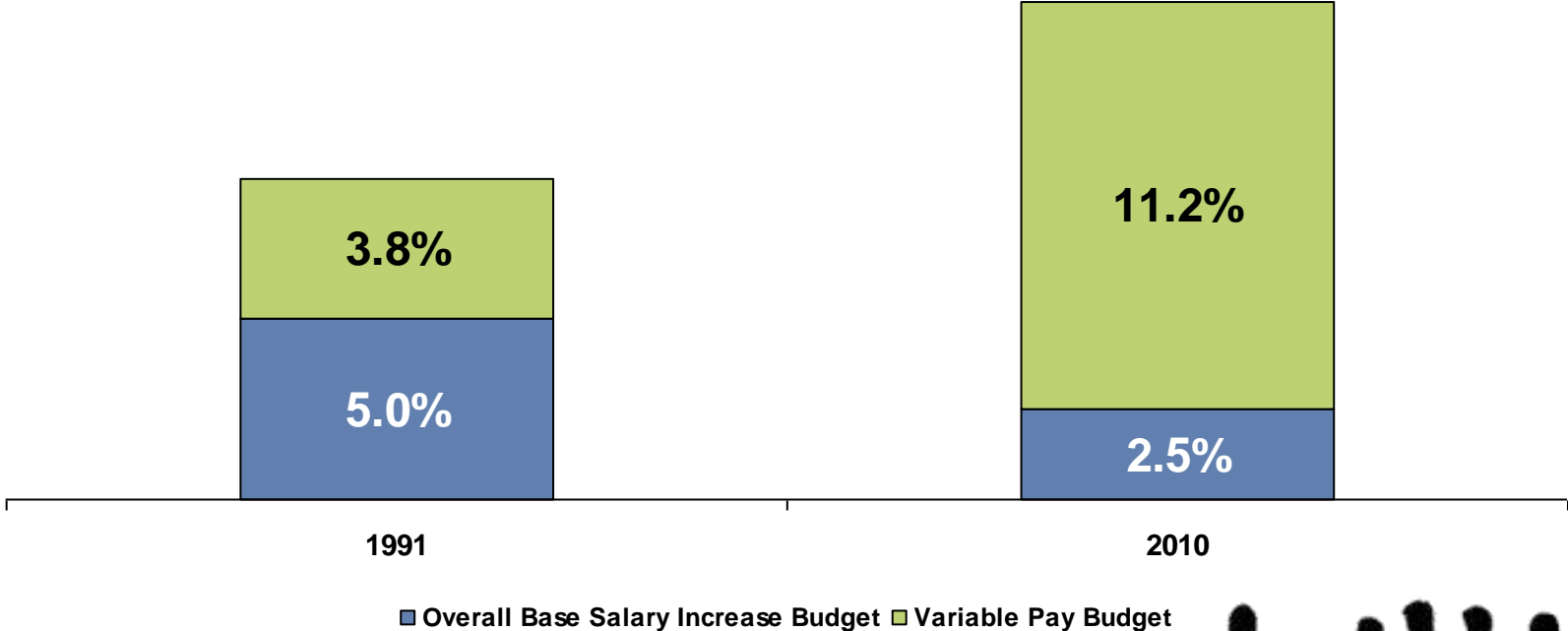


Source: Hewitt Survey—U.S. Salary Increases 2009/2010 and Impact on Organization Spending for 2010



A Dramatic and Ongoing Shift in Pay Mix

Comparison of Total Compensation Budgets and Spending for Salaried Exempt (1991 vs. 2010)



Source: Hewitt Survey—U.S. Salary Increases 2009/2010 and Impact on Organization Spending for 2010

