

Brexit – A key role for HR

People and organisation issues
to consider following the
EU referendum

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September 2016

Introduction

This short document explores the implications for HR following the EU referendum.

To the right is a short introduction from Tom Gosling, Partner in PwC UK's People & Organisation practice.



Tom Gosling
Partner
People and Organisation

Following the EU referendum clients have been asking us: what are the implications for HR?

We see three immediate priorities.

First, **help the business create a positive mindset** to take advantage of the opportunities that arise. Develop a proactive communication strategy, and provide a channel for employees to share concerns. Reaffirm company values of openness and inclusiveness.

Second, **address the 'here and now' issues**. Assess how economic volatility is affecting bonus pools, incentive targets, and pension funding and decide what action's needed. Make sure your bonus plans will motivate employees through this period of transition. Provide reassurance to employees where you can that nothing's changed and help employees deal with practical concerns like residence applications.

Third, **look longer term**. Understand how immigration policy could affect your talent pipelines. Review the impact of any business moves. Think how your employee value proposition may need to change. Get educated on the implications of Brexit and be prepared to participate fully in your company's scenario planning. Finally, look at how you'll source the specialist resources required to get Brexit done.

We're here to help you across all these areas so you can create opportunity from change.

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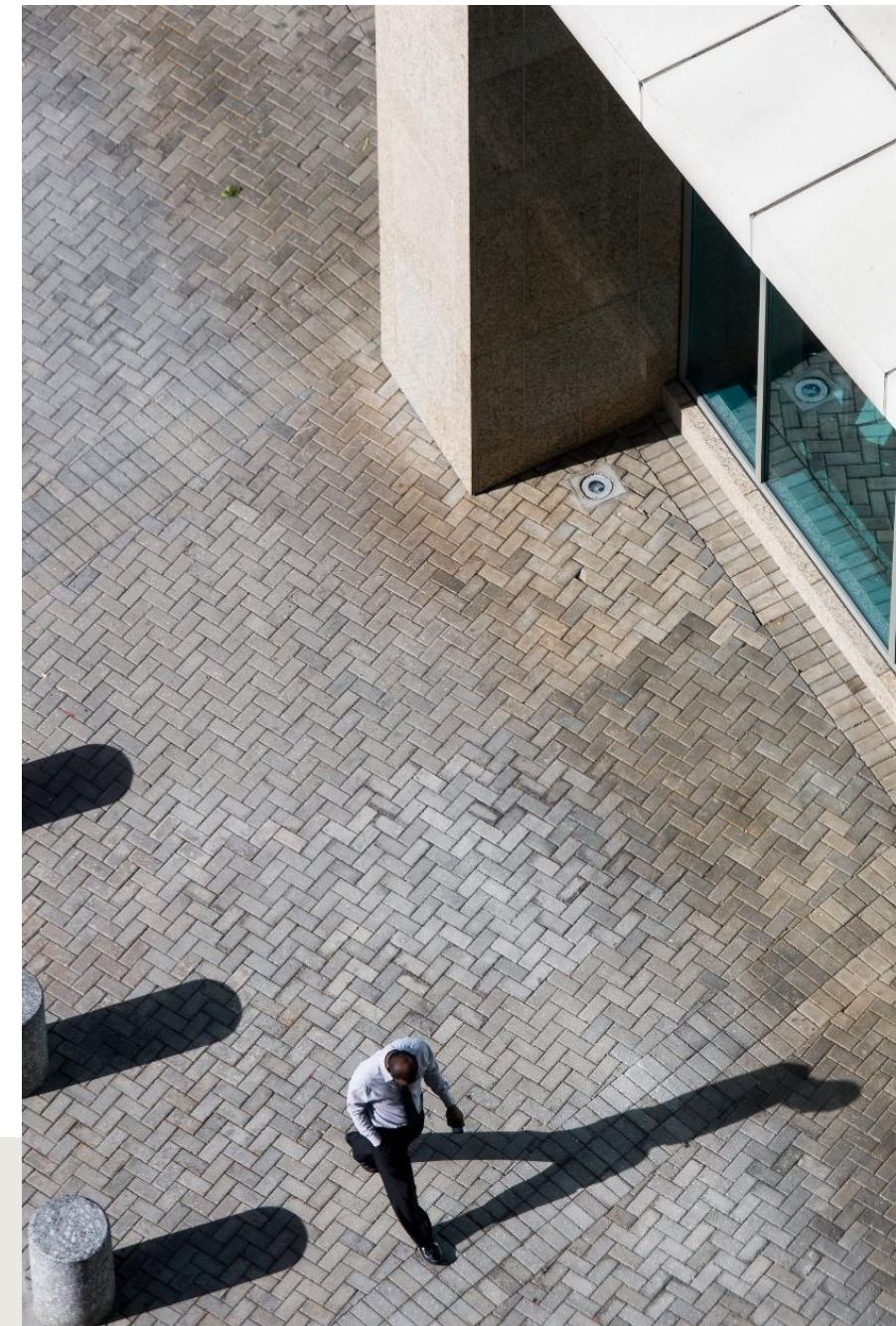
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Enabling a successful Brexit transition

