THE INFLUENCE OF STOCK MARKET LISTING ON HUMAN RESOURCE MANAGEMENT: EVIDENCE FOR FRANCE AND BRITAIN

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Abstract
We use data from REPONSE 2004 and WERS 2004 to analyse whether approaches to HRM differ according to whether an establishment is part of a company with a stock exchange listing. In both countries we find that listing is positively associated with teamworking and performance-related pay, while in France, but not in Britain, it is also linked to worker autonomy and training. Our findings are inconsistent with the claim that shareholder pressure operates as a constraint on the adoption of high-performance workplace practices. The pattern is similar in the two countries, but with a slightly stronger tendency for listing to be associated with high-performance workplace practices in France.

JEL Codes: G32, G38, K22, K31, J53, J88.

Keywords: corporate governance, human resource management, employment relations

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1. Introduction

Until recently, little attention was paid to the implications of corporate governance for employment relations. Research carried out in the industrial relations tradition focused on the workplace or, more rarely, the enterprise or firm, without much regard for the legal or financial structure of the organizations which were being studied. This began to change when, in the 1980s, waves of privatizations saw state-owned enterprises in many countries converted into private-sector companies with stock market listings. In the same period, financial pressures on firms increased and reorganizations and restructurings, in many cases triggered by hostile takeovers, became commonplace, particularly in Britain and America (O'Sullivan 2000: 188-204). The rise of corporate governance codes and associated regulatory changes stressed the idea that managers of listed companies should be accountable to their shareholders (Thomsen 2006). By the end of the 1990s certain commentators had identified a 'normative consensus' in favour of the idea that managers should act exclusively in shareholders' financial interests, the so-called 'shareholder value' or 'shareholder primacy' norm (Hansmann and Kraakman 2001). Corporate governance was now understood to be one of the major forces reshaping organisations, with repercussions for the employment relationship (Blair and Roe 1999; Gospel and Pendleton 2005).

Corporate governance codes and hostile takeovers focus attention on the listed company, but this is only one of numerous forms which exist to give legal expression to the rights and expectations of those providing inputs into organizations. Others in the private sector include privately-held or 'closed' corporations, mutuals, cooperatives, partnerships and charities. Thus a first issue to consider in assessing the significance of corporate governance for employment relations is whether these differences in legal form – and in particular, the presence of a stock market listing – make a difference to the way labour is managed across firms.

A second basis for variation in the link between corporate governance and employment relations derives from cross-national differences in the wider context in which listed companies operate. The norms governing listed companies may be distinct from those affecting other firms, but they are not uniform across national systems. Ownership structures and the degree of capital market liquidity also differ. Global convergence of corporate governance standards is taking place, with aspects of British and American practice spreading to coordinated market systems such as those of France, Germany and Japan, along with a rise in overseas share ownership and in the volume of stock market activity (Aguilera and Cuervo-Cazurra 2004). However, a degree of diversity across systems remains, in part thanks to the path-dependent nature of

laws and regulations governing the business enterprise (Ahlering and Deakin 2007). Thus a second issue to consider is whether companies with the same legal form – listed companies, in particular – behave differently with regard to their employees in different national contexts.

Progress on answering these questions empirically has so far been largely confined to cases studies and other qualitative research findings which, while suggestive, offer results which are difficult to generalise from. An alternative source of evidence is provided by large-scale surveys of establishment-level workplace practices. For Britain, the Workplace Employment Relations Survey of 2004 (WERS 2004) includes, for the first time in the history of the survey, a question which identifies listed companies separately from other corporate governance categories. For France, the 2004 *Relations Professionnelles et Négociations d'Entreprise* survey (REPONSE 2004) also identifies workplaces by reference to the corporate governance form of the relevant employing organisation, with listed companies specifically identifiable. The questionnaires on which the datasets are based are not identical but there are certain structural similarities; REPONSE has, to a large degree, been modeled on WERS. The conclusion of the fifth WERS survey in 2004 provides an opportunity to place analysis of WERS in the context of findings of the most recent wave of REPONSE which was carried out in 2004-5.

The paper is ordered as follows. Part 2 sets out in greater detail the relevant features of the corporate governance forms under consideration here and discusses, at a conceptual level, some of the bases on which those forms might be expected to influence human resource management practices. Part 3 provides an overview of relevant features of the British and French systems of corporate governance and employment regulation, with the aim of identifying the respects in which they differ and the implications this might have for the relationship between corporate governance and employment relations. Part 4 describes the methods employed in the research, explains the basis on which the two datasets were used to explore issues relating to the corporate governance/employment interface, and presents the findings. Part 5 concludes.

2. The implications of corporate governance form for employment relations and HRM

Corporate governance may be narrowly defined as concerned with 'the ways in which the suppliers of finance to corporations assure themselves of getting a return on their investments' (Shleifer and Vishny 1997: 737). But even among financial economists there is a recognition that others, including employees, suppliers, customers and communities, are affected by managerial decision making. This perspective leads Tirole – 'unconventionally for an economist' (as

he puts it) – to define corporate governance as 'the design of institutions that induce or force management to internalize the welfare of stakeholders' as a whole (Tirole 2001: 4). Writing from an industrial relations perspective, Gospel and Pendleton (2005: 3) argue for a similarly broad definition: 'corporate governance is about the relationship between three sets of actors or stakeholders – capital, management and labour'. The way in which the firm is financed can be expected to 'provide a set of constraints and opportunities which influence managerial choices, including in the labour area' (Gospel and Pendleton 2005: 4). They therefore suggest that it is necessary to take into account the role of corporate ownership and patterns of financing alongside the strategic choices made by management when considering the 'influence which capital and management have on labour and the systems of labour management which are put in place' (Gospel and Pendleton 2005: 5).

