

## BREXIT: Talent Challenges for Recruitment and Retention

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### Abstract

The Brexit verdict has shaken the world economy by and large. There is a lot of uncertainty in UK and EU from economic perspective. Irrespective of the referendum, it is a question mark on the relations between UK and EU. The changes visualized immediately after Britain voted in favor of Brexit, was the currency impact, changes in banking and financial system and skilled labor being affected because of downsizing. Top companies are taking decisions on how to manage the turmoil of this world event. This paper tries to give a bird's eye view on the talent perspective of UK and consequences there on. It rides through some of the issues like global talent issues, talent issues at Britain and its consequences on India too.

**Keywords:** (EU-European Union, UK – United Kingdom, US- United States of America, IT- Information and technology, ITes- Information and Technology enabled services, KSA – Knowledge, skills, Abilities)

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### Introduction

A talented workforce is the key for gaining successes in organizations. When, talent gap widens in a country the International business companies may shift their base line operations to some other country where talented workforce are available. As of now London is one the most popular world's investment destination with a population of around 8.7 million people. The demographic details state that 40% of the population are born in foreign countries and others have been

there because of higher education system, which is the boon to UK. London's critical masses of talented people are from around the globe. One of the certain reasons is the business environment, specifically with respect to immigration policy, that enables global talent to work and study in London. The next point to mention is its encouragement for tourists from all over the world to visit and that ensures welcome to foreigners.

On Thursday, June 23, 2016 a majority of British in the UK decided that the country would leave the European

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Union with 52% of the British voted for Brexit and 48% voted to remain with EU. None really can visualize the consequences of the so-called "Brexit" (British exit). But governments, economists, investors, major businesses, and financial institutions all fear that the economic impact could be profound, triggering a significant slowdown in the British and European economies, and even perhaps a cascading effect on the other country economies too. This paper throws some light into the current scenario of workforce and tries to identify the gaps with respect to the competent talent and puts forth some anticipated problems in the very near future.

### **Global Talent Issues**

The global labor market is changing unprecedently with the technology lifting high up. The scenarios are different from developed countries like US and other Asian countries. Earlier McKinsey quarterly had reported of talent crunch in the entire globe because of highly volatile business environments. The Forbes top ten companies of the globe employ 10%-25% of the workforce. The recent picture notifies that hot jobs turn cold almost as fast as a product's life cycle changes. Each and every type of industry moves around this treadmill as something is called obsolete for tomorrow. Business today operates across international borders, which necessitates a search for global talent with diverse competency (KSA) to keep abreast with the ever changing time and technology.

### **Existing Talent Gaps in UK**

Emma Parry and Lynette Harris (2011) mention about the dynamics that is happening at the workplace with increasing number of older workforce which may block the new entrants into the premises. In common with the other EU countries, UK also has ageing workforce. (2011) National Statistics Data (NSD) portrays that workforce employed are aged between 50 & 64 years. As a result of this, employees who are still in 50's club are expected to continue for further 10-15 years.

The UK Pension Act of 2007 states that by 2018 the State Pension Age (SPA) will be equally in place for men and women from the age of 66 onwards. It also reiterates that they will have to take up jobs as long as possible, out of economic necessity. Hutton Report

(2011) mentions about virtual closure of occupational pension schemes in private sector. Default Retirement Age (DRA) is changing based on specific grounds.

The Chartered Institute of Personnel and Development (CIPD) and Chartered Management Institute (CMI) (2011) research into age management reports, UK employers are still unprepared for the impact workforce demographics will have on their businesses (Macleod, Worman, Wilton, Woodman and Hutchings (2010). The survey portrays some recruitment and skill shortages in the labor market. The three types of gaps are Managerial positions; need based professional positions and technical positions. In addition as per the law of the land by default retirement age is 65. As a consequence of this, there are very few opportunities for new entrants into the organization.