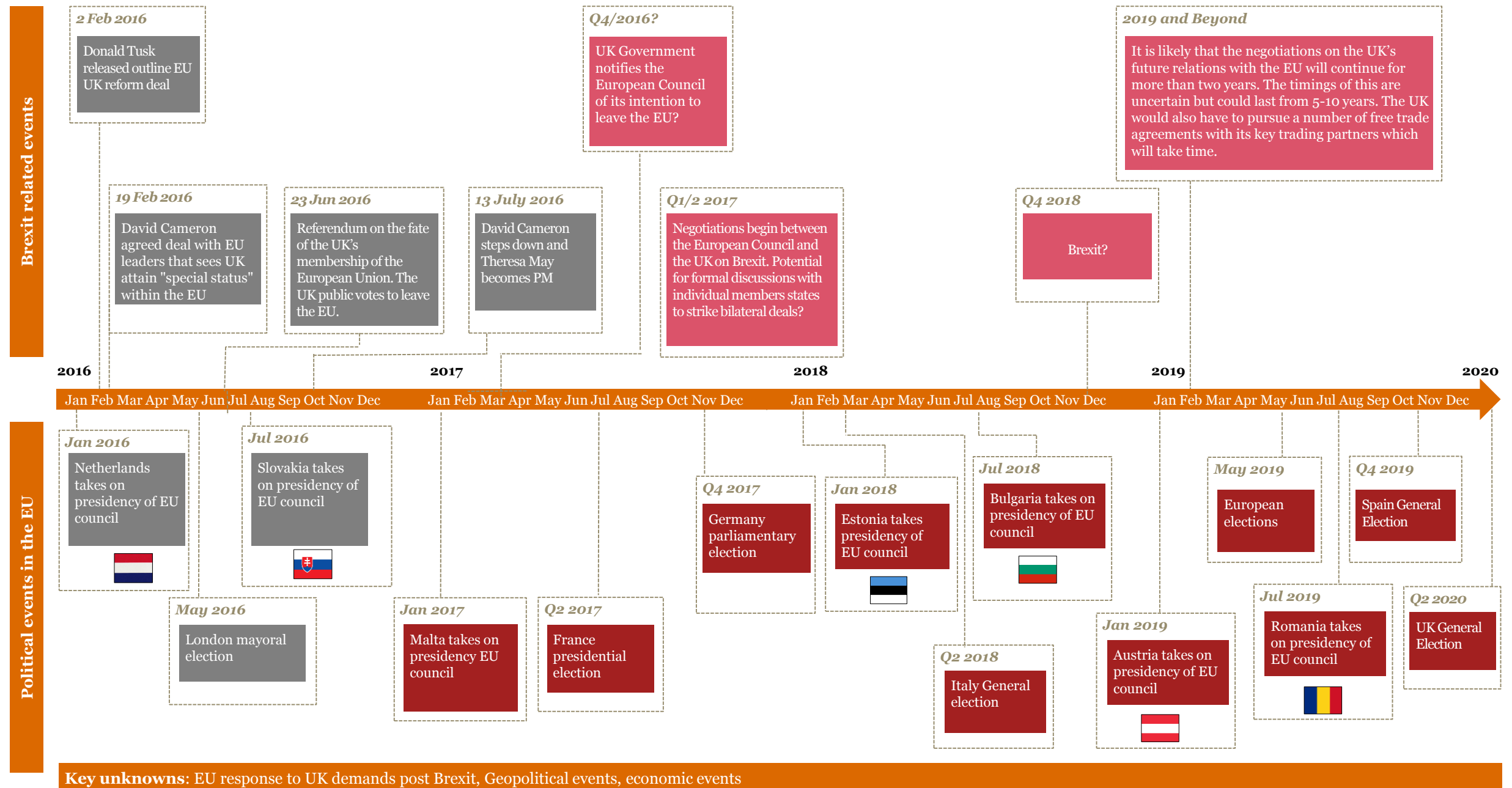
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Timeline for a possible UK exit from the EU



Post-Brexit trading models

The four trading models on the right show the different degrees of integration that the UK may have with the EU in the future.

The scenarios could take different specific forms, but those considered in most of the existing evidence have broadly coalesced around one of the following scenarios.

		<i>Potential EU/UK agreements</i>			
		EEA member (Norwegian option)	Free Trade Agreement (FTA)	Bilateral agreement (Swiss option)	No access agreement (WTO/MFN)
Situation	Potential implications	The UK remains part of the EEA and keeps the four freedoms of labour, capital, goods and services.	UK negotiates a Free Trade Agreement (FTA) with the EU.	The UK enters into a bilateral integration treaty with the EU.	The UK does not establish any new trade agreements with the EU.
		UK will need to make a substantial contribution to the EU budget and comply with EU social, employment and product regulation.	Tariff-free trade between the UK and the EU in goods (but not services). UK grandfathers all existing FTAs between the EU and third-party countries.	UK would have access to some areas of the single market, at the cost of adopting the relevant EU regulations.	Only WTO terms are still applied – UK goods and services would be treated in the same way as American ones in the EU.

These scenarios are the most likely however a number of variations could be negotiated.

Post-Brexit trading models – What this means

We have identified four possible scenarios for the UK leaving the EU, ranging from an ‘optimistic’ (EEA) scenario to a ‘pessimistic’ (WTO) scenario.

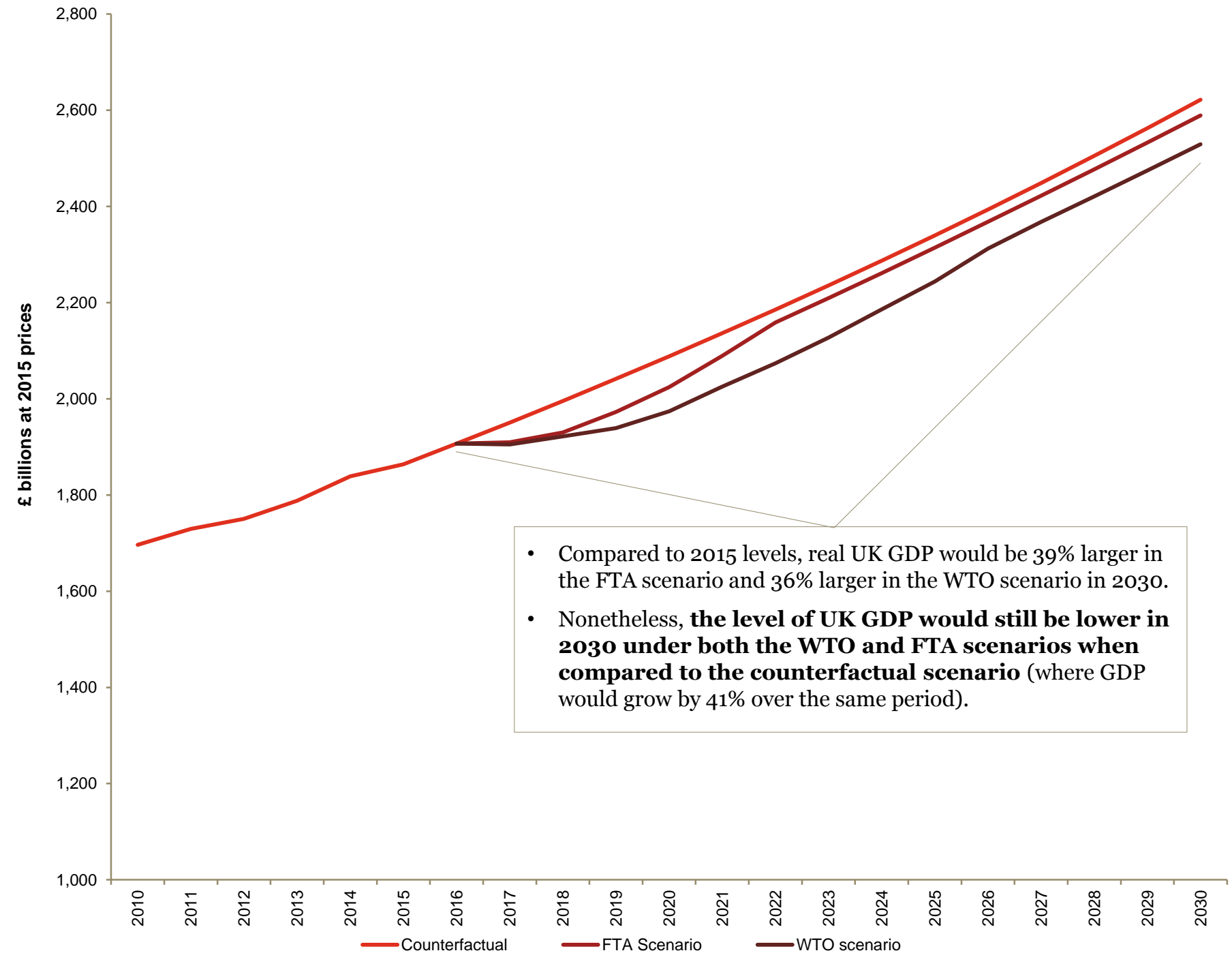
Key
Likely impact:
 Negative
 Positive
 Neutral