The starting point in analyzing corporate governance is the legal form of the business enterprise. This is because company law provides several different forms that give rise to distinctive ownership and governance structures. In modern market economies, the most basic and widely used legal form is that of the company limited by share capital. Its essential attributes derive from its juridical nature, and include separate corporate personality, limited liability for shareholders, and the delegation of authority from the shareholders to management via the board of directors. In virtually all national systems, the category of the limited company subdivides into two mutually exclusive groups: 'public limited' or more simply, 'public' companies (the British 'plc', German 'AG' or French 'SA'), and 'private' companies, in some jurisdictions called 'private limited companies' or 'limited liability companies' (the equivalent in France is the 'SARL' and in Germany the 'GmbH'). Public limited companies are legally authorised to sell their shares to the public at large and, to that end, to obtain a listing or quotation on a stock exchange, whereas private companies are, for the most part, barred from raising capital from the general public in this way. Public limited companies, because they have greater access to external capital, are suitable for large and well-established enterprises, while private companies are most often used for start-ups and family-owned firms. However, this link is by no means inevitable. The public company form can be used for enterprises with small numbers of employees – many systems have a minimum capital threshold, but not an employment threshold, for the public company form – while many large private-sector firms are not listed (this is the case, for example, with companies which are financed through leveraged debt or, as it has recently come to be known, 'private equity').

In what ways are listed companies distinct from other forms? Firstly, *ownership structures* differ. The shares of a listed company can be bought and sold on a public market and ownership can thereby come to rest, in whole or in part, with 'external' or 'remote' shareholders whose connection to the firm is purely financial. In practice, established companies (as opposed to start-ups) rarely seek finance through a public offering; their shareholders will largely consist of individuals or institutions (unit trusts or pensions funds) who have purchased their holdings on the secondary market without making a direct contribution of capital to the firm. However, the *possibility* of raising capital in this way gives a listed company flexibility in responding to its future needs that other corporate forms do not have, and can be viewed as providing it with a superior risk-bearing capacity, in particular in systems with highly liquid capital markets and a tendency for the ownership of listed companies to be dispersed across a large number of holdings (Carlin and Mayer 2003).

Listed companies also have distinctive *governance structures*. Modern finance theory sees external shareholders as having a vital role in ensuring good governance (Fama 1980). The capital market is viewed as an information-processing mechanism through which the performance of firms, and their managers, is continuously (and, it is claimed, efficiently) being assessed. External shareholders ensure that managers are held to account while, in a wider sense, the capital market provides a benchmark against which the performance of firms can be effectively evaluated. A capital market with a high degree of liquidity also provides shareholders with a low-cost exit option, facilitating risk spreading by them.

By contrast to the features of listed companies just described, certain other corporate governance forms – private companies, mutuals and cooperatives – share a model of insider-orientated governance which has the following three linked features: restricted exit options, a long-term time horizon for investments (whether of labour or finance), and the restriction of voice and voting rights to a semi-closed class of stakeholders ('insider' shareholders such as family members and/or founders in the case of private companies, customers in the case of mutuals, and employees in the case of cooperatives: see Hansmann 1996). External finance comes mainly in the form of debt which does not confer the privileges of membership on the lender. Non-listed public companies and private companies are closer to this insider-orientated form of governance than they are to the model of external ownership associated with listed companies. In their case, even if there are no *a priori* restrictions on exit, the absence of an organized market in which the shares can be traded limits the *de facto* ability of shareholders to quit the firm. Secondly, as corporate management and strategy are not assessed by the stock market, share prices

cannot be used as a metric for corporate performance and so cannot be deployed, to the same extent, as an incentive device. Taken together, these characteristics extend the time horizon for investments and give managers greater autonomy from external capital market controls than is the case with listed companies. The leveraged buyout, in which a listed company is temporarily taken private and its share capital replaced with debt, illustrates the point: one of the governance advantages, in principle, of this form of private equity is the greater freedom managers have to implement long-term strategic goals, although empirical evidence on this point is not clear-cut (see Wright *et al.* 2006).

How would we expect these different corporate governance forms to influence the approach which management takes to relations with employees? Shareholder value-based management models, which began to be widely adopted by listed companies during the 1990s (Froud *et al.* 2000a and 2000b; Cooper, Crowther, Davies and Davis 2000; Hossfeld and Klee 2003), express most clearly the logic of the financial requirements imposed on firms by stock markets. These models are all founded on the following principle: there is 'creation of shareholder value' when the financial profitability achieved by the firm (as measured by the return on equity, that is, the ratio of net profits to the book value of equity capital) is higher than the rate of profitability expected by the market (which in turn determines the cost of equity capital for the firm). Corporate executives are required to maximise shareholder value in each financial period; this is the basis for increases in the firm's share price. By contrast, any 'destruction' of shareholder value (which occurs even where there is positive financial profitability, but returns are below the cost of capital) runs the risk of triggering a fall in the company's shares. Labour costs are the main component of operating costs. As such, they are the element which can be most directly leveraged with a view to increasing net profits, for a given level of total turnover. As a result, shareholder value-based approaches can lead to a cost-cutting approach to human resource management ('HRM') (Hutton 1995; Porter 1997). More specifically, they constrain the capacity of management to enter into partnership-type arrangements with employees, while they, in turn, will be less willing to invest in firm-specific human capital (Blair 1995; Armour and Deakin 2003).

Support for this 'constraint hypothesis' comes from qualitative case studies. One strand in the literature, taking an historical approach, has shown that managers in listed companies enjoy less autonomy with regard to external financial pressures, mediated through the corporate governance system, than they did a generation ago. The American and British systems, in particular, underwent a significant shift towards the empowerment of shareholders, or,

more precisely, of capital markets, beginning in the 1970s and gathering pace after that, as a result of the rise of the hostile takeover bid and the associated 'market for corporate control' (Jacoby 2005). The operation of the market for corporate control in these systems has led managers in listed companies to prioritise dividend payouts, share price increases and share buy-backs which return capital directly to shareholders, over 'implicit contracts' or distributional compromises with employees designed to elicit their loyalty and commitment (Shleifer and Summers 1988; Deakin, Hobbs, Nash and Slinger 2003). There is evidence that this has impacted on HRM in a number of ways: a lower degree of engagement between managers and employees over workplace change; less autonomy for employees in relation to job design and work organization; and a greater use of individualized incentives, including financial ones (Gospel and Pendleton 2005: 14-17).