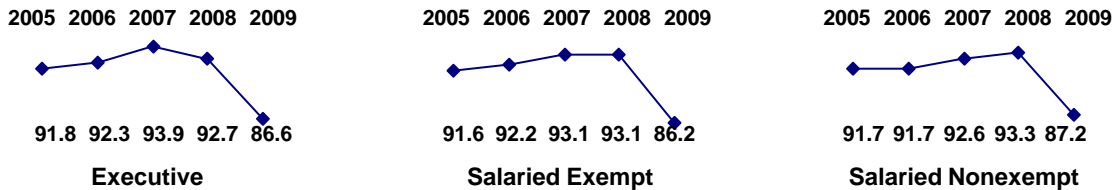


The New Economic Reality: Rewarding and Retaining High Performers

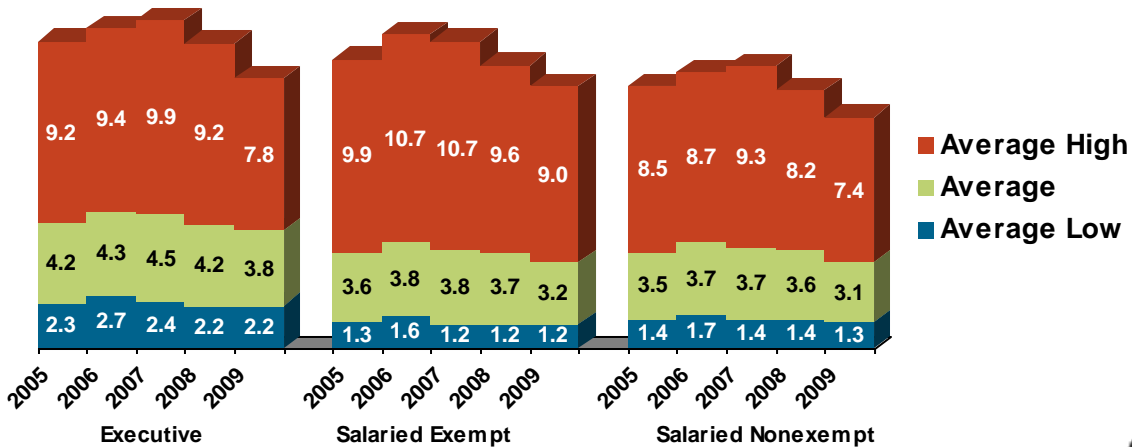


While the Pay Landscape Has Changed...How We Reward Performance Has Not...