	EEA member (Norwegian option)	Free Trade Agreement (FTA)	Bilateral agreement (Swiss option)	No access agreement (WTO/MFN)
Degree of disruption to economy	Low	Medium	Medium	High
Access to single market	High – EEA countries have access to the Single Market.	Medium – UK would retain free trade in goods with the EU, but non-tariff barriers such as divergence in standards and regulations could emerge.	Medium – The Swiss agreements cover trade in goods but not in services.	Low
Influence over EU regulations	Some – No voting rights but limited formal engagement. Some autonomy in other areas.	No	No	No
Application of EU regulations and directives	Yes , including social and labour law (Working Time Directive).	Some – The UK would have to comply with EU regulations around the goods covered by the FTA.	Technically no , but required in practice if domiciling in other territories (e.g. Swiss banks operating out of UK).	Technically no , but limited discretion in reality if third country equivalence is required.
Contribution to EU budget	Yes , but smaller.	No	Yes , but smaller.	No
Independent immigration policy	No – All four freedoms retained.	Yes	Some autonomy , but Switzerland cannot restrict EU immigration.	Yes
Independent trade policy	Yes – UK may negotiate FTAs with other countries.	Yes – UK may negotiate FTAs with other countries.	Yes – UK may negotiate FTAs with other countries.	Yes – UK may negotiate FTAs with other countries in FS and other services.

What is the potential impact on the UK economy?








It is worth viewing the impact of Brexit in the context of the overall size of the UK economy. Our analysis suggests that the UK will remain a relatively large, affluent and growing economy in two hypothetical exit scenarios, just not quite as large or affluent as in the counterfactual situation if the UK were to remain in the EU.

The chart on the right shows the level of UK GDP in these three scenarios.



Wider Brexit issues

The types of issues organisations may have to deal with are complex and multi-layered.

Issue	Implications	Questions
Trade and supply chains 	The EU is the UK's largest export partner, accounting for around 45% of total UK exports – Leaving the EU is likely to make trade with EU more difficult and expensive.	<ul style="list-style-type: none"> How much do you rely on European countries for revenue growth? Have you reviewed your supply chain to identify the impact of tariffs on your procurement? Have you identified which third party contracts would require a renegotiation in the event of a Brexit?
Tax and fiscal 	The UK would no longer be required to make a financial contribution to the EU which could lead to increased public spending or lower taxes.	<ul style="list-style-type: none"> Have you thought about the impact of potential changes to the EU tax framework on your business? Have you upgraded your systems to deal with a significant volume of tax changes?
Regulation 	The UK is subject to EU regulation. Brexit may mean less red tape. It could also mean UK businesses would have to adapt to a different set of regulations which could be costly.	<ul style="list-style-type: none"> Have you quantified the regulatory impact of Brexit on your businesses to keep your stakeholders up-to-date? How flexible is your IT infrastructure to deal with potential changes to Data Protection laws? How ready is your compliance function to deal with potentially new reporting requirements arising from Brexit?
Sector specific 	The UK is a European financial services hub which is a sector that is likely to be significantly affected by Brexit. Other sectors which rely on the EU single market will also feel a strong impact.	<ul style="list-style-type: none"> How much do you rely on FDI to grow your business? Have you considered alternative sources of funding aside from banks? How are your competitors responding to the risk of Brexit? Have you informed your investors on your plans in a post-Brexit UK?
Foreign direct investment 	FDI from the EU made up around 46% of the total stock of FDI in the UK in 2013. Brexit could put this inbound investment at risk.	<ul style="list-style-type: none"> Have you briefed potential investors on the impact of Brexit on your sector and your business? How up-to-date are your contingency plans in place to deal with Brexit? Have you thought of the impact of illiquidity and volatility in financial markets on your capital raising plans?
Labour market 	The UK may have to change its migration policies. Currently EU citizens can live and work in the UK without restrictions. Businesses will need to adjust.	<ul style="list-style-type: none"> How reliant is your value chain on EU labour? Have your compliance function considered the additional cost of hiring foreign labour?
Uncertainty 	Uncertainty could increase in the run up to the referendum and during the exit negotiations if the UK decides to leave with wide reaching implications for businesses.	<ul style="list-style-type: none"> Are you ready for potential volatility in the Sterling exchange rate? Have you communicated your stance on Brexit with your key stakeholders, customers and suppliers? Is your business ready for a worst-case scenario where there is a prolonged period of uncertainty?

What are the HR priorities? By issue

As time passes since the Brexit decision, business leaders have moved on from the result and are looking to the future. Our experience is that UK business is adaptable and will now focus on how to make the most of the opportunities that Brexit creates.

HR has a crucial role to play in helping get leaders and the wider workforce energised and focused on the right issues, and also in implementing Brexit strategy, where people issues will rank highly among the practical implications.

Please click on the segments on the wheel to explore HR priorities by issue.



Please click on the Forward Arrow to explore HR priorities by specialism



What are the HR priorities? By issue

Communication

Key issues

Communication is at the heart of Brexit activity, with the aim of keeping stakeholders focused on and supportive of the needs of the business and its customers. HR will be primarily responsible for communication to internal stakeholders and needs to ensure its communication plan sits appropriately within the wider context.

Communications should set a purposeful tone focused on the opportunities of the future, while giving permission for employees to voice anxieties. There's a need to bring people in organisations back together. And don't forget that some of your employees may be feeling impacted – Either directly or because they have close family members who are EEA/Swiss nationals.

What communications are needed will vary by sector. Clearly, the implications will be greatest in businesses with high connectivity with the EU single market or with a reliance on availability of EEA/Swiss nationals in the workforce. On the other hand, some businesses may see leaving the EU as positive, through the removal of regulations or improved competitive position.



- Developing a clear stakeholder engagement plan that covers employees and their representatives, executives, potentially their families, the board, shareholders, regulators, customers, suppliers and so on.
- Undertaking frequent and regular communication, starting immediately and tailoring this for each audience.
- Ensuring communications are updated regularly as messages and priorities evolve as your organisation's reaction to how the UK's exit strategy unfolds.

