

Introduction

Around the world, the power and utilities sector is facing unprecedented change and challenges. There is a global focus on the impact of climate change, extraordinary economic turbulence, a lack of liquidity in financial markets, significant anticipated growth in power demands, increasing cost pressures, substantial legislative volatility, new and emerging technologies and the rise of alternative and renewable energies. Besides this, workforce demographics in the power and utilities industry are undergoing a transformation.

In the US only approximately 30-40 percent of the workforce in the electric utility sector will retire in the next 10 years, according to the U.S. Bureau of Labor Statistics. That will leave a shortage of experienced workers in every organizational facet, from linemen to power engineers. This shortage has the potential to affect energy reliability and innovation across the U.S. A similar trend is also visible in the Caribbean power and utilities sector where in the next few years a great quantity of workers will be eligible for retirement. For example, Aqualectra Integrated Utility Holding N.V., the in Curaçao (Dutch Caribbean) based Power and Water (Utility) Company recently announced that its workforce will be reduced with almost 20%¹ the coming years due to retirement only.

In addition to a shortage of skilled workers in this sector due to retirement, the industry has faced difficulties in attracting younger workers of the Y Generation (defined as being born 1982 or later). This is based on the fact that the industry traditionally has held a reputation for a slower pace and less technological innovation, resulting in other industries becoming more attractive for younger talent to start their careers.

This has created gaps in key positions and skills, and the industry will need to expand hiring and training programs simply to maintain the level of qualified workers required to operate existing facilities. The business impact of this unprecedented shortage of skilled workers is a matter of public and national interest. However, industry surveys have indicated that most utilities companies do not have a formal process for projecting future workforce needs based on their organization's strategic plan.

The coming wave of retirements and the skills and experience gap have been issues in the power and utilities industry for some time. Companies have usually addressed these issues through several traditional stopgap methods. However, the recent economic downturn has added a level of complexity that has created new challenges and presented an urgent agenda for human resources (HR) transformation. However, the recent economic downturn adds a level of complexity that creates new challenges and presents an urgent agenda for human resources (HR) transformation.

We have to admit that companies are at different stage of planning for strategies to mitigate these challenges and enable workforce change. In this article we discuss some innovative strategies in developing a roadmap for dealing with these urgent workforce issues.

Workforce Management Issues and Impacts

Traditionally, changes in the national and local business and regulatory environments have had the greatest influence on utilities. However, current workforce issues and those emerging over the next three to five years are having an increasing influence. Some of these issues include:

- Massive retirement across all ranks and skill sets
- Recruitment challenges from less interest in power and utilities sector among new graduates
- Declining numbers and quality of middle management
- Wide division between ages of workers and changing worker expectations
- Inadequate educational infrastructure to support industry needs
- Lack or narrow focus in workforce planning.



Workforce management issues are particularly difficult for power and utilities companies, as these companies have roles that require very specialized skills and training. For example, electrical engineers, system operators as well as analysts who cover regulatory, load profiling, or settlement issues are highly specialized roles that require specific skills and training. Companies often have difficulty finding workers with the necessary skills to fill these roles.

To complicate matters, some roles that are unique to the power and utilities industry require skills that have not been in high demand recently and are becoming scarce even in the utilities workforce. Companies have often addressed these challenges through ‘stopgap’ measures, such as hiring retirees as contractors and consultants, outsourcing for critical skills, or through an adjustment in workforce planning. However, stopgap strategies are not always sustainable, as these contract workers will eventually retire.

In addition, regulation, strong community ties, and a public service mission often constrain what power and utilities companies can do with respect to some conventional solutions. A tradition of lifetime employment and competitive compensation and generous benefits also pose constraints.

Urgent Workforce Issues and Impacts

The recent economic downturn has also created several more urgent HR management challenges and opportunities that power and utilities companies should address in more innovative ways. Emerging challenges and opportunities include:

- **Distressed Workforce:** Although the economic downturn initially lowered attrition rates, the recovery can create new retention challenges. The workforce can be stressed and distrustful, and power and utilities companies often have increasingly limited resources to retain workers.