Percent of Eligible Employees Receiving Actual Merit Increases



Average Low, Average, and Average High Increase Awarded

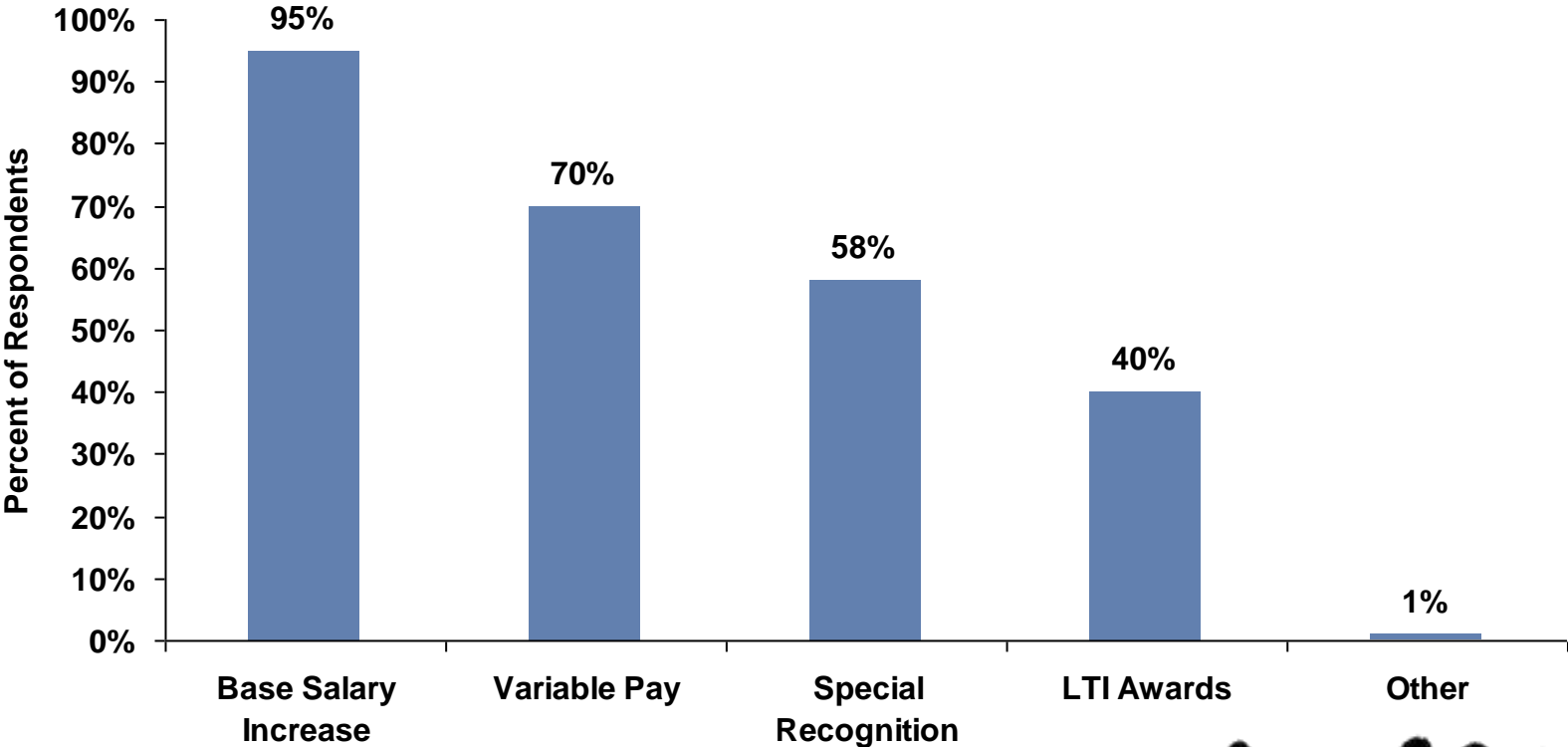


Source: Hewitt Survey—U.S. Salary Increases 2009/2010



The Primary Pay for Performance Vehicle Is...

What Approaches Do You Use to Differentiate Rewards Based on Performance



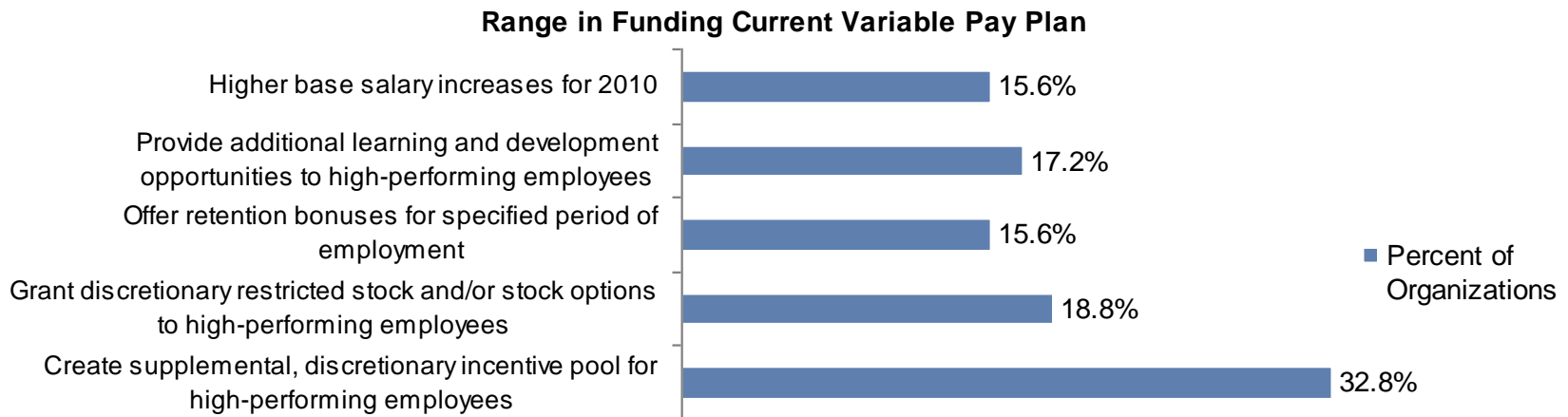
Source: Hewitt Survey—Impact on Organization Spending for 2010



While Salary Budgets are Shrinking, Variable Pay Fills Some of the Gap

Managing Variable Pay for Key Contributors (High Performance/High Potential)