Key short-term actions



HR priorities by issue

What are the HR priorities? By issue

Leadership

Key issues

This is a defining time for leaders, when the organisation will look to them for how they react and behave. It's vital that leaders are setting the right tone – purposeful, calm, and positive, focused on the future.

At the same time, leaders also need to be aware that there may be some healing to do within the organisation. There will be a natural focus on those such as EU nationals and UK citizens working in the EU. But there are other impacted groups such as nationals of the wider EEA and also Switzerland. It is equally important to consider the many employees will have voted to leave the EU and their perspectives must be taken into account.

Some of the passions roused by the Brexit debate are likely to continue through the exit negotiations with different views on what leaving the EU should mean. Times like this test the resilience of both individuals and the organisation. HR teams recognising this and re-emphasising the support that you provide will help your organisation to navigate this period successfully.



- Reinforcing company values such as openness, diversity and tolerance.
- Consulting with leaders to review the focus and priorities of HR support and services, and then realigning these as necessary.
- Considering the impact on HR technology/systems, processes, procedures and policies, and focusing of overall resources.

Key short-term actions



HR priorities by issue

What are the HR priorities? By issue

Motivation

Key issues

Purposeful communication and leadership is an important part of motivating the workforce. But maintaining motivation also requires companies to address a number of practical "here and now" issues such as the impact of volatility on bonus pools and incentive targets. Many UK listed companies will bring their remuneration policy back to shareholders for approval in 2017, and any consideration of bonus and incentive programmes must be considered in light of that fact.

Provide reassurance to employees where you can that nothing's changed for now and help them deal with practical concerns like immigration. While nothing may have changed immediately, the prospect of future change can influence how employees behave today. Local management may need to have greater discretion to deal sensibly with personal issues as they arise. Centralised policies may need to have more flexibility to allow for timely responses on the ground.



- Assessing the impact of economic volatility on bonus pools and incentive targets, and decide what action is needed. Do these remain fit for purpose?
- Reviewing the support to be provided for 'here and now' issues such as immigration concerns like residence and passport applications.
- Reviewing centralised policies and processes to ensure these are sufficiently flexible to allow local management to respond in a timely fashion.
- Putting in place necessary changes or enhancements over this period to support leaders and wider workforce to manage and maintain financial, physical, emotional and mental wellness.

Key short-term actions



HR priorities by issue

What are the HR priorities? By issue

Data and technology

Key issues

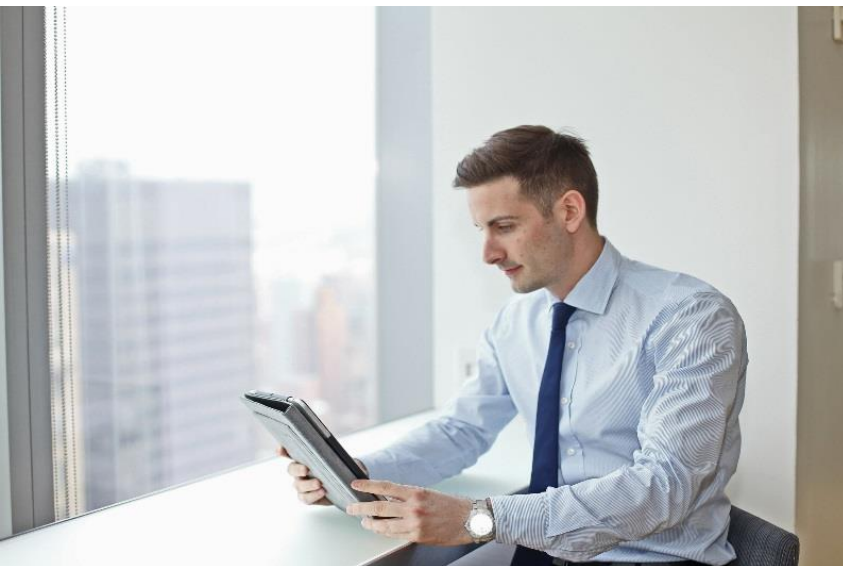


Whatever the outcome of the Brexit negotiations, you'll need quality and robust data on your workforce and workforce programmes to make good decisions. Now is a good time to cleanse data to make it easily accessible, particularly data relating to nationality, locations and the key capability and resourcing decisions you will need to make.

When reviewing technology workplans, think about stability, simplicity, and agility. You'll want all of these qualities as you go through implementation of Brexit for your organisation. You may wish to reconsider timing of major transformation and systems (and other change) programmes that will span potential Brexit dates. At the same time, there may be other projects you decide to accelerate in order to create the robustness, simplicity and agility to implement Brexit effectively.

There are also cyber security and data protection considerations, for example, businesses in the UK and Europe recently amended their policies and procedures to adhere to new Global Data Protection Regulation standards. However, when the UK leaves the EU, a new data protection regime for the UK will need to be established and data transfers would have to be legitimised through another basis.

In summary, you need to look at the key risks created by Brexit and how you help manage those through your data and technology roadmap.



- Taking necessary action to collect, clean and consolidate relevant data (e.g. on employee nationality) and people programmes. This data should be proactively shared with business leaders.
- Reviewing planned technology implementations to determine which these should be postponed and which should be accelerated.
- Determining where new technology may be required to support post-Brexit activity (e.g. business travel tracking to help you cope with increased travel as your senior management explore international opportunities).

Key short-term actions



HR priorities by issue

What are the HR priorities? By issue

Maximising efficiencies

Key issues

Brexit looks likely to create a challenging environment for the UK economy, at least over the short-term. Cost pressures will quickly arise for businesses exposed to the UK. The most efficient organisations will be in a better position to deal with the situation and take advantage of the opportunities that arise.

Brexit may provide a catalyst for dealing with overdue problems and opportunities. The efficiency and cost-bases of different industries will be affected in different ways by movements in currencies, prolonged periods of low interest rates and psychological impact on customer demand and employee motivation. Sectors facing the biggest cost and efficiency pressures are likely to include banking – hit by both lower net interest margins and declining deal activity – and those sectors serving UK consumers with products acquired or manufactured in dollar-denominated markets.



- Revisiting efficiency opportunities, including within HR itself. Are there efficiency or productivity increase opportunities that have previously been discarded that could now be viable? Points to consider include:
 - Employment terms and conditions, including wider workforce collective agreements;
 - Policies and operational support applicable to globally mobile employees, as well as determining the impact of foreign exchange rate fluctuations on this population;
 - Retirement and other benefits;
 - People and HR policies and programmes;
 - Defined benefit pension obligations financial, funding and risk management.

Key short-term actions



HR priorities by issue

What are the HR priorities? By issue

Talent/labour markets and immigration

Key issues



Although no-one's immigration and residency status has changed immediately, uncertainty about the future will affect decisions made today.