A complementary set of studies has looked at macroeconomic evidence on the implications of dispersed ownership and high levels of capital market liquidity for labour. The 'varieties of capitalism' approach emphasizes the role of institutional complementarities between capital market and labour market structures (Hall and Soskice 2001; Amable, Ernst and Palombarini 2005; Goergen, Brewster and Wood 2006). The key idea here is that a financial system which favours liquidity thereby facilitates corporate restructuring, but at the cost of employee commitment to the firm. On this basis, we would expect dispersed ownership and high levels of capital market liquidity to be associated with low job tenure and low levels of investment in firm-specific human capital. Black, Gospel and Pendleton (2007) provide a first systematic empirical analysis of these issues in a comparative, cross-sectional study of OECD countries. As a proxy for external shareholder pressure they use two variables: a measure of trading activity and new stock issues over a 3-year period and the ratio of the number of mergers and acquisitions deals to population. They control for the unemployment rate and trade union density. They find a negative effect of market liquidity on job tenure but they observe no relationship between stock market liquidity and training. The idea of a cost-cutting approach to HRM stemming from financial market pressures is thereby only partially confirmed.

Some micro-level, enterprise-based studies also produce complex and ambiguous results, not necessarily pointing in the direction of the 'constraint hypothesis'. Case studies of UK-based utilities and manufacturing companies with stock exchange listings, carried out in two phases in the mid-1990s and early 2000s, suggest that while shareholder pressure was a significant constraint on labour-management cooperation in some cases during this period, in other cases managers were able to develop, with union support, a strategy that persuaded shareholders to take a long-term view of their investments, creating

space for partnerships with labour (Deakin, Hobbs, Konzelman and Wilkinson 2002; 2006). Sector-specific factors, including regulation of the quality of services and protection of consumer interests in the case of the utilities, were found to play a role in extending time horizons, as did the intensity and nature of product market competition (in particular whether it was price- or quality-orientated) as well as the particular trajectories of individual firms. In the manufacturing context, the absence of pressures for partnership stemming from sector-specific regulation of the kind observed in the utilities, coupled with intense competitive pressures, made partnership arrangements particularly fragile in the sample of firms studied here.

Jackson, Höpner and Kurdelbusch (2005) found that German firms subject to increased shareholder pressures had a tendency to shed labour and fall back on a core of stable employees, although on the whole without resorting to mass dismissals, instead using voluntary redundancies and early retirement. Within such companies, average wage levels tended to rise, while the use of individual and collective bonuses was becoming more widespread. The strong institutionalisation of worker involvement in German companies, through collective bargaining and codetermination rights (for work councils and at the board-level), had survived the transformation of corporate governance towards a more market-based system. Codetermination had facilitated corporate restructuring, in a way that had benefited the core workforce: the evolution of codetermination toward an insider-oriented, efficiency-driven model was not inconsistent with the need for high financial returns which is part and parcel of a more liquid stock market system.

In the French case, an empirical analysis of the REPONSE 2004 survey by Perraudin, Petit and Rebérioux (2008) has yielded somewhat similar results. First, compared to other firms, listed companies were found to make greater use of individual bonuses for managerial employees and collective bonuses for all employees. This effect was strengthened by the presence of institutional investors. Listing was also positively linked to higher levels of expenditure on training and to higher mean and median wages.

The studies carried out by Deakin *et al.* (2006), Jackson *et al.* (2005) and Perraudin *et al.* (2008) reveal a somewhat different picture than that implied by the idea of a corporate governance constraint. There is the possibility of a scenario in which shareholders' requirements for financial returns can be met on the basis of a long-term time horizon, with management and labour making mutually specialised investments in skills, know-how, work design and related aspect of the production process. In other words, employers may respond to stock market pressure through the implementation of worker commitment

devices (Konzelmann et al., 2006). This may, in particular, induce the use of performance-related pay (PRP), either individual or collective. This is because these forms of remuneration provide a means of aligning worker interests with the financial performance of the firm, as well as making labour costs more flexible in the event of a downturn.

To sum up this part: the literature on the relationship between corporate governance and employment relations has generated, to date, no clear-cut conclusion on the likely effect of ownership form on HRM. Instead, two distinct possibilities emerge. The first, which we have called the *constraint hypothesis*, suggests that shareholder pressure constrains the extent to which management can practise cooperative forms of HRM. The second, which we may call the *partnership hypothesis*, predicts that shareholder pressure need not result in a zero-sum game: under certain conditions, managers can continue to make implicit contracts with workers in return for high performance and willingness to undertake firm-specific training. Both alternatives are plausible at a theoretical level and it remains for empirical research to establish how far one or the other may be observed in practice.

3. Cross-national differences in the institutional framework, ownership structure and stock market liquidity: Britain and France compared

Our analysis so far has produced a number of reasons to believe that corporate governance form – and in particular, the presence of a stock market listing – may influence HRM. Listed companies are subject to a set of unique pressures, some market-based and some originating in law and regulation. In this section we explore a related question: how far would be we expect those pressures to differ according to the national context which is being considered? More specifically, with regard to a comparison of findings from WERS and REPONSE, what are the differences between Britain and France which might be expected to mediate the effects of a stock market listing?

In the 'varieties of capitalism' approach, families of 'liberal market' and 'coordinated market' systems are identified, into which the British and French cases, respectively, are generally thought to fall (Hall and Soskice 2001). However, there are significant respects in which they do not conform straightforwardly to these paradigms, and account must be taken of recent changes within the two countries which further complicate the picture.

