



Preparing your people strategy for post-Brexit business



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Are your people ready for your post-Brexit business?

The majority of UK financial services institutions impacted by Brexit, and those with a significant UK footprint, have been planning and making decisions about where to locate operations in the European Union (EU) to ensure business continuity. Generally, this involves moving activities into EU 27 countries or, for US banks, changing corporate entity structures to ensure continuing access to the European market.

The next challenge, now, is to populate those entities. The immediate questions that these financial services firms are grappling with at the moment are:

- ▶ Finding the right people
- ▶ At a reasonable cost
- ▶ In the necessary timescales

Accepting reality

Brexit is challenging for numerous reasons, not least the need to take key business decisions before the final details of any deal are known. Multiple outcomes remain possible, ranging from the cliff edge of 'no deal' to an agreement followed by a prolonged transition period. The impact on organisations and people would clearly vary dramatically. Nevertheless, organisations have drawn up plans to ensure continuity of service after the UK leaves the EU and are now in the process of implementing them.

From a people perspective, time is running out. Just-in-time management does not work very well with people as they have families, houses and a range of commitments that take time to reorganise and relocate. Even the commitment of travelling weekly to a new location within the EU will take time to appropriately plan and implement.

Would speculation about a new deal on 'equivalence' – whereby UK firms would get certain access to the EU markets – be reason enough to halt, or even pause, the implementation of current plans? In the continuing absence of certainty, it is difficult to rely on this in the short term. Most institutions will want to continue with their plans to repurpose, or stand up, EU entities.

This means that, for many financial services firms seeking to staff their post-Brexit EU-based offices, it is likely that compromises will have to be made. If vacancies in these locations are still unfilled, then it may be too late to populate these roles with people who have the relevant skills and experience. This gap is likely to be exacerbated, as many organisations are competing for resources which fit similar role profiles, skills and capabilities.

Why the need for compromise?

Organisations are likely to face an increasingly competitive market for resources, as there is a risk that the demand for talent in certain locations could outstrip supply. In addition, there are numerous challenges involved in identifying personnel from the UK, or from elsewhere, who are willing and able to make the move to the chosen EU27 location.

Key challenges for UK talent considering a permanent move include:

- ▶ **Career prospects:** an ambitious manager in charge of a \$10bn balance sheet in the UK is unlikely to be attracted to a new EU location with a \$1bn balance sheet
- ▶ **Family logistics:** target location housing stock and international school places are in short supply and, if available at all, expensive
- ▶ **Dual-career couples:** one spouse or partner may be impacted, but not the other

Therefore, there may be the need to adopt interim solutions involving UK personnel working in the EU on a temporary basis. It should be noted that this would lead to additional costs to the organisation.

Adopting a two-wave scenario

Given the uncertainty, a number of organisations are adopting a two-wave approach.

Wave 1: aim to use any reasonable means to ensure organisations have the appropriate people in post in the EU, ready for 30 March 2019, to run the business and ensure

regulatory compliance – accepting that some of those people may be there on a temporary basis.

Wave 2: gradually re-staff their EU structures with more permanent people and develop a longer-term talent pipeline.

Wave 1

With the goal of having people in EU posts by early 2019, who in the organisation is most likely to see such a move as a personal opportunity? In our experience and from what we hear in the market, financial services firms are identifying two potential groups that are willing to relocate:

- ▶ Individuals with some form of heritage link to the target location, either personally, or through their spouse, and who have expressed a desire to 'move home'
- ▶ Individuals with one more role remaining before retirement, who are often mobile (with any children grown up) and attracted by the idea of an overseas adventure

Staff members with a heritage link, if they have appropriate skills and experience, could be a good solution to the Brexit people challenge as they would typically see the move as a permanent one – hence a lower cost solution than moving people on a temporary basis.

However, staff members in the 'one more role' category could be particularly attractive for the Brexit wave 1 solution, even though moving on a temporary basis. Firstly, they are, by definition, senior and experienced people and therefore likely to satisfy regulatory requirements. Secondly, they are less concerned about final Brexit outcomes and whether the opportunity is 'big' or 'small'; they are not assessing the role as a stepping stone to something else. They can, however, use their experience to help set up a successful EU operation, before being replaced in due course by new recruits with appropriate skills and experience for the role at that time.

The challenge still remains that, to many individuals, a permanent move or a short-term business traveller set-up is not attractive or comes at significant cost for various reasons including family, the attractiveness of the destination location and how it may affect their careers.