The most direct longer-term HR impact of Brexit for many employers will be its impact on talent and labour markets. You should review your dependence on EEA and Swiss nationals, both in terms of who you employ directly but also what impact that population has on wages and labour availability more generally in the UK in your sector. Major graduate recruiters may need to revisit their campus programmes.

Some organisations will never have dealt with immigration issues at the volumes that may be required in future. At the same time, there may be opportunities to get more skilled talent from non-EEA/Swiss countries. Are you clear about what you'll need and how to get to the front of the queue with visa applications and recruitment processes so you can take advantage?

The impact on the talent and labour market is an area where analytics and modelling can provide real insight. You may need to model scenarios where turnover is very different from what you've experienced in the past due to unpredictable impacts as Brexit approaches. Your cost modelling will also need to take into account the different potential scenarios for Brexit and make reasonable assumptions about what might come next.



- Identifying who is affected by potential changes to immigration status and provide targeted support as appropriate.
- Identifying potential talent and labour market scenarios (e.g. staff turnover, cost) and build appropriate modelling to inform business decisions.
- Reviewing succession planning for key talent and identify potential alternative talent pools for use in the event that immigration policy becomes more restrictive.
- Identifying the specialist skills required to get Brexit done and consider how to source and secure these.

Key short-term actions



HR priorities by issue

What are the HR priorities? By issue

Geographic and business footprint

Key issues

For some companies, changes in trade and investment flows as a result of Brexit may necessitate a changed market focus. This could mean moving operations into the EEA to access the single market, or focusing on markets outside the EEA. Changes in business models may create M&A and other opportunities for business to transform themselves and steal a march on the competition.

Short and long term, you need to consider whether you have the knowledge of, and capability in, the markets that will be key for your company's future. What organisational changes or moves will be needed to create your new footprint? Do you have the right skills in terms of M&A and business development capability? New markets may require a major change and reorientation of your sales force. Can the existing sales force be reskilled or is a change in personnel required?

It's important that you become educated in how different scenarios impact the strategic decisions your company will make so that you can make sure that the people implications are built in at every stage.



- Assessing now whether there would be major employee relations or cost challenges in exiting certain sites.
- Identifying likely expansion territories and assess talent and location strategies for those territories.
- Reviewing offshore arrangements within the EEA in light of new trading and data protection arrangements, including the deployment of shared service centres and use of external suppliers.
- Identifying and addressing specific short-term risk areas such as the potential increase in short-term business trips by ensuring you have high quality data and tracking mechanisms in place to manage them.

Key short-term actions



HR priorities by issue

What are the HR priorities? By issue

Political and trust agenda

Key issues



Beyond the direct implications, the referendum result has also thrown some key political debates to the fore.

The fairness debate is already becoming more prominent, with implications for executive pay practices. Most UK companies are seeking a review of their binding remuneration policy in 2017. This looks increasingly likely to take place in a toxic environment for executive pay, with politicians indicating an ever greater propensity to legislate. It is important for companies to get ahead of this issue, with a concrete agenda for dealing with the issue of pay fairness.

Looking at workers' rights more broadly, there are unlikely to be many changes to employment law in the UK in the short-term and it may be many months before we have a clearer picture. The most likely areas of potential change are to regulations covering agency workers, holiday pay and transfers (TUPE).

Perhaps the biggest indirect political consequence of the referendum is the increased likelihood of regional devolution and, in particular, a second Scottish independence referendum. The likelihood of greater devolution needs to be built into Brexit planning processes.




- Reviewing your fair pay policy, covering executive and wider employee pay.
- Reviewing and updating plans for managing the impact of Scottish independence from a people perspective (mobility, employment terms, cost implications etc.)
- Considering HR initiatives to build business trust.
- Reviewing which of your HR policies and employment contracts cover employment rights that may be subject to change after the UK formally leaves the EU.