For present purposes, three critical dimensions of cross-national differences are the legal-institutional regime, the structure of ownership prevailing in listed companies, and the extent of capital market liquidity. In each of these respects, Britain looks like a standard 'Anglo-American' system in which the

predominant mode of ownership is mainly through the holdings of institutional investors such as pension funds, insurance companies and unit trusts. Although institutional investors provide a degree of collectivized ownership, on the whole they actively strive to diversify their holdings in order to spread risk. As a result, they frequently lack strong ties to particular companies and they rarely engage directly or openly with corporate management, although there is evidence that this practice is growing in importance thanks to the interventions of 'focus funds' and activist hedge funds (Becht, Franks, Mayer and Rossi 2007). For the most part, an active market for corporate control, coupled with executive share options and other individualized incentives schemes, serves to align managers' interests with those of shareholders. Rules relating to disclosure of investment information and the prohibition of insider dealing help to maintain a high degree of stock market liquidity, while the Takeover Code underpins the market for corporate control (Armour, Deakin and Konzelmann 2003; Armour and Skeel 2007).

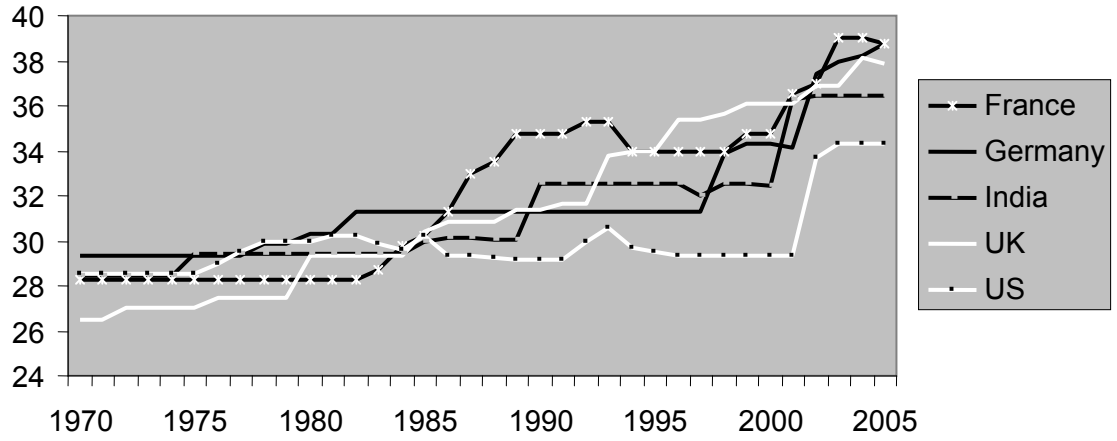
France, on the other hand, is a system in which share ownership is relatively concentrated by international standards, as a result of continuing cross-shareholdings among listed companies and the legacy of state ownership of and influence over large industrial and financial enterprises. More generally, the concept of shareholder primacy enjoys no obvious legitimacy in France. On the contrary: the prevailing legal conception of the firm is based on the idea that managers serve the 'company interest' over and above those of the shareholders or of any other corporate constituency (Aglietta and Rebérioux 2005: 41-45 and 58-59).

However, French company law has also seen far-reaching changes in the direction of strengthening shareholder rights in recent years (see Lele and Siems 2007). The 'New Economic Regulation' of 2001 and the Financial Security Act of 2003 were designed to protect the position of minority investors and to enhance information flows to the general body of shareholders. Since the mid 1990s, capital market laws have been progressively transformed, largely along the lines of the financial disclosure requirements of the US Securities and Exchange Commission (SEC) model.

Figure 1, which is based on Lele and Siems (2007), illustrates the extent of formal convergence between the company law rules of the two countries, and puts it into a broader comparative context. It provides a measurement of change in the rules of company law and securities law affecting listed companies, including those set out in corporate governance and takeover codes. A higher score on the index indicates a greater degree of legal protection for shareholder interests. For much of the period covered by the index, and in particular since

the mid-1990s, French law has provided stronger shareholder protection than US law, and has been roughly comparable to UK law. The laws of all the countries covered in the Lele-Siems index – France, Germany, India, the US and the UK – have been moving in broadly the same direction of greater rights for shareholders, largely as a result of the international diffusion of the corporate governance code model, and, in the case of the European systems, of the harmonisation of company laws within the EU.

Figure 1: Shareholder protection in 5 countries 1970-2005 (60 variables)



Source: Lele and Siems (2007)

In parallel with this change in French law, has been a substantial erosion of the traditional cross-shareholding system, encouraged by government and by the decision of several large insurance companies to break up their holdings (Goyer and Hancké 2005). Although cross-shareholdings between major non-financial companies are still far more prevalent than in the Anglo-Saxon systems (Thomsen 2004: 306-308), there has been a considerable increase in institutional investors, national (mainly mutual funds) and foreign (mainly US and UK pension and mutual funds). By the end of 2003, non-resident investors owned 43.9% of the outstanding share of CAC40 companies and almost 35% of the shares of all listed companies. In the UK, there has also been a significant recent change, with the proportion of foreign ownership increasing rapidly since the mid-1990s. Table 1 presents the distribution of ownership for British, French and German listed companies in 2002. It shows that, to some extent, the structure of share ownership in France is now closer to the British case than to the German one.

