

Opinion **Inside Business**

Basque region turns on the charm to tempt London's leavers

Europeans looking to quit the UK are those who employers can least afford to lose



La Salve Bridge and Guggenheim Museum in Bilbao

Sarah Gordon OCTOBER 3, 2018

Paris is winning the race to become the financial trading hub of continental Europe after the UK leaves the EU, the FT reported on Monday. For the banks thinking of moving staff and operations from London, newly competitive labour costs and sophisticated regulators are part of the French capital's appeal. A flatter-fest from its president, Emmanuel Macron, has probably helped too.

Other factors are at play, though. When business bosses in London were asked after the referendum where they would go if they had to relocate, Frankfurt and Luxembourg were not top of the list. For senior employees, Paris has more obvious attractions, for themselves and for their families. Employers in the UK and elsewhere ignore such inducements at their peril. A recent survey by EY found that, for Europe's mid-market companies, access to the skilled workers they required was the biggest constraint on their growth.

Those seeking examples of "best practice" in attracting talent can find them not just in France. Like the Ile-de-France region, the Basque country has also been on a charm offensive since soaring unemployment in Spain during the financial crisis enticed many of its workers overseas.

At an event in London on Saturday, 40 Basque-based companies will try to tempt more than 150 European nationals working in the UK back to their country. Their views have lessons for employers everywhere.

For many Basques in London - part of the 160,000-strong Spanish community in the UK - this Saturday's initiative will be pushing on an open door. For many, mainly southern, generally younger Europeans, their stay in the UK was always going to be temporary before a return home, a trend exacerbated by Brexit. Last year, the number of EU nationals relocating from the UK to Spain was up by a fifth on 2016, to 82,000, only two-thirds of them Spanish nationals.

They are being offered juicy incentives. Returnees to two provinces in the Basque country with a college degree will get a 15 per cent income tax rebate for five years. Companies are being offered a corporation tax rate 1 percentage point lower than Spain's, as well as generous R&D tax incentives. The package reflects the government's desire to turn Bilbao, the Basque industrial centre, into an engineering, high-tech hub. The region already produces half the car components manufactured in Spain, and a quarter of its aeronautical products. Iberdrola, the world's third-largest energy supplier, is headquartered there, as is a dense cluster of manufacturing suppliers. Although half Basque college leavers graduate with science, technology, engineering and maths qualifications, it needs more.

The worrying thing for UK employers is that the Europeans looking to leave the country are precisely those which they can least afford to lose. This week I spoke to a logistics engineer working at Airbus, an automotive engineer at Nissan, and a lecturer on sustainable energy at Imperial College London, all considering relocation. Half the individuals attending Saturday's "Be Basque" event are engineers.

For many, the financial incentives on offer are not a factor. Instead, the Nissan engineer was worried about prospects for his employer, which builds most of its European cars at its Sunderland plant. For the academic in his late 30s, it was the better quality of life he would enjoy in Bilbao, with affordable housing, mountains and beaches within easy reach, good healthcare, schools and transport - all against a backdrop of stable economic growth.

More intangibly, all seemed to be attracted by what Asier Alea, the Biscay government's director for tourism and foreign promotion, calls "our message of shared values and inclusiveness". It is difficult to feel that the UK is currently appealing to workers with a similar message.

Mr Alea says cities like Bilbao are in a global competition for talent, and that his government is taking lessons from other countries such as India and Israel on how best to manage the diaspora. "Unless we offer something unique, we are going to miss that train, or be in second rather than first class," he said. "We know our talent is going to go to New York or Munich or Barcelona, so let's embrace that. If they decide not to come home, we can still access their talent. But once the talent is there, make it easy for them to come home."

Attracting talent, particularly workers with STEM skills, is a huge challenge for all employers in Europe, not just in Brexit Britain. Initiatives like those in Paris and Bilbao provide some pointers for how to go about it.