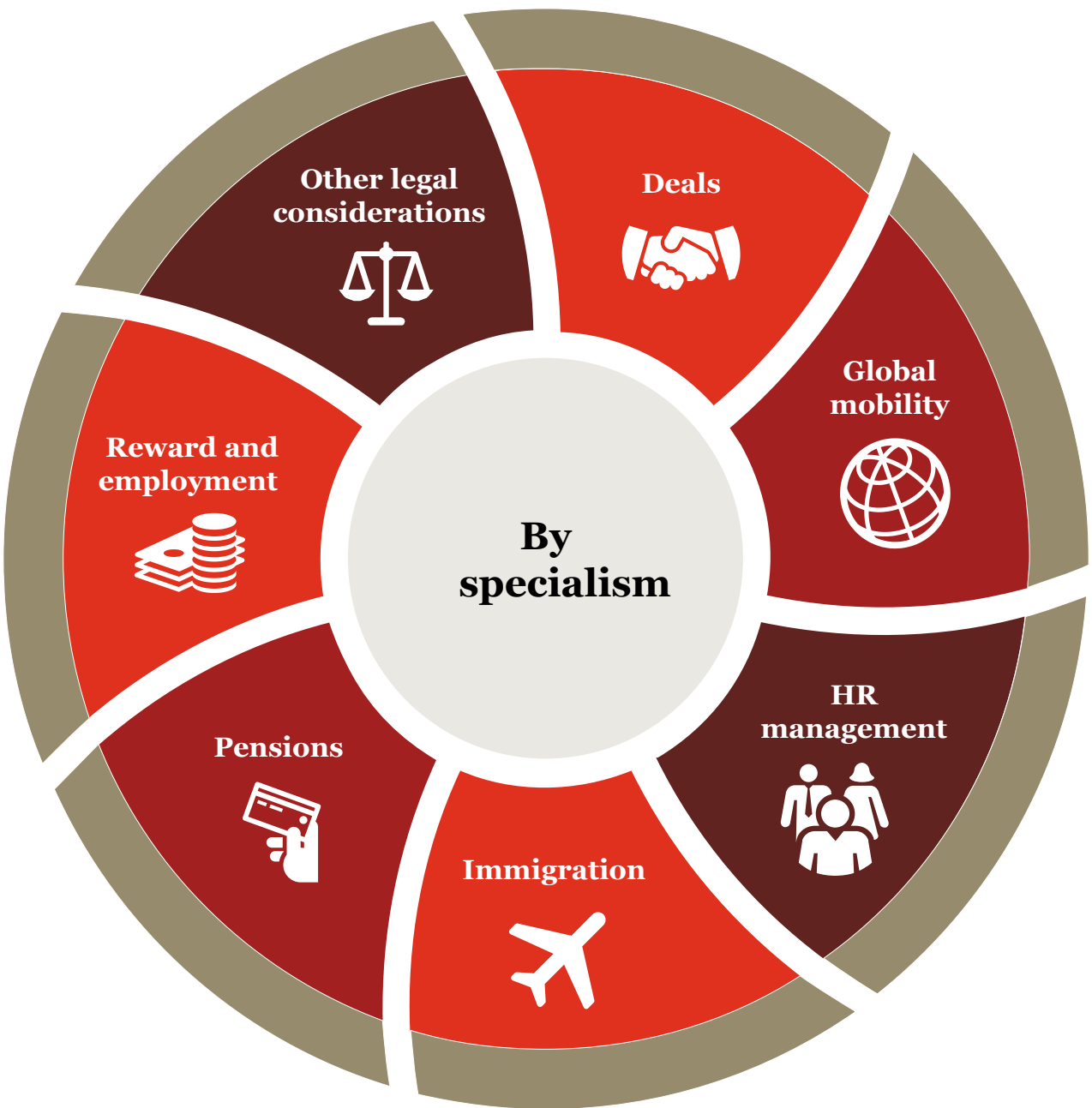
Key short-term actions



HR priorities by issue

What are the HR priorities? *By specialism*

Please click on the segments on the wheel to explore HR priorities by specialism 



 *Please click on the Back Arrow to explore HR priorities by issue*

What are the HR priorities? By specialism

Deals

Key issues



Brexit people impacts are all the more pressing in a deal situation – all the issues in this pack could be relevant, but ‘wait and see’ is not an option if a decision is needed now on whether and at what price to buy or sell a business. HR due diligence (or sell-side preparation) is needed to assess the many potential impacts including, for example:

- Pensions deficit amounts to take into account on pricing;
- The extent of cross EU working and whether there may be a challenge retaining or sourcing workforce or key talent;
- Whether sustainable earnings is impacted, for example potential cost pressures from wage inflation or extra expatriate costs; and
- How agile the business, culture, management and employee relations environment is: can it cope with the possible change?

Other potential implications of Brexit include:

- How you communicate to, retain and incentivise your workforce post deal.
- What longer term mitigations or opportunities might be available.



- As a buyer, extend your HR due diligence to cover relevant Brexit people risks, plus assessment of the ability of the business to respond to change
- As a seller, review Brexit people risks, consider mitigations and decide how best to give reassurance to buyers, to avoid reductions in price of the business.
- Post deal, put in place a people risk mitigation plan – With a focus on communication and key employee retention. Design or review reward and incentive plans to ensure still effective in a volatile market. In deciding on the post deal management team, consider skillset needed to respond to potential changes. Consider whether there are other ‘no regret’ actions now that may set the business up for success in the future environment.

Key short-term actions



HR priorities by specialism

What are the HR priorities? By specialism

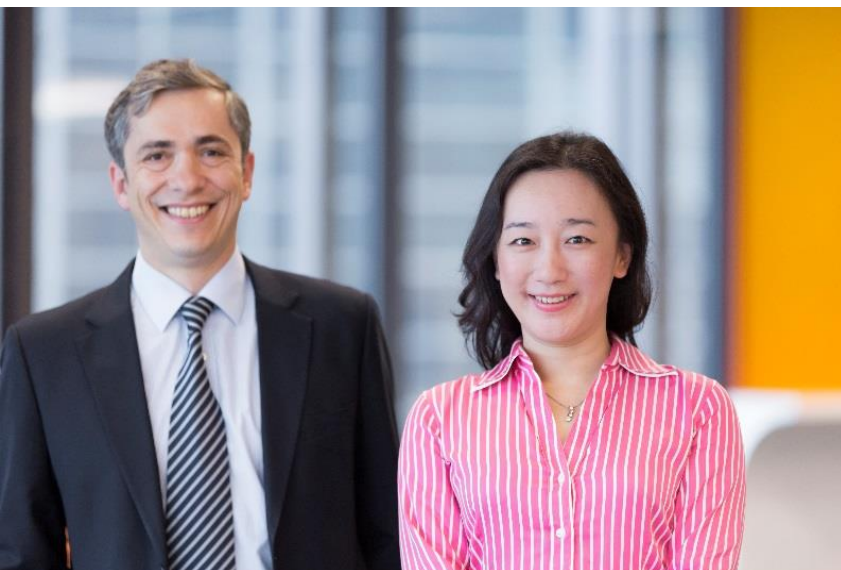
Global Mobility

Key issues

Organisations with a globally mobile workforce will need to respond to the impact of the Brexit vote in a number of areas. In the short-term, organisations will examine the cost of their mobility programmes and will need to be able to show the return on investment such programmes generate. There is likely to be a rise in short-term business trips as executives explore new markets and opportunities. The terms on which the UK leaves the EU may also fundamentally change which jurisdiction social security for mobile employees should be paid in, with significant cost and employee engagement issues as a result.

Other potential implications of Brexit include:

- Globally mobile employees will be impacted by uncertainty over immigration policy to a greater extent than many other sections of employees. For more on immigration, [click here](#).
- There may be an increase in self-driven moves out of the UK and greater difficulty in attracting EEA/Swiss nationals to the UK.
- Global Mobility functions will need to stay close to business strategy as it evolves and plan for deployment to new markets.
- In the longer-term, the way in which talent and labour globally are recruited in the UK may be impacted.



- Communicating with globally mobile employee population to address any uncertainty and potential concern. For more on immigration, [click here](#).
- Reviewing the impact of potential changes in the social security laws and the extent of coverage that is available under bilateral agreements.
- Reviewing/revising COLAs, costings, Modified PAYE and NICs calculations, US payroll etc. in light of the falling value of the pound.
- Reviewing governance and risk mitigation framework currently in place to address risks from short-term business travel, putting forward a business case for change where required.

Key short-term actions



HR priorities by specialism

What are the HR priorities? By specialism

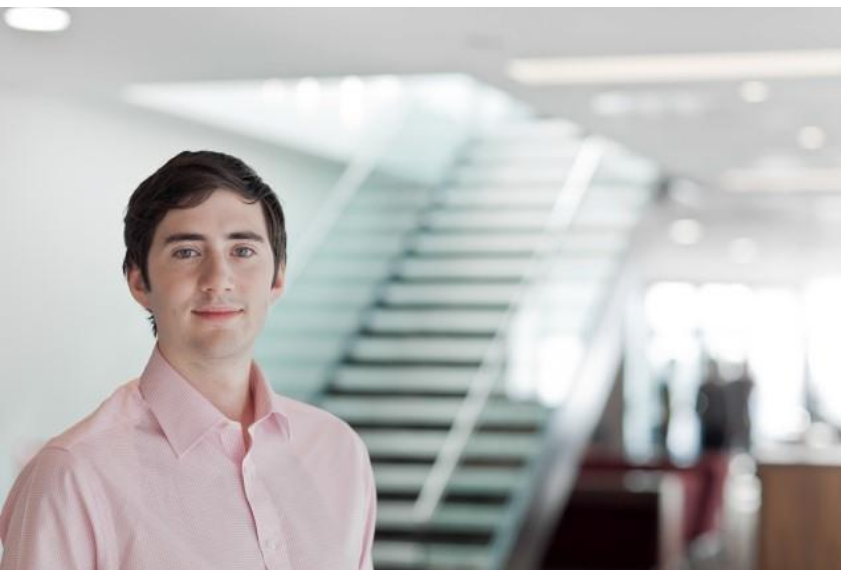
HR Management

Key issues

Brexit will create a number of significant implications for employees and HR functions alike. As strategic directions are assessed and aligned accordingly, an organisation's people agenda will be impacted on a number of fronts. Increasing and uncertain cost pressures will have a particular impact on talent and labour markets. Employee engagement and motivation will also be a key challenge. Underpinning all of this, HR operating models and data/technology platforms may need to adapt to new/additional reporting and security requirements.