Table 1: Ownership of common stock (as a % of outstanding shares) for listed companies in Britain, France and Germany, 2002

	UK	France	Germany
Households	14.3	6.5	22.9
Non-financial companies	0.8	20.2	11.7
Government	0.1	3.6	1.9
Banks	12.6	12.6	33.5
Institutional investors (pension funds, mutual funds and insurance companies)	40.0	26.0	12
Foreign	32.1	31.2	18.1
Total	*100*	*100*	*100*

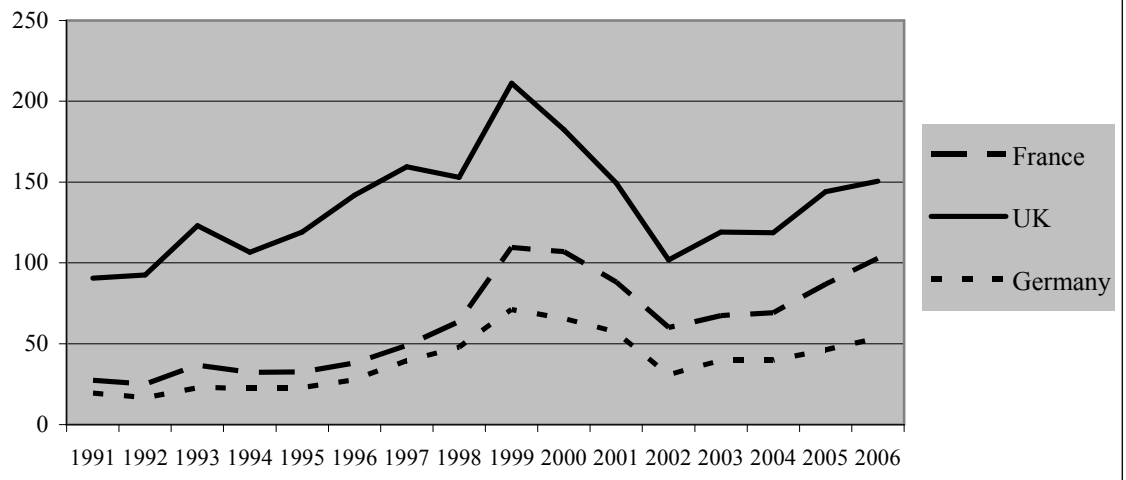
Source: Tirole (2006:37).

A similar pattern may be observed in relation to measures of stock market activity (see Figure 2). Since the end of the 1990s, the French level of stock market capitalisation is relatively greater than the German one, representing more than 100% of the GDP in 2006, against 53% in Germany. From Table 2 it can be seen that this is not due to a rise in the number of listed companies; rather, it is caused by an increase in the volume of transactions, which in turn is related to the diminishing importance of cross-shareholdings and to the growing role played by institutional and foreign investors.

At the same time, Figure 2 and Table 2 also make it clear that the level of stock market liquidity (measured by the extent of stock market capitalisation and the number of listed companies) is still significantly greater in the UK than in either France or Germany. In addition, and notwithstanding regulatory convergence, important differences remain at the level of the institutional framework. Under the City Code on Takeovers and Mergers, takeover defences, such as US-style 'poison pills' which deter potential bidders (see Deakin, Hobbs, Nash and Slinger 2003), are hardly ever put in place prior to a bid. The principle of one-share, one-vote is not a legal rule, but is recommended by principles issued by the investment industry, and is widely followed. In France, by contrast, legislation implementing the EU Thirteenth Company Law Directive in March 2006 allowed the board of directors to issue warrants providing the right to new stock to existing shareholders in the face of a hostile takeover bid, subject only to majority shareholder approval at an ordinary meeting. This provides a powerful defence against hostile takeover bids (Shearman & Sterling LLP

2006); and in a point of difference from British practice, the principle of one-share, one-vote is still not recognised by most large listed companies in France, diluting minority shareholder influence and providing managers with a significant level of protection from the market for corporate control.

Figure 2 : Stock market capitalisation as a % of GDP in three countries, 1991-2006



Source: Eurostat.

Table 2: Numbers of listed companies in the UK, France and Germany, 1995-2006

	London Stock Exchange	Euronext Paris	Deustche Börse
1998	2423	962	662
1999	2274	969	851
2000	2374	966	983
2001	2332	936	983
2002	2824	873	934
2003	2692	817	866
2004	2837	787	819
2005	3091	749	764
2006	3256	730	760

Source: FIBV, AMF.

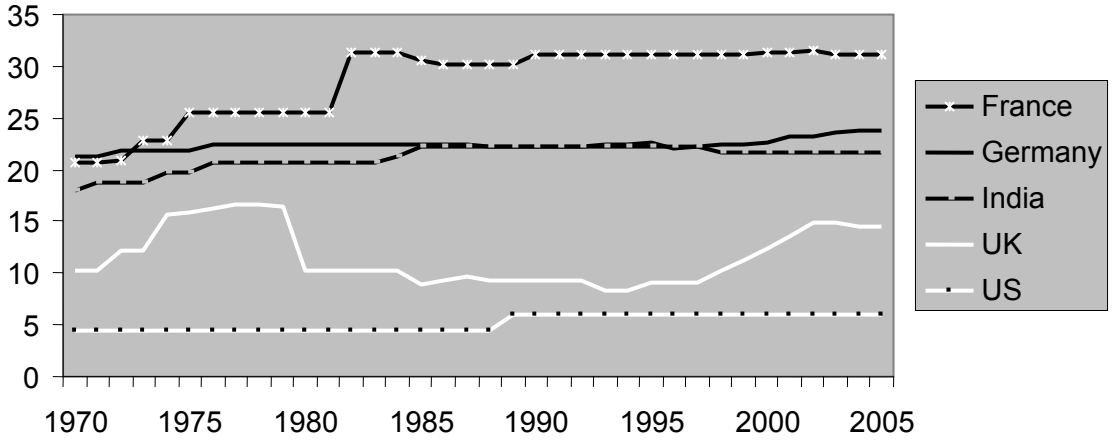
It is also important to take into account not just company law, but complementary forms of regulation which affect the business enterprise. For the purposes which we are considering, namely the relationship between corporate governance and employment relations, the most important of these is labour or employment law. Here France occupies a middle position between the Anglo-American systems and the more strongly corporatist, German-influenced systems. Codetermination, in the sense of board-level representation for workers, does not formally exist in French law: two members of the *comité d'entreprise*, or enterprise committee, may take part in meetings of the board of directors (or supervisory board), but without voting rights. A two-tier board structure similar to the German model is an option for listed companies, but very few take it up. Moreover, the French enterprise committee is a very different institution from the German works council, not least because the French model contains representatives of both workers and managers and is chaired by a representative of the employer.