The creation of a discretionary incentive pool is most prevalent



Source: Hewitt 2009 Variable Compensation Measurement™ (VCM™) database

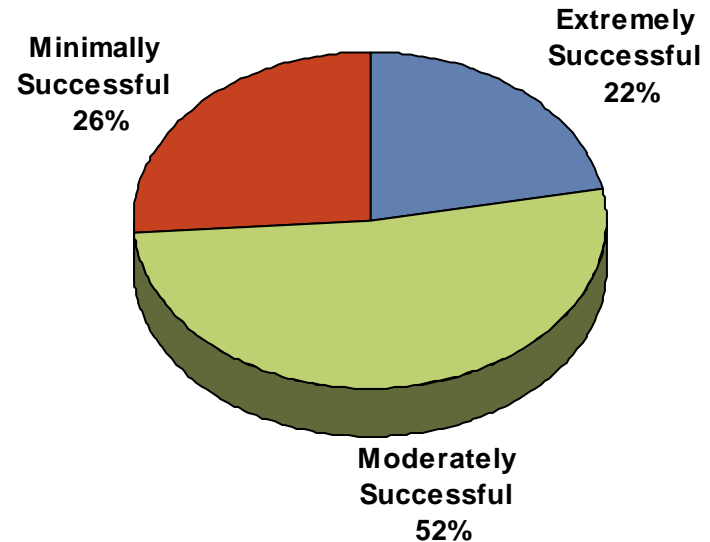


Pay-for-Performance Programs Only Moderately Successful

The Primary Objective of Most Pay-for-Performance Programs Include:

- ▣ Improving financial performance
- ▣ Retaining top performers
- ▣ Improving operational objectives such as customer service and quality
- ▣ Using compensation dollars more effectively

How Successful Are You in Differentiating Pay Based on Performance



Bottom Line

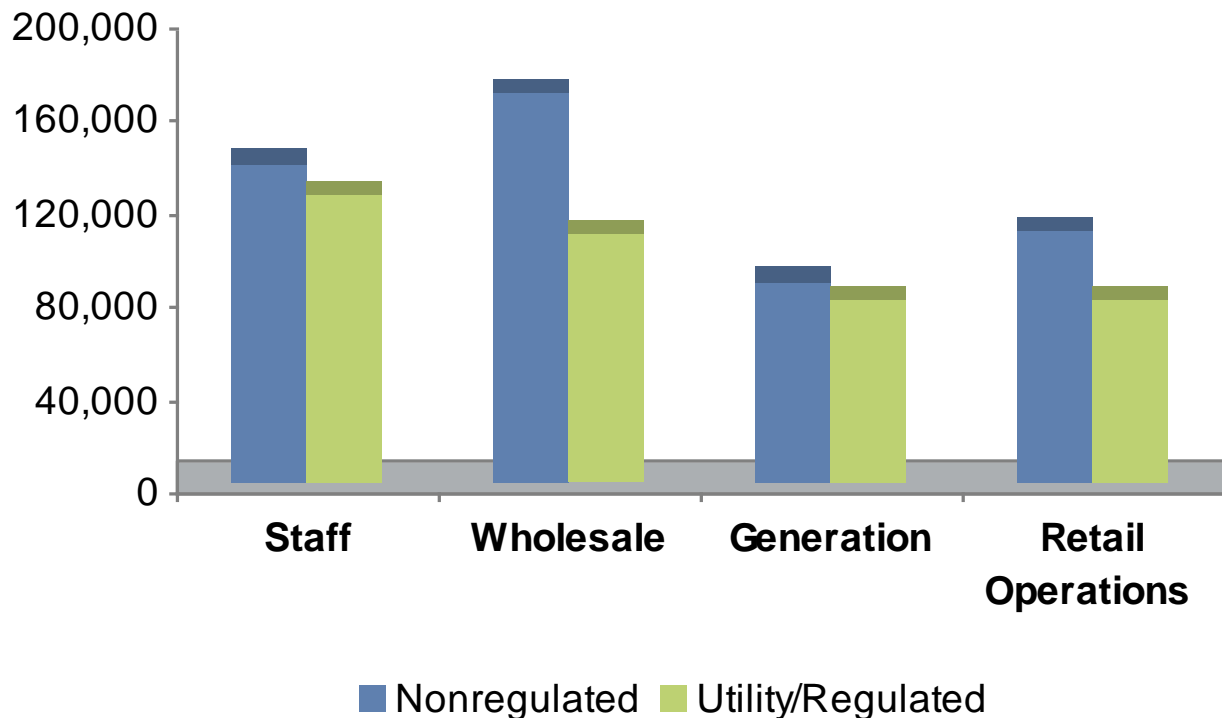
These objectives will be the focus for 2010 as well—how can we accomplish them with only moderately successful programs?