Other potential implications of Brexit include:

- A significant increase in the frequency and transparency of communication and engagement efforts.
- A particular focus on ensuring your culture and performance standards adapt accordingly.
- Consideration of business structure implications (e.g. M&AI opportunities).



- Ensure you keep a 'finger on the pulse', capturing real time data about how your people are feeling and ensuring this feeds into a clear and transparent communications and engagement plan.
- Evaluate the strategic impacts and scenarios for your people agenda, workforce size/shape, organisational structure and policies/procedures.
- Review strategic opportunities for leverage the new Brexit position for your employee value proposition, recruitment efforts and strategic workforce planning.
- Rapidly assess and understand your current workforce data collection mechanisms and potential technology implications.
- Engage your leadership quickly and regularly to ensure consistent talking points and positioning.

Key short-term actions



HR priorities by specialism

What are the HR priorities? By specialism

Immigration

Key issues

The end to the current Freedom of Movement present two immediate talent and labour market areas for considerations. The first relates to existing EEA/Swiss nationals working who will need a clear communication strategy and who may need to formalise their existing rights to ensure they benefit from any transitional arrangements agreed as part of the UK's exit negotiations with the EU. The second area for consideration is the impact on resource pipeline when Freedom of Movement ends. This will impact both low and highly skilled individuals and also UK nationals who need to travel into the EU for business travel or on a longer term basis.

Other potential implications of Brexit include:

- Assisting with the lobbying agenda.



- Identify groups that are potentially impacted by changes in the Freedom of Movement.
- Communicate with all employees and provide reassurance to impacted individuals.
- Evaluate alternative talent sources outside the EEA & the additional cost implications (such as visa costs) of these sources.
- Consider policy of supporting Residence applications for EEA/Swiss nationals to demonstrate they have been exercising their treaty rights under EU law.

Key short-term actions



HR priorities by specialism

What are the HR priorities? By specialism

Pensions

Key issues

Long term interest rates were at an all time low in the run up to the Brexit vote and then fell further following the result. For companies with defined benefit pension schemes this is likely to have increased their pension deficit. Members of defined contribution schemes close to retirement will be concerned over their level of pension and ability to retire.

Other potential implications of Brexit include:

- Defined benefit trustees are likely to be very concerned about the impact on the funding deficit and uncertain implications on the strength of employer support.
- The trustees may seek higher cash contributions from the employer or look for additional security.



- For defined benefit schemes, companies should proactively engage with trustees to:
 - Consider implications for the employer covenant and seek collaborative dialogue on implications for pensions funding, investment and governance strategy.
 - Assess short term tactical opportunities in the investment portfolio (including transfer of risk to insurers) and consider whether there are any appropriate defensive measures.
 - Assess any longer term implications and ensure the funding valuation approach is fit for purpose and not unduly pessimistic due to an automatic link to government bond yield indices.
- For defined contribution schemes companies should consider communications and guidance facilities offered to members, especially those closer to retirement.

Key short-term actions



HR priorities by specialism

What are the HR priorities? By specialism

Reward and employment

Key issues

Brexit will have wide ranging impacts in the world of reward and employment strategy, from initial concerns as to the effect of the economic shocks on employee share plans to the long term impact on talent and retention. Companies getting to grips with the National Living Wage will now have to factor in a potential drought of non-UK labour. More broadly, employee engagement and loyalty will be more important than ever in volatile labour and economic markets post-Brexit.

Other potential implications of Brexit include:

- Fluctuations in currency exchange rates and share prices may result in the failure of executive performance conditions.
- In flight SAYE plans may suddenly be underwater, and future plans will have to be priced at a time of high volatility.
- Lapsed awards could mean a surplus of shares used for hedging, requiring less need for future hedging.



- Review share plan rules for performance condition flexibility.
- Consider the status of ongoing operational efficiency programmes and whether focus needs to change/accelerate in light of the changing economic environment.
- Determine where your future talent needs will be fulfilled in all scenarios regarding the status of EEA/Swiss nationals and UK employees. Consider the employment proposition for different talent groups including contingent workers.
- Review of bonus funding and pay budgets.
- Revisit plans for the increases to the National Living Wage over the next four years in light of a future shortage of non-UK labour.
- Engage with your employees and manage their expectations on their future reward packages, e.g. explain how their share plans have been affected, and rebuild their trust in companies.

Key short-term actions



HR priorities by specialism

What are the HR priorities? By specialism

Other legal considerations



Employment

Key issues

- There are unlikely to be many legal changes in the short term due to most EU rights being underpinned by domestic legislation.
- The position is currently 'business as usual' so far as employment law is concerned. It may be many months or even years before we get any clear picture of what the legal landscape will look like. Most likely areas of potential change relate to Agency Worker Regulations, UK Transfer Regulations (TUPE) and holiday pay.



- Reviewing policies and contracts in respect of rights that are derived from EU law not underpinned by domestic legislation (such as certain holiday/sick pay rights) as these may be subject to change after the UK formally leaves the EU.
- Encouraging managers and recruiters to refamiliarise themselves with anti-discrimination rules to ensure applicants and employees are not treated less favourably because of their nationality/immigration status and that employees with strong 'Leave' or 'Remain' views are not victimised on the basis of these beliefs.

Key short-term actions



Cyber security/Data protection

Key issues

- Businesses in the UK will have recently launched programmes to address the forthcoming General Data Protection Regulation (GDPR). Brexit means that global companies will need to comply with GDPR and also a new UK data protection regime (which may well mirror the GDPR).
- Brexit will impact global companies that rely on the ability to transfer employee personal data across borders. EU data protection law prohibits transfers of personal data outside the EEA, unless certain conditions are in place.



- Reviewing current data processing operations to understand the gaps between current practice and the new obligations under the GDPR.
- Reviewing the basis on which employee personal data is processed, as consent may no longer be viable.
- Understanding and documenting the circumstances in which your business transfers personal data (including employee personal data) across borders and outside of the EEA. Reviewing whether those transfers are compliant.