Interim solutions

With this two-wave approach in mind, it may be that some positions need to be filled temporarily. There are a variety of potential solutions, though not all may be suitable or optimal for every situation. These include:

- ▶ **Short-term business traveller (STBT)** – staff essentially commute to the EU destination for an agreed number of days per week or month
 - ▶ Regulatory view – the STBT solution is proving less favourable to some EU regulators, dependent on the role, as they may require a more substantial presence in the EU location
 - ▶ Cost – an expensive option, with employee and employer tax implications
- ▶ **Dual-hatting** – an individual has an employment contract in both the UK and the EU27 destination location
 - ▶ Regulatory view – this solution appears to be less favourable to some regulators and proving true separation of roles can be challenging
 - ▶ Cost – a potentially expensive solution with organisational complexities i.e., the need to consider time allocation, booking models, performance and reward

Wave 2

By definition, the second wave of activity to staff EU operations would take place over a longer timescale and ultimately at a time when there is final clarity on post-Brexit UK-EU relations. The competition for local resources may have eased and there may also be scope for retraining or developing more junior local talent to move into more senior EU roles. This would also be an opportunity to take a longer-term, more strategic view.

Encouraging permanent or temporary relocation by UK staff

Employers can take steps to encourage employees to consider relocating (even on a temporary basis) to the EU location, and then support them through the process:

- ▶ Identify and understand employees' personal motivations e.g., cultural links, career stage, future ambitions
- ▶ Provide detailed country-specific guidance (e.g., Frequently Asked Questions) for employees explaining social, tax and pension ramifications of living and working in the chosen jurisdiction
- ▶ Explain reward and benefit implications, including tax issues, face to face
- ▶ Offer counselling to help individuals assess, understand and address all aspects of relocating
- ▶ Provide practical support in the form of pre-rented housing and, where employees have school-age children, access to pre-booked places at international schools
- ▶ Address any wider issues across the business by designing comprehensive communication materials and engaging employees by organising 'lunch and learn' sessions on particular topics and 'Town Hall' meetings that encourage discussion

Organisational perspective

Engaging employees and providing the support they need to relocate successfully must be underpinned by a robust roadmap leading to early 2019. This includes:

- ▶ Analysing exactly who is affected and how
- ▶ Defining and implementing a policy framework for different types of migrant workers (e.g., permanent relocations, expatriates, business travellers)

- ▶ Developing a detailed process and governance guide, clearly outlining all relevant changes affecting employees
- ▶ Understanding all tax implications – for both employer and employee – in chosen locations
- ▶ Understanding comparative living costs for individuals i.e., the cost of living in the UK as compared to the chosen EU location
- ▶ Assessing all organisational cost implications – including potential contingencies for unexpected events or interim solutions
- ▶ Understanding broader logistical challenges associated with staff relocation, including what support can be provided in terms of housing (e.g., renting housing stock in advance of staff arrival) and family issues (e.g., reserving places at international schools)
- ▶ Developing plans for future training and recruitment needs once Wave 1 is complete and Wave 2 gets under way

Time to act

Brexit talks and planning have been characterised by uncertainty. Financial services organisations have nevertheless taken key decisions about post-Brexit locations. The fact that there are ongoing uncertainties about the final Brexit deal, including the potential for equivalence, is no reason to delay action. Our clients are pushing ahead with implementing their plans – and so should other organisations.

Competition for people with the right skills and experience in target locations is fierce. Recruitment campaigns launched now are unlikely to succeed and, therefore, financial services firms need to be willing to compromise, look for innovative solutions and consider a two-wave approach. Firms will need to think more broadly about how to identify the appropriate people, how to support them in taking up EU roles and be prepared to absorb higher than expected costs.

Interim solutions will help with sustaining business operations in the short term, with longer-term programmes providing a more strategic staffing model in the years ahead.

How EY can help

At EY, we are helping organisations with their Brexit planning, providing advice and practical support for everything related to people and beyond. This includes:

- ▶ Offering flexible support to clients across the broad spectrum of people issues that clients face in Brexit planning and implementation including but not exclusive to, tax, immigration, employment law, regulatory advice and governance
- ▶ Supporting clients through either reviewing and challenging existing mobility programmes or delivering specific, assignment and tax services
- ▶ Supporting clients with identifying their reliance on EU workforce based in the UK and categorising potential immigration impacts for your business in a 'deal' or a 'no-deal' scenario
- ▶ Providing market insights on what other organisations are doing
- ▶ Supporting the evolution of people strategies, policies and processes to reflect post-Brexit operating models
- ▶ Supporting the review of talent availability for your immediate Brexit readiness alongside wider skills and capability planning, both for existing UK entities and your new EU27 presence

At EY, we have an integrated model across Europe, which enables us to connect our clients to the appropriate professionals in the different jurisdictions.

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Notes

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EYG No. 000601-19Gbl
EY-000084875.indd (UK) 03/19.
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