



#85 HR Newsletter

July 2016:

Brexit and its impact on HR

What will the effect of Brexit be on HR and employment matters?

These are our first thoughts on these difficult topics. We still have at least 2 years of fiddling about before the real effects will become clear, but here is a shot in the dark about what might happen:

1. Immigration

This is an obvious area of change as EU members' workers will lose the right of free travel around the EU to look for work. There is an existing process in place for non-EU citizens to gain visas and find work into the UK (Tier 1-5 points system) and it is likely that will be rolled out for everyone.

This tiered/points based system is very complex and cumbersome (a complete pain in the ass to navigate through) and there is no doubt this will become more problematic. However, UK companies can currently hire staff into jobs where there is a shortage of UK skilled workers using this system (high -skilled jobs e.g. computer programming). This will continue.

The issue will be the number of Eastern European workers currently employed in very low skilled work (fruit-picking, car-washing) as they will certainly not qualify for a visa in the future.

The devil will be in the detail: will exemptions be made for existing EU workers already living in the UK who will be granted immunity/ long stay visas ... and will this cause a last minute influx of low-skilled workers before the deadline?

It will also go some way to addressing what some see as the issue of low skilled workers coming into the UK and receiving the suite of UK benefits (e.g. child benefit/tax credit/housing allowance) and sending that money back to their home county. The UK will now be able to decide on eligibility of such benefits for UK and non-UK workers separately – this may stop the UK being seen as an easy place to find work + claim.

2. Employment laws in general

Much of the UK employment law is a mix of existing UK law and embellished / improved by having to match EU requirements (usually a higher standard).

This may lead to a watering-down of some of the employment law in the future as business fight for a reduction in EU red-tape after the UK leaves the EU. However, workers group (and Trade Unions) will resist this move as it will be seen as an erosion of "hard-fought" workers' rights, and they have a point as the employment law and

protection for workers' rights does make sense really... we don't want to go back to the Victorian work-house type of employment practices.

An obvious law that will be removed is the 48 hour opt-out rule as this is simply a clause that allows UK workers to opt out of EU legislation by signing an individual agreement. There will be no need for this after the exit, as this EU law won't apply.

However, this looks like it is going to be hotly contested with battle-lines drawn on

3. National living wage

There is a possibility the Government might delay the increases of the National living wage (committed to rise to £9-00 / hour by 2020) due to Brexit as this may damage the economy too much - we'll have to wait and see.

4. Immediate Economic effects

For companies that purchase the majority of their supplies in Euros (or Dollars) the effect of the exchange rate drop has had an immediate impact. Although the initial losses against the Euro have recovered slightly and the prognosis is fair, there is no such recovery forecast for losses against the Dollar.

Some businesses with big exchange rate exposure have already made a small number of staff redundant in advance so they are better prepared for what they see as an obviously difficult 2-3 years to come.