Source: *WorldatWork Paying for Performance Survey 2004 and Hewitt Survey—Impact on Organization Spending for 2010*



More Nonregulated Businesses Have Variable Pay Plans

Nonregulated vs. Utility/Regulated Total Cash Comparison



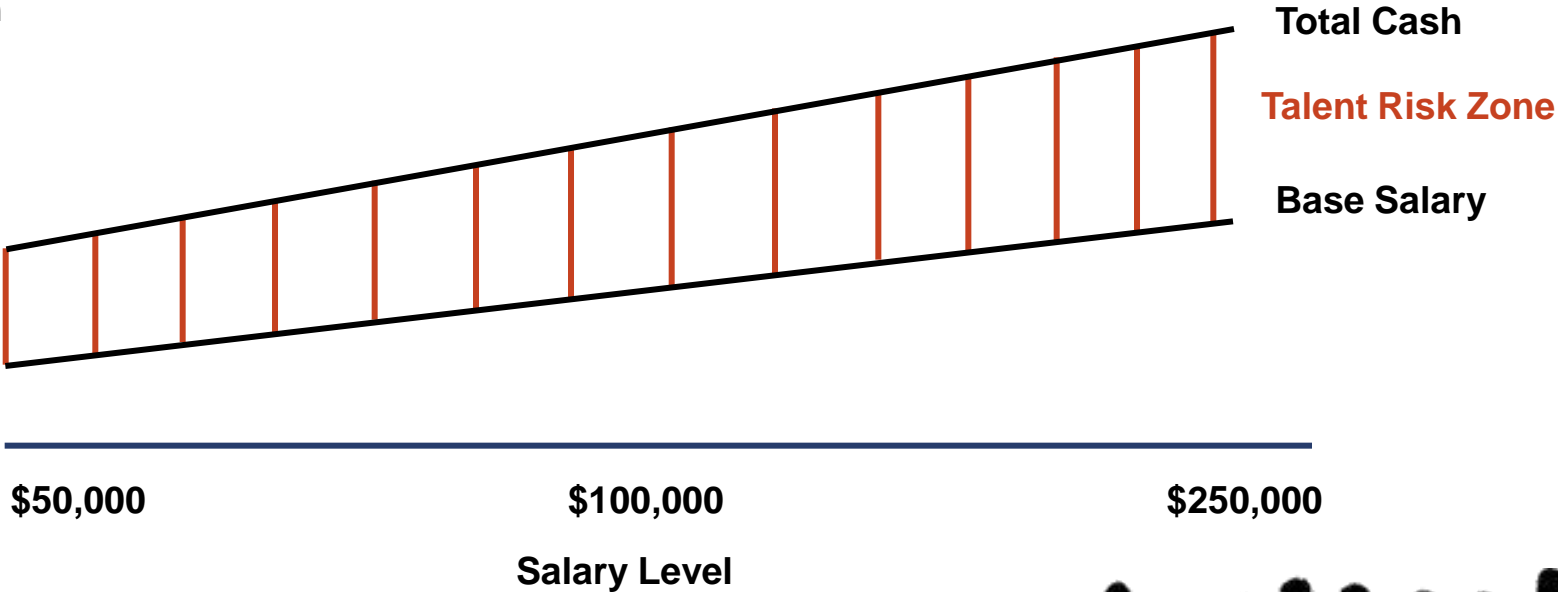
Source: 2009 IEHRA Energy Industry Compensation Survey



Without Variable Pay, Utilities are Disadvantaged in Attracting and Retaining Talent

Base Salary Alone Is No Longer Enough...