The labor force survey also reveals an important piece of information that it takes a longer tenure for reemployment. Due to heavy economic pressures irrespective of statutory retirement age, people continue to take up jobs. Moreover, another major challenge is that higher number of older workforce may result in greater generational gap issues at workplace. There are issues about replacement with the required skill sets is uncertain, so most of the companies retain the older talents. Despite other unemployment issues, economic pressures, skill shortages are inevitable in the UK labor market.

In addition to these details Investors in People (IIP) published report (2015) 60% of the UK workforce not happy with the current jobs and there is only ten 10% rise in the new job seekers category.

"As the economy gains pace, 'Investors in People' is warning British businesses they need to invest in their people or face a potential exodus of talented staff." (IIP online survey report 2014). Paul Devoy head of 'Investors in People' concludes the report by giving a "wake-up call" for businesses.

### **Talent Issues of Brexit**

Needless to say, employees affect employers and scenarios seemingly predicts of sweeping change which may happen with talent hiring and retention too. There are some important areas to be looked into. They

are immigration, employment law, economic impact, political impact, supplementary sectors impact and talent pipeline getting hard.

- **IMMIGRATION** – Immigration policy of UK of hiring international workers is unclear with long-term situations. The status quo policy upholds skilled foreigners who are allowed to work and stay in the country indefinitely. On the other hand, will EU citizens be subjected to same employment rules or changes may be permissible? The CIPD report states that European citizens who are currently employed will be either granted UK citizenship or they may have to return to their respective countries. On the other side of the continuum, Man Power Foundation reports state that, there may be critical labor shortage in construction industries as the movements may be curtailed.

When the new policy regime comes to force, British Expats who are in Europe in turn will also be sailing in the same boat. The hard fact is that, European employers who are looking for talented hire has always been hiring British or British educated. The silver lining here; will the employers be able to hire the same kind of talents or will they leverage with the current trade partners, is that question to ponder about?

- **EMPLOYMENT LAW** – The employment law has many facets, one of them are Agency Workers Regulations Act 2010, states that employers should treat staff equally with the regular employees in terms of pay, benefits and working conditions which are a part of an EU directive and are not rightly being utilized by the British employers. In another case EU regulations states that expats are eligible for 28 days of paid vacation in a year. There are some reports, which states that EU employees are not getting that benefit. This can be viewed in another angle, if the employment laws are extensively protecting employees; it is hard for the employer to discipline the employees. If this is the situation now, what may be anticipated by the future changes?
- **ECONOMIC IMPACT** - Experts foresee Brexit will have damaging effect on the UK economy and may have cascading effects on the other economies

too. First noticed impact after the referendum was, falling of Pound Sterling continuously for the first time since 1985. It has jolted the global currency markets. In addition to that, the long-term effects on the UK labor market as most of unskilled jobs are handled by the EU expats. Sources point out that, UK as a host of millions of foreign workers, with very less percentage of unemployment rate and wages growing steadily since 1990. However, a research study from the London School of Economics concluded that “immigration has had no negative impact on employment or wage growth in the UK”.

On the other hand, departing from the EU may aggravate skill gap in Britain, as it is a daunting task for the British to find right competent professionals for certain key positions at multinational companies especially in the domain of banking and finance and key high end IT enabled services sector. Recent reports state that the major companies like Airbus, HP, Microsoft, JP Morgan, Citigroup etc., are planning to permanently downsize their operations from London.

- **POLITICAL IMPACT** – Brexit may bring in umpteen number of policy changes both from the EU and Britain. It may bring in serious consequences for employers as well as employees with conditions of work, tax, working hours etc., These may also bring in lot of regulations in immigration policy. Moreover another repercussion may be Scotland breaking away from Britain to join the EU. The aftermath may lead to issues in trade, labor problems, economics etc.
- **SUPPLEMENTARY SECTORS IMPACT** - Startups, entrepreneurs, investors are blinking at the movements of the economy. “All of this may put London's leading position in Europe in the tech industry in jeopardy”. “This decision definitely takes some of the momentum out of the European tech growth story.” These are some of the views expressed by the experts. This referendum will increase the current skill gap of Britain as many immigrants have significantly contributed to the British economy by establishing umpteen numbers of startups.