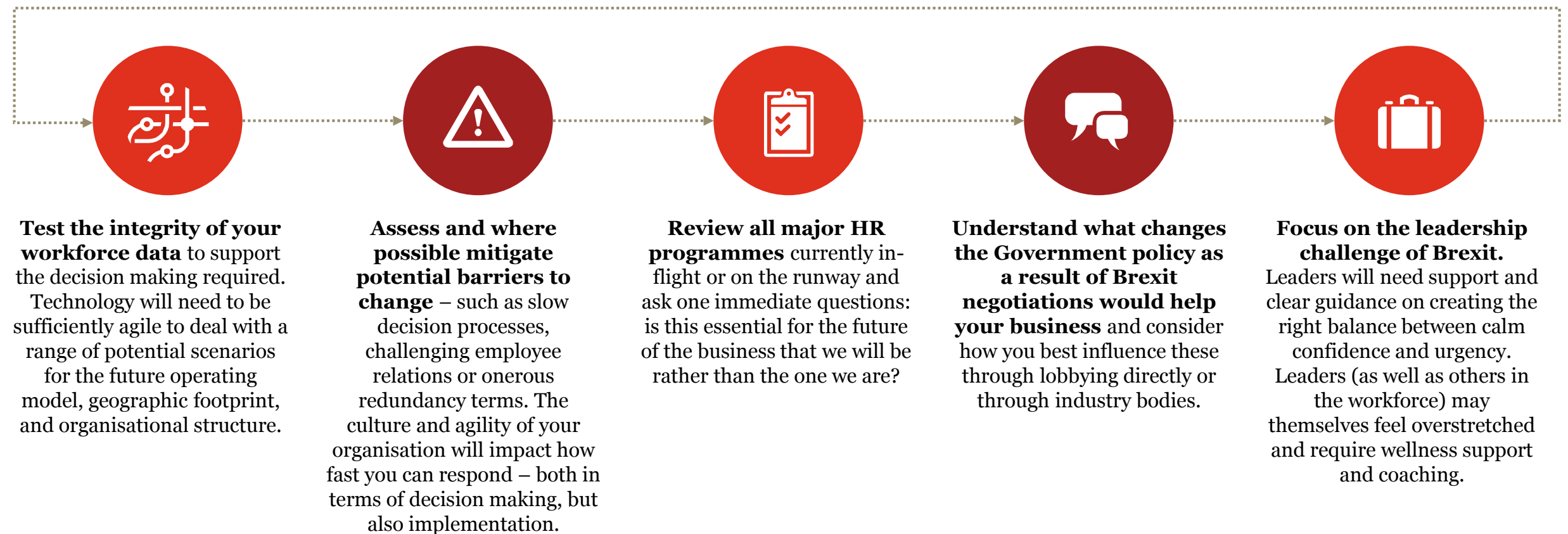
Key short-term actions



HR priorities by issue

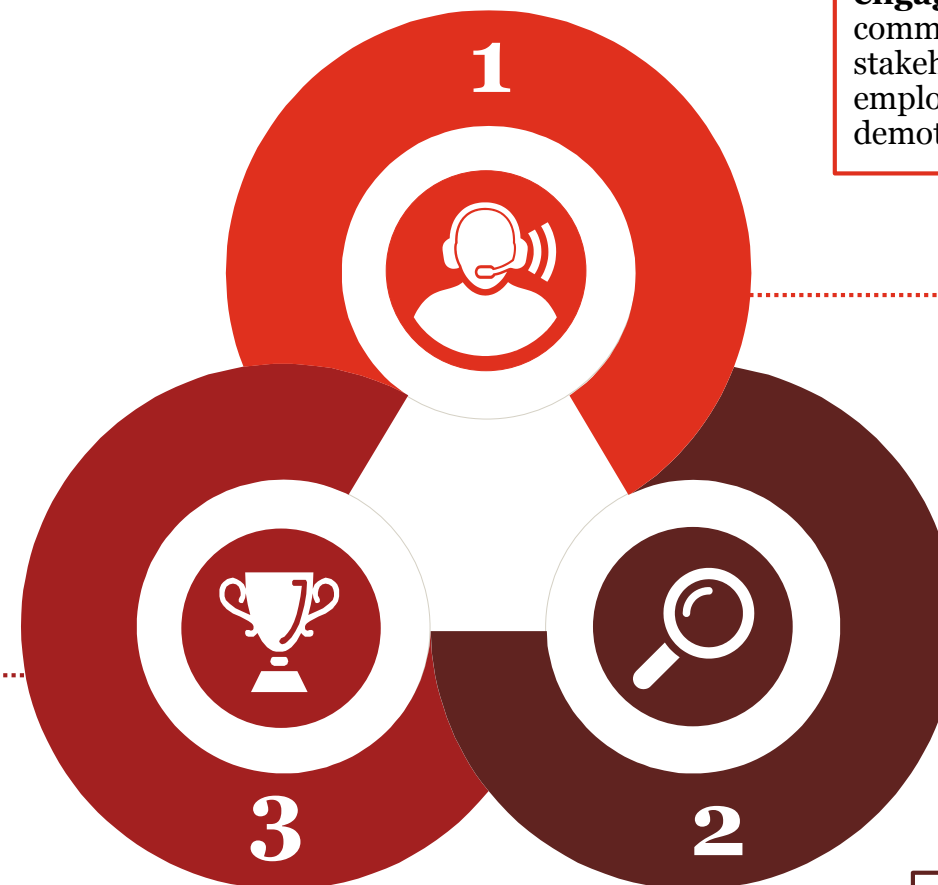
Enabling a successful Brexit transition

There will be many enablers for a successful Brexit transition and we've set out the most important of these below. You'll need to consider how you source the specialist resources required to help you navigate your way through Brexit and the support you'll need in the actions you take.



Key actions

HR has a key role to play throughout Brexit. This will be a demanding time for HR, but also an exciting chance to be at the centre of how companies respond. Many of the actions that will be needed will vary considerably by organisation, depending on the sector, size of organisation and connectivity with the EU. However, we believe the majority of organisations should take the following three actions:



Develop a stakeholder engagement plan, ensuring HR has a communication strategy for each of its stakeholders and helps to address employees who are potentially demotivated by the uncertainty.

Review bonus and incentive programmes to determine whether these remain fit for purpose. Are these inhibiting what needs to happen in the business, or putting at risk key talent?

Complete an impact assessment to determine who within the organisation is affected by Brexit and how.

Organisations should seek to review who is affected by potential changes to their immigration status, and look at the immediate consequences of the vote such as the impact that fluctuating foreign exchange rates will have on their cost of their global mobility programme.

Contacts

For a more detailed discussion of the people-related implications of Brexit for your organisation, please contact your usual PwC contact or any of the following people.

PwC EU Referendum Hub

[Click here](#) to access our EU referendum Hub for links to all our related thought leadership and expert opinion on Brexit.



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