Compensation



Why Pay for Performance Should Matter to the Utility Industry Now More than Ever

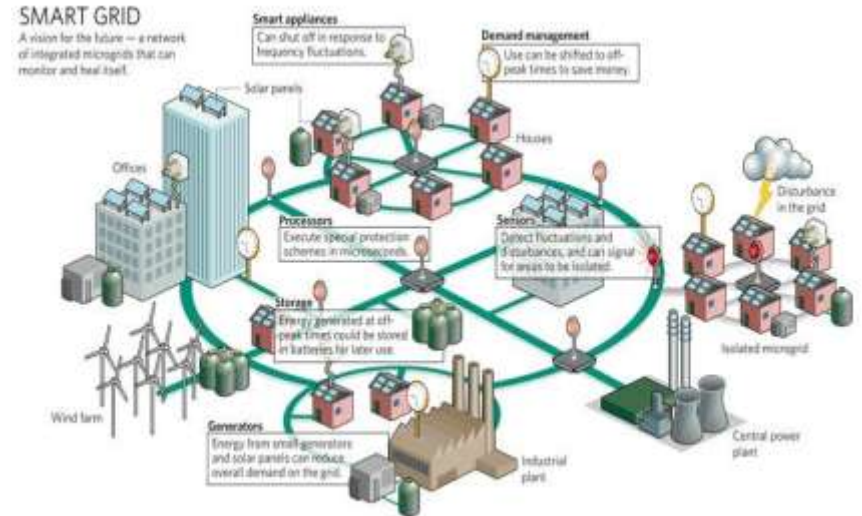
- More effective compensation management means more dollars available for hot skills and mission critical jobs:
 - Nuclear engineering and other specialists in Nuclear
 - Environmental/renewable energy jobs
 - Smart Grid technology related jobs
- Utility companies need to compete for talent with nonregulated companies with strong pay for performance programs



Will Smart Grid Change How Utilities Pay for Talent?

New Technology = New Pay Challenges:

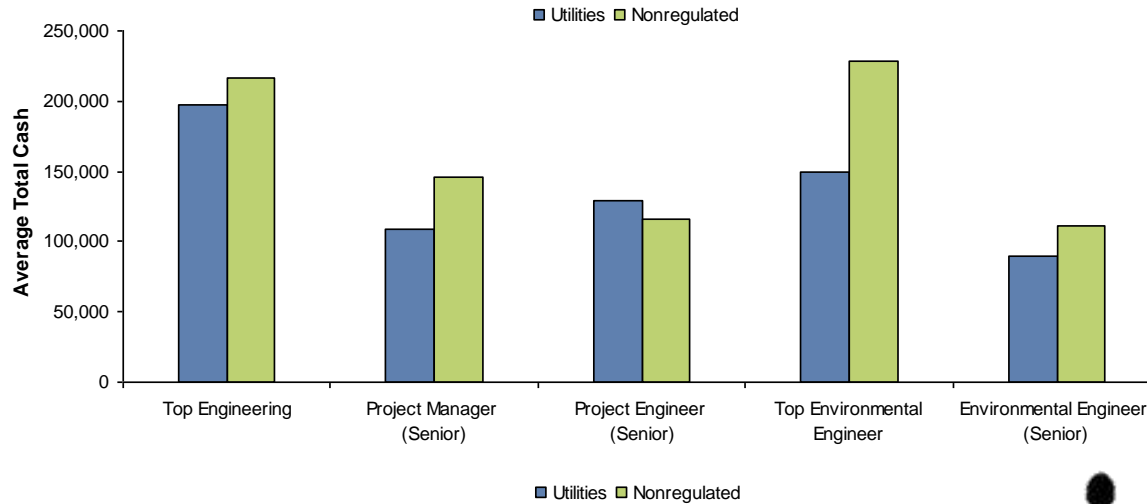
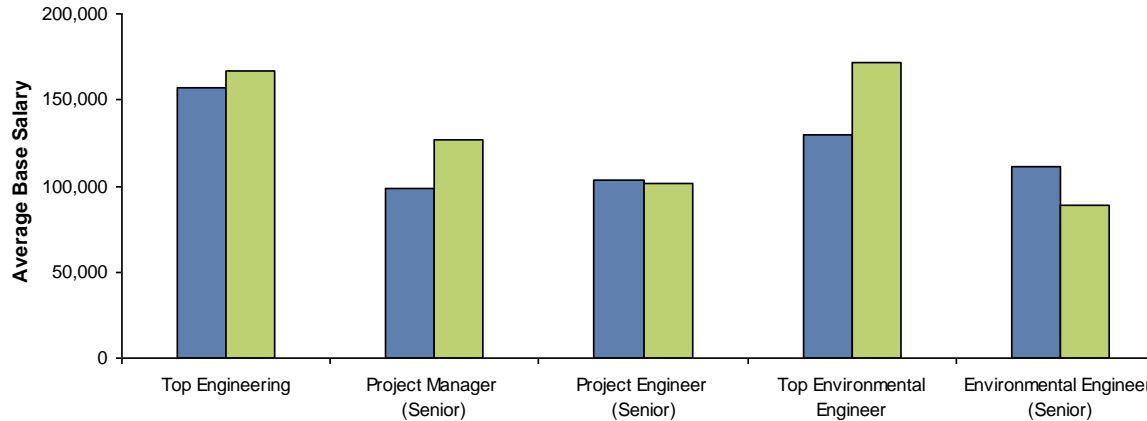
- ❑ Unique combination of skills/background which are scarce
 - Engineering
 - Information Technology
 - Communication
 - Project Management
 - Utility Industry
- ❑ Creative Thinkers “Utility Innovation”
- ❑ Grow talent from within versus go out and get it?



