

## Brexit – Implications for HR

In a volatile, uncertain, complex, and ambiguous world, the UK's resolve to exit the EU may trigger a series of events that paralyze investment and the workforce in not only the UK, but also Europe and, to a certain extent, North America.

HR leaders need to encourage a reflective approach, ensuring no hasty plans are adopted while calming fears, assessing downstream risks, and identifying impacts on regulations and policies.

### Situation

The unanticipated support of the Leave contingent indicates that the volatile nature of the situation was not appreciated in the lead up to the vote. Traditionally, conventional wisdom suggests that voters often abandon the rhetoric and risk as the referendum approaches, as witnessed both in Scotland and Quebec.

This will have extreme short-term effects for markets as evidenced by the drop in the pound to a 30-year low and shockingly low openings for the FTSE, DOW, S&P 500, and the TSX with expectations for continued decline throughout the day.

In a highly divided country, this is not the end of the story. Uncertainty will continue as members of the United Kingdom come to terms with the implications of this vote. The Scottish First Minister now says that Scotland's own independent negotiations to remain within the EU are highly likely, raising the specter of another independence referendum.

The early divide over the triggering of Article 50, which would force negotiations to be completed within 2 years, does not bode well for the resolution of the situation any time soon. EU leaders are taking a hard line encouraging Article 50 to be enacted as soon as possible, but Leave leadership indicates that there is no such hurry. In PM Cameron's resignation announcement, he indicated he would leave the decision of the timing to his successor, who is not expected to be selected until October. This uncertainty creates a sense of limbo for the UK workforce and organizations as discussions continue.

### Implications for the Workforce

The implications for the workforce are manifold, whether organizations are active in the UK or Europe, or simply trading partners in these markets. Uncertainty exists around:

1. How will workforce mobility and talent management be impacted? Will UK workers in European countries become *persona non grata*? What about the reverse?
2. How will the world trade map be redrawn? What is the impact of any changes on businesses who export to Britain and the EU?
3. With the British pound dropping, does this represent an opportunity for US firms who currently invest \$588 billion in UK companies? Does a distancing from Europe trigger closer UK ties with the US and Canada? What does this mean for the workforce?
4. How will Brexit impact HR regulations and policies? Does the unrest expressed by the British worker (in England and Wales particularly) drive the need for greater investment in social programs that may cost employers more?
5. With the uncertainty stretching into months and years, and the prospect of declining markets, how does this impact retirement savings for baby boomers in particular? Will this delay their ability to retire, and if so, what will the impacts be on succession planning and workforce transition?

## Our Advice to HR Leaders

First and foremost, you need to learn all you can about how this vote may potentially impact your business and your workforce. Our research has shown that a bias to action, particularly in uncertain times, exposes your organization to greater risks. Today and in the coming weeks, HR leaders need to do the following:

- First, take care of your employees. Be hyper-aware of the potential for a highly charged workplace in the coming weeks as everyone tries to understand what's next as the specifics of the exit play out.
  - Give people time and space to discuss the potential impacts of Brexit on them, their organization, and on the UK. Ensure managers adjust for the impact on productivity in the short term. Share what info you can, keep your finger on the pulse, and be sure your employees have access to your EAP as this can be an emotionally charged time.
  - Be sensitive to your organization's diversity (age, citizenship status, ethnicity, etc.), ensuring that, while you're allowing for open discussion, it is a safe and respectful environment. Non-UK citizens working in UK locations may need significant reassurance.
  - During emotionally charged times, employees can be very vocal on social media and other forums. Remind all employees of your social media policy.
- Gather information and model alternative scenarios to ensure you're prepared to mitigate risk associated with Brexit as it plays out.
- Given there was already a slowdown in hiring leading up to the referendum, we anticipate many organizations with UK workforces will implement a hiring freeze in the coming weeks. Prepare for the impact this will have on existing employees and the organizations ability to get work done.
- For more information about change management, refer to McLean & Company's [\*Adopt Change Management Techniques to Lead the Organization Through Change\*](#) blueprint.

## Bottom Line

As with most shocks to the system, the Brexit impact will take time to make its full impact known. Stay calm and carry on.