

Industry Update: Energy and Utilities sector

Earlier this year business confidence across all sectors in New Zealand was at a record low, with 44% of surveyed businesses experiencing reduced trading activity. To counter this recession most took the opportunity to review and slash, where possible, their expense budgets and to cut staff costs by not replacing non essential roles.

The situation appears to be less grim for the **energy and utilities sector**. Large infrastructure projects reduced the effects of recession for some companies. Also, changes in the government's Resource Management Act ('the streamlining processes for projects of national importance') and their desire to bring forward these projects where possible indicate that the demand for skilled employees in this sector will stay at current levels. This is likely to add further upward pressure to the salaries of skilled Engineers, Project Managers and other specialists in this sector.

Similarly the growth in generation using wind energy has opened up the opportunity for other companies to become generators. While past developments have been implemented by existing generator companies, it has been reported that both private and lines companies have plans for new wind farms (*The New Zealand energy sector, investment NZ report*). This is likely to further exacerbate the skills shortages in this sector, unless people with the requisite skills can be enticed to emigrate to this country.

Salary Movements

When we compare salary movements for the Energy and Utilities Sector against both the Public and Private sectors over the years 2004 to 2007, it outstripped them both by an excess of a two fold increase. Only in the 07/08 year was the salary movement similar to that in the comparable sectors. This could be an indication of a more stable employment environment with less demand for technicians, engineers, and high level specialists. In that year there were a large number of job losses (about 8000) in the Australian mining industry. This surplus is expected to reduce some of the skills shortages in this engineering employment market. Despite the available talent, it is our opinion that retention of your project critical staff is highly desirable. Creating a remuneration strategy that not only is affordable but also creates points of difference is worth considering.

Year	Electrical Utilities Sector	NZ Public Sector (March NZRem)	NZ Private Sector (March NZRem)
2004 - 2005	9.1%	3.5%	3.2%
2005 - 2006	11.8%	4.2%	3.3%
2006 - 2007	6.3%	4.2%	3.4%
2007 - 2008	4.4%	4.4%	4.5%

There is an indication that the Boards of Companies operating in this Sector have concerns about the effect of some long term incentives that have been developed, and of managements' focus on providing only short term incentives. An effective remuneration strategy could also be a way to minimise the gap between Board and management goals and their focus.

Strategic Pay consultants have the skills and experience to assist you to develop a remuneration strategy and to build incentive schemes that add long term value for both employees and business stakeholders.