Union influence within the workplace in France is limited and is, moreover, a comparatively recent development, having been encouraged in legal reforms of the 1980s; the enforcement of employers' legal obligations depends on active state intervention, through the labour inspectorate and judicial intervention, to a much greater degree in France than in either Germany or Britain (Supiot 1994). Conversely, the French model of employment protection law offers significantly stronger legal guarantees of job security than the British one. While British unfair dismissal law is largely procedural in nature and provides only weak sanctions, with a growing preference for disputes to be resolved internally, French law confers substantive rights with tougher sanctions, a contrast which is reflected in the relative position of the two countries in cross-national indices measuring the strength of labour law protections (see Botero *et al.* 2004; OECD 2004; Deakin, Lele and Siems 2007).

Figure 3 indicates that in the area of labour regulation, there has been only limited convergence between Britain and France in recent years, and that they remain far apart in a broader international context. This Figure is based on the leximetric index prepared by Deakin, Lele and Siems (2007) and employs the same methodology as the company law index described in Figure 1, making a broad comparison possible. UK labour law protection has been strengthening since the mid-1990s, in part thanks to changes in the law of employee representation associated with the implementation of EU directives concerning information and consultation rights. Although there is no veto right and no 'status quo clause' requiring the unravelling of corporate restructurings if these obligations are not met, legal sanctions for breach of the relevant rules have been tightened in recent years and, in finely balanced cases, can alter the

outcome of commercial negotiations, with implication for job security (Armour and Deakin 2003). The UK regime on takeover bids will also, in future, be affected by requirements to take into account employee interests. As part of the steps taken to implement the Thirteenth Company Law Directive in the UK, bidder and target companies subject to UK law now have to disclose in detail their plans for future restructurings or redundancies, a step which is likely to open up new opportunities for employee representatives to bring influence to bear on the takeover process, as they do on the continent (Deakin 2007). A further step towards strengthening employee voice is the recent implementation in the UK of the EU Information and Consultation Directive, although as yet its influence is limited (Hall 2006).

Figure 3: Labour regulation in 5 countries 1970-2005 (40 variables)



Source: Deakin, Lele and Siems (2007)

To sum up this part: the British system is one in which the regulatory framework, the prevailing structure of ownership and the level of stock market liquidity each favour a shareholder-based conception of the publicly-held corporation. Managers of listed companies see their role as returning value to shareholders in a context where restructurings, triggered by hostile takeovers, or the threat of them, are a principal means by which this is achieved. To some degree this is counter-balanced by labour regulation, in particular the growing institutionalisation of employee voice within the firm. In France, the system cannot be described as anti-shareholder or pro-employee as such, and, indeed, legal protections for shareholders are much more significant than they were just a decade ago. However, managers are still seen as responsible for maintaining the organisational entity of the firm, thereby serving the interests of a range of interested parties. Shareholders are included in this group but they do not have priority. Thanks in part to the law, to the continuing (if declining) influence of

a technocratic culture among senior managers, and to the government's insistence on the need to protect the French corporate sector against what are seen as predatory overseas interests, the market for corporate control is a far less potent influence in France than it is in Britain. Employees have strongly institutionalised voice rights which the legal system backs up with powerful sanctions. However, as the system of cross-shareholdings begins to unravel and overseas investors enter French capital markets, the organisational orientation of French companies may be under threat, at least in that segment of the sector where dispersed shareholder ownership is becoming the norm.

4. Empirical analysis: corporate governance forms and HRM practices

We now turn to our empirical analysis. As we saw in section 2, most of what we know about the relationship between corporate governance and HRM is based on enterprise-level case studies; they are revealing for the way in which corporate governance form appears to be playing an important and growing role in shaping managerial strategies with regard to labour, but by their nature they can only tell us a certain amount about how listed companies in general behave, and how they differ from other corporate governance forms. The picture they present should be tested against more quantitative approaches where this is possible. WERS and REPONSE provide data on workplace-level employment practices, with the possibility of differentiating among establishments by reference to the corporate governance form of the employing entity (Pendleton and Deakin 2007; Perraudin *et al.* 2008). Thus we can test whether workplaces belonging to listed companies have distinctive human resource management practices.

The first step is to identify variables relating to corporate governance form and human resource management practices within the framework of WERS and REPONSE which are appropriate for our analysis. WERS is widely acknowledged to be the principal source of data on the nature of workplace-level employment relations in Britain. Perhaps surprisingly, there have been few studies of REPONSE in the Anglophone literature. First conducted in 1992, and then again in 1998 and 2004, this survey was devised with reference to WERS, by the research centre of the French Ministry of Labour (DARES). REPONSE 2004 is based on a sample of 2,930 French establishments with 20 workers or more. The sample is representative of the French productive sector, excluding the agricultural sector and the public sector. The exclusion of the public sector is the main point of difference from WERS, which is a representative sample of workplaces in Britain in both the private and public sectors (2,295 establishments are included in the main, cross-sectional survey of managers). The topics covered are basically the same in WERS and REPONSE: labour organisation, workplace changes, job management, worker

involvement (information and consultation), pay systems, conflicts, and so on. However, the precise questions differ (in part this is the result of the divergence of the two surveys over time) and relatively few are identical.

4.1 The corporate governance variables

Tables 3a and 3b indicate the distribution of establishments across legal forms in the two surveys, as well as the proportion of listed entities in each category. REPONSE has no establishments belonging to partnerships and self-proprietorships, nor to the public sector. In order to have comparable samples, we exclude partnerships, self-proprietorships and the public sector from WERS. This leaves us with a sample of 1,563 British workplaces, of which 29% belong to a listed company, and 2,904 French workplaces, of which 38% belong to organisations that are listed.[1]

In the British case, only public limited companies (plcs) can obtain a stock exchange listing. 80 per cent of the plcs in WERS are listed. In France, the picture is slightly more complex. 86.7 percent of workplaces in REPONSE are recorded as relating to a *société commerciale* (business company). This is a statistical, not legal, category, which groups together the British plc and private limited company. 48.3 percent of the *sociétés commerciales* in REPONSE are listed: for the vast majority, these are 's*ociétés anonymes*' (SA), the equivalent of the British plc. In the same way that the plc is the legal vehicle for becoming a listed or quoted company in Britain, the SA is by far the most popular route to a listing in France. Yet is possible to find one (small) other sub-category of *société commerciale* that might qualify for a stock exchange listing, namely the *société en commandite* (a structure which, in the terms used by English law, combines elements of the company limited by share capital with those of the partnership). In addition, some companies belonging to a further category, 'other company with legal personality', can be listed, although these are very cases of this.