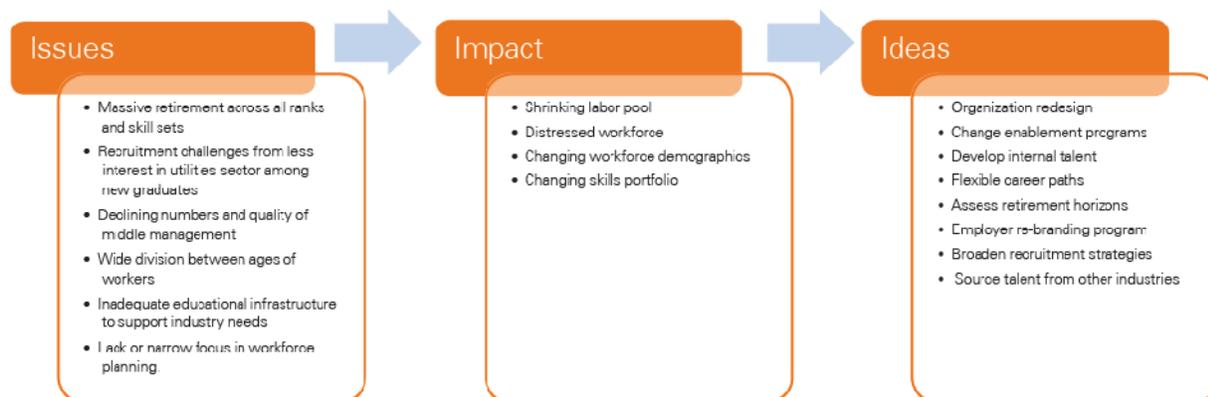
- **Increased Labor Supply:** Restructuring in response to the economic downturn has increased the labor supply and has delayed planned retirements. This has created a pool of displaced workers that represents an opportunity for power and utilities companies.

- **Technological Change:** Significant technological change across the utility industry is changing the required skills portfolio. For example, smart grid technologies are bringing major changes in areas like meter operations, meter data management, and outage management. New generation technologies, such as wind, solar, and energy storage, are gradually becoming a more important part of the energy mix. As a result, some skills are becoming obsolete and others are in short supply.

What Can Power and Utilities Companies Do Now to Address these Issues?

These new challenges present power and utilities companies with an opportunity to rethink parts of their businesses. Addressing workforce challenges from a business-wide perspective instead of solely from an HR functional perspective facilitates the creation of sustainable strategies.

- Power and utilities companies have a tendency to be traditional, hierarchical organizations. A possible approach to the scarcity in middle management is to flatten the organizational structure. Restructuring can be an opportunity to redesign roles and consolidate levels of accountability, giving new opportunities to talented individuals. Flatter organizations can help to accommodate generational differences, including learning and management styles.



- Changing demographics and new HR initiatives will require companies to undergo extensive cultural change. A change management program focused on preparing the company for workforce changes as well as for innovative HR management is important for the effective execution of a new workforce strategy.
- Companies should use internal talent as effectively as possible before looking for talent in external markets, which are often unpredictable. Identifying critical competencies and focusing investments in talent development can be an effective strategy.
- Evaluating the viability of outsourcing certain roles can help bridge the skills and experience the gap between older retiring workers and young hires.
- Investing in creative knowledge transfer and management strategies can aid succession plans.
- Companies should identify the development needs of senior leadership and provide support to help them manage the business through turbulent times. They should provide training for new skills as well as new tools to enable employees to do their jobs in a “leaner” environment.

A business-wide perspective for addressing these workforce challenges will support the development of a comprehensive talent management program, focusing investment in talent development on retaining people in critical roles and building meaningful career paths for them. A successful program will align with all stages of the employee lifecycle, from talent identification to talent retention, and enhance the organization’s ability to attract, develop, and retain critical resources.

- Clear but flexible career paths for top talent as well as continued career discussions throughout the downturn can ease workforce stress and facilitate employee exit and re-entry at different junctures in their careers. Companies should also create or strengthen “alumni” networks.
- Companies should help older workers reassess retirement horizons. This could include reevaluating benefits to provide flexible “post-retirement” work options.
- While traditional HR strategies are essential elements, companies should incorporate innovative HR management strategies into their overall enterprise talent development and workforce planning approach. The possible approaches include internal strategies, which include new training and flexible career paths, organization restructuring, and cultural change management, as well as external strategies for acquiring talent, which include changes in recruiting criteria and sources.
- If companies look for talent in external markets, they should consider a re-branding program to attract talent from unconventional sources. Creating a strong employer value proposition that is different from the image of a conventional power and utilities company can both open up new talent streams and rekindle existing talent streams.
- Broadening recruitment strategies to incorporate re-hires, contractors, and returning or deferred retirees is another effective strategy. Adopting the approach to “recruit for attitude and train for aptitude” can help companies find needed talent. This requires companies to change from recruiting for specific skills to recruiting for willingness and ability to learn over a longer period of time.



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- Companies should consider hiring high-performers with substantial management experience from across different industries.
- Presenting new value propositions to bargaining units working to mitigate the impacts of the economic downturn is another effective strategy.

Conclusion

The economic downturn has created new and urgent workforce challenges and opportunities. Addressing these issues in more innovative ways can help power and utilities companies manage the business impact of workforce changes as the economy recovers. An organizational transformation lead by a workforce transformation can help power and utilities companies realize greater benefits from addressing these challenges and opportunities.

For more information on innovative strategies for dealing with these urgent workforce issues, please contact:

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