“The deployment of smart grids, applying digital technology to the nation’s electricity network, is intended to help utilities better manage the flow of electricity, avoid failures and, for the first time, give consumers details on how they consume energy so that they can cut use and perhaps cost.”
(USA Today, February 17, 2010)



Engineering Pay Mix: Base Salary and Total Cash Compensation in the Energy Industry

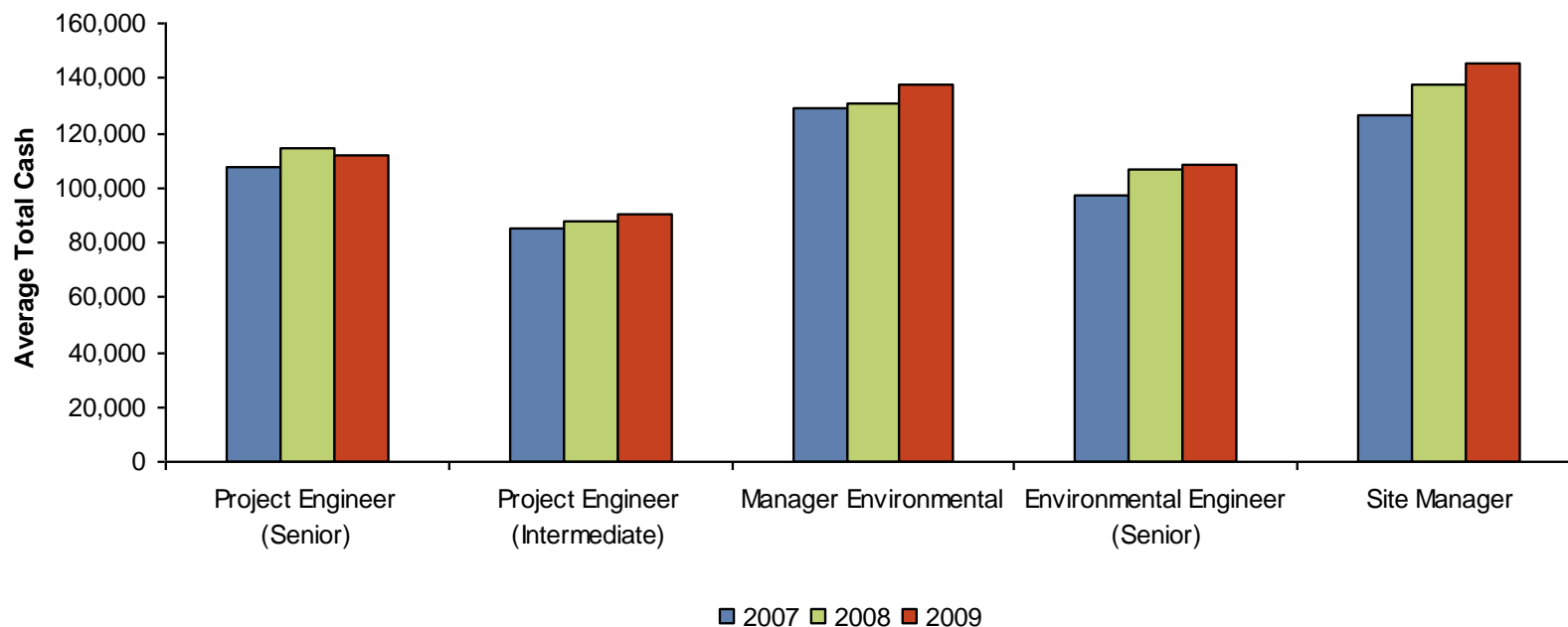


Source: 2009 IEHRA Energy Industry Compensation Survey



Engineering: Total Cash Trends

Constant Company Trends in Average Total Cash



Source: 2009 IEHRA Energy Industry Compensation Survey





Questions & Answers

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