Table 3a: Legal form and stock exchange listing in WERS 2004

	Frequency (and percentage)	% of which are listed
1. Public limited company	565 (36.1%)	80%
2. Private limited company	794 (50.8%)	none
3. Company limited by guarantee	55 (3.5%)	none
5. Trust / Charity	92 (5.9%)	none
6. Body established by Royal Charter	33 (2.1%)	none
7. Co-operative / Mutual / Friendly society	24 (1.5%)	none
Total	***1563 (100%)***	***29%***

Note: the item ASTATUS asked respondents 'How would you describe the formal status of this establishment (or the organization of which it is part)?'. This was followed by 12 categories. Categories 4 (partnership / self-proprietorship) and 8-12 (public sector) have been excluded to fit with the REPONSE sample.

Table 3b: Legal form and stock exchange listing in REPONSE 2004

	Frequency (and percentage)	% of which are listed
3. Non-resident legal person	6 (0.2%)	66.7%
4. Administrative law legal person, regulated by commercial law	63 (2.2%)	none
5. "*Société commerciale*" (business company), including in particular "*Société anonyme*", "*Société en commandite*" or SARL	2541 (87.7%)	42.5%
6. Other company with legal personality	73 (2.5%)	28.8%
8. Mutual, union, work council	27 (0.9%)	none
9. Non for profit organization: "*Association Loi de 1901*", "*Fondation*", etc.	189 (6.5%)	none
Total	***2904 (100%)***	***38%***

Note: data on legal form are obtained through the administrative classification of the respondent organisation (and not through a direct question as in the case of WERS). The classification refers to the categories used by INSEE (the National Institute for Statistics and Economic Studies). Legal forms 1, 2 and 7 are not included in the survey. It is not possible to break down the definitions further, for example to indicate the numbers of 'sociétés anonymes' or 'sociétés en commandite'.

We confine our present empirical analysis to a comparison of listed companies with the rest. This means that a non-listed plc or a non-listed SA is grouped together with private limited companies, mutuals, cooperatives, and the rest. This is for the reasons set out in section 2 (above): listed companies are subject to unique pressures to return value to shareholders which do not apply to non-listed public companies and private companies, whose shares cannot be publicly traded; mutuals and cooperatives have no external shareholders at all. The analysis therefore makes it possible to see directly to what extent HRM practices differ according to whether a company is listed, in each of the two countries.

Some unavoidable limitations on our study should be noted. Data on the identity of shareholders are available in REPONSE (households, non-financial companies, institutional investors, etc.) but not in WERS.[2] Conversely, REPONSE does not provide any information on the degree of dispersion of ownership. Nor can we say anything about private equity forms of corporate ownership (such as leveraged buy-outs), which are not visible in our sample.

It should also be noted that is not possible to observe directly the influence of *specific* regulations affecting establishments in general or those of listed companies in particular, as there are no questions precisely tailored to this end in the two surveys. Thus the role of the national context in each case can only be identified at a more diffuse, aggregate level. However, the national context is not irrelevant in our analysis. Establishments in WERS are subject to one set of national contextual influences, including regulatory ones, and those in REPONSE are subject to another one. It is possible to draw some *qualified* inferences about the role of national conditions, as we shall see.

4.2 The HRM variables

The choice of HRM practice variables used in the analysis was informed by the substantial and growing literature on high performance/high involvement/high commitment work systems (HCWS). In this literature, there is no consensus about the individual HRM practices or bundles of practices that constitute an HCWS (Edwards and Wright 2001, Guest 2001). One branch of the research focuses on the effects of individual practices (for example, Dyer and Reeves 1995, Guest and Hoque 1994) while the other takes more of a 'systems' approach (for example, Ahmad and Schroeder 2003, Bae and Lawer 2000). However, Edwards and Wright's (2001) assessment of the literature on HCWSs suggests that they typically encompass:

> 'some combination of: schemes to promote employee discretion and autonomy, such as formally designed teamworking, quality

> circles or problem-solving groups; systems of communication that allow for upward communication of employee suggestions as well as downward communication from management; and serious attention to developing employee skills. They may … also deploy merit or performance based pay and other features of HRM.' (Edwards and Wright 2001: 570)

This conclusion is broadly in line with two of the dominant theories of HRM: the 'resource-based view' (RBV) and the 'ability, motivation and opportunity' (AMO) theory. While the RBV emphasizes the contribution that employees' input can make to the organisation's performance (for example, De la Cruz *et al.* 2003, Wright *et al.* 2001), the AMO theory argues that organisational interests are best served by HRM practices that equip employees with the ability, motivation and opportunity to work effectively together (for example, Appelbaum *et al.* 2000, Bailey *et al*. 2001). It is also compatible with the contingency theory approach to HRM, which stresses the importance of contextual factors from the external environment (Ahmad and Schroeder 2003, Datta *et al.* 2005). In our analysis, the mediating role of regulations in different national systems, particularly with respect to the rights associated with ownership and the employment relationship, is particularly important.

In the light of the above, we focus on the following variables within WERS and REPONSE relating to HRM practices: training, autonomy, team working, individual performance-related pay (PRP), collective PRP, and engagement. Two aspects of engagement with workers are identified: engagement over workplace change, and engagement over performance targets. Given the limitations of both aspects (in particular, they concern only a sub-sample of the establishments), we hope to have a better understanding of engagement by repeating the empirical analysis on two somewhat different variables. All of these are seen as high commitment HRM practices (Den Hartog and Verburg 2004, Wright and Gardner 2003, Wright *et al.* 2005) and they each relate directly to the literature, surveyed in section 2 above, which predicts differences in the approach to HRM depending on whether a firm has a stock market listing.