London is one the world's leading tech hub, now it is deemed to be under risk as it would exit the EU. The sectors that are largely affected by Brexit are construction, financial services, travel and tourism and healthcare as these industries were majorly dependent upon immigrant's population for their business. In addition to these a point to be noted here, majority of the population from European Union are particularly from EU 14 countries are largely employed more in financial sector. Moreover, it is expected that especially in construction sector one in three vacancies may go unfilled as the new law of immigration would affect expats. Reports as of now state that only just 6% of organizations have a genuine skills shortage vacancy in Britain.

- **TALENT PIPELINE BECOMING HARD** - Social tension itself is another important factor which may not allow some people to apply for UK Visa. There is a probability that Brexit might affect the universities and research sector too. As far as the science, technology and research sectors are concerned, most of the funding comes from the EU, so there is certain amount of risk involved, this may create a brain drain and the top talent would look up to other countries where they would get permanent assignment.

Banking, insurance, engineering and communication companies are already thinking of relocating their business. Linda Holbeche Professor at Cass Business School said "If these companies leave, not only skill gap but, UK may simply be left with a massive GDP gap". In addition to these, after effects of 2008-09 recession had jolted the productivity sector with negative consequence. The important point to be considered here is, the proportion of population who have recently migrated to UK are young, highly talented are also regularly paying taxes and contributing for the movement of the economy. In addition to these, another point will equally have impact would be, if the movements between the EU countries and UK are curtailed, it would be more difficult for the UK citizens, who may plan to go abroad for higher education and also to gain experience and skill sets.

At the outset, another important area to be considered

is the apprenticeship which was a major cost saver to most of the companies, as they had tie-up with universities and educational institutions in providing either a part-time job or on the job training, so that both the parties are benefitted. More over some businesses who may not have the intention to hire, but might as well would have used apprenticeship programs so their risks are reduced and they would have the fresh cream of the talent from universities.

Recent reports uphold by stating that Berlin is eyeing of the top tech talent who would exit UK. International companies, people are scouting for next destination a question mark.

### **India's talent impact for Brexit**

Although, by this world event India will have an impact but not much say reports. However, Britain is the third largest investor in India, after Singapore and Mauritius and it ranks 12th in the bilateral trade. Indian rupee had not suffered much but pound-sterling exchange rate is low as compared to earlier times. Many IT companies from India serve EU markets from their headquarters in London and skilled IT workers would be placed on onsite projects in Britain. This was an opportunity for easy movement for talent gets more nurtured in the foreign environment. Aftermath, these IT and ITES companies may have to look into new destinations. Britain hosting 800 Indian companies employing 110,000 individuals in the country, had a deeper partnership with India what may be happening next is uncertain. A percentage of Indians have utilized this opportunity, to study in Britain have increased, reports Times of India, Bangalore edition.

India's leading Business house the Tata's has predicted a major impact as they were the highest investor in the UK. Majority of the business is in UK, may have cascading effect on the employees India and in Britain. In addition to these, the top institutes like IITs and IIM's two percentile of students would look into Oxford University, London School of Business, London School of Economics and other Universities for pursuing their masters also job offers at UK, as it is India's second favorite destination after US. Is there a chance for reverse brain drain to India or not? Still situation may take two to three years at least get some answer or understand the trend.

## **Conclusion**

UK's decision of leaving the EU has placed a big debate on the repercussions as Britain is the key world economic destination. The offshoot of Brexit has placed many economists, financial experts in a perplex situation and their predictions has remained as a ray of hope only. The key discussion has given a wider angle look into the talent supply chain consequences for Britain. It is clarifying that major talent hub will have a big impact on the job perspective in EU and UK. To conclude, the impact of Brexit would be how different country economies are able to balance and sail through this turbulent time in a smoother manner.

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