Appendix 1, Tables A and B set out in detail the way in which these variables were constructed from the two datasets. As will be seen from these Tables, the questions used in WERS and REPONSE are not identical, reflecting different emphases in the construction of the particular questions; but it is possible to identify equivalent questions across the WERS and REPONSE, as we have done. For example, the training variable for REPONSE refers to spending on training as a percentage of the total wage bill and that for WERS refers to the percentage of employees given training and the number of days of off-the-job

training provided. This point leads us to two important methodological choices in our empirical strategy:

- First, as pooling the two datasets would require identical items in WERS and REPONSE, this was not a feasible option. We therefore run parallel regressions for the two countries, with similar control variables.[3]
- Second, we have based our analysis on profiles indicating the most intensive users of the HRM practice concerned, rather than by comparing mean scores across the two surveys. This is done in part to highlight cases of the strategic use of the practice concerned. In addition, a relative measure of the take-up of practices makes sense in a context in which direct comparison of scores has limited meaning (different scales are used in the two surveys). Our econometric strategy is to observe the influence of different factors (including listing) on the probability of being among the 'most intensive users'. To identify the most important users, we used two implicit rules. The first was to try, whenever we could, to isolate the first quartile of the sample. The second was to define, as far as possible, identical thresholds for both countries.

Tables 4a and 4b indicate statistical correlations among the HRM practices, for Britain and France respectively. Intensive uses of training, team working and PRP (both individual and collective) are positively linked to each other in both countries. In France, autonomy is associated with training and PRP but not with team working or engagement. In Britain, autonomy is associated with training, team working and engagement, but not with PRP. One final comment is that the generally small correlations among HR practices suggest no obvious empirical basis for creating variables defining HR bundles. Tables 4a and 4b also indicate the correlations between stock market listing and HRM practices. In both countries, listing is strongly positively correlated with most of those practices. This first, descriptive analysis thereby suggests that listed companies are not constrained in their use of high commitment HRM practices. However, engagement on targets, in France, and autonomy, in Britain, are negatively linked to listing. In addition, engagement on change appears to be independent of listing in both countries. The econometric analysis will assess the robustness of these first results.

Table 4a: Correlations between HRM variables and listing for WERS

	Training	Autonomy	Team Working	Individual PRP	Collective PRP	Engagement: Changes	Engagement: Targets
Training							
Autonomy	0.09***						
Team Working	0.16***	0.05*					
Individual PRP	0.16***	-0.00	0.01				
Collective PRP	0.16***	-0.00	0.06**	0.30***			
Engagement: Changes	0.10***	0.07***	0.06**	-0.00	0.02		
Engagement:Targets	0.08***	0.11***	0.10***	0.07***	0.07***	0.07***	
Listed	0.09***	-0.12***	0.09***	0.15***	0.16***	0.01	-0.00

* p < 0.10, ** p < 0.05, *** p < 0.01

Table 4b: Correlations between HRM variables and listing for REPONSE

	Training	Autonomy	Team Working	Individual PRP	Collective PRP	Engagement: Changes	Engagement: Targets
Training							
Autonomy	0.09***						
Team Working	0.14***	0.00					
Individual PRP	0.13***	0.06***	0.03				
Collective PRP	0.16***	0.07***	0.06***	0.21***			
Engagement: Changes	0.08***	-0.01	0.06***	0.00	0.00		
Engagement:Targets	-0.01	-0.01	0.07***	-0.03*	-0.03*	0.08***	
Listed	0.18***	0.05***	0.15***	0.13***	0.21***	-0.01	-0.06***

* p < 0.10, ** p < 0.05, *** p < 0.01

4.3 Control variables

Because managerial coordination and control mechanisms are likely to vary with workforce numbers, irrespective of the form of governance, we control for establishment and organization size. Size has been shown to be related to the degree of formalization of the HRM system and hence the likelihood of having formal practices in place (Konzelmann *et al.* 2006). We also control for structural conditions, including workplace age, sector of activity, market share, the dynamics of the market (growing, stable or declining), and the composition of the workforce in the establishment (by reference to the proportion of white collar workers). Table 5 indicates the distribution of control variables for both samples.

Table 5: Control variables for REPONSE 2004 and WERS 2004

	REPONSE 2004 (%s)		WERS 2004 (%s)
Organization size			
Less than 1000 workers	66.2		49.5
1000 or more	33.8		50.5
Establishment size			
Less than 50 workers	22.7		43.8
50 to 199	35.2		26.6
200 to 499	15.9		14.3
500 or more	26.2		15.2
Sector			
Education, health, social	8.2	Manufacturing	19.1
Agri-food	4.1	Electricity, gas and water	2.7
Automotive	9.2	Construction	6.5
Consumer goods	5.5	Wholesale and retail	19.6
Construction	6.5	Hotels and restaurants	5.7
Intermediate goods, energy	16.2	Transport and communication	6.8
Commerce	17.2	Financial services	8.3
Business services	17.3	Other business services	14.3
Financial services, real estate	5.9	Public administration	0.3
Private services	4.2	Education	3.4
Transport	5.7	Health	7.4
		Other community services	6.1
Establishment age			
Less than 20 years	31.4		46.2
More than 20 years	68.6		53.8
Market share			
less than 3%	12.2	Less than 5%	28.5
3 to 24%	30.2	5-24%	25.5
25% or more	30.6	25% or more	23.2
not concerned, do not know	27.0	not concerned, do not know	22.7
State of the market			
Growth	54.5		48.9
Decline	16.3		8.7
Other	29.2		39.1
Share of white-collar workers at the establishment			
Less than 15%	23.4		43.6
15 to 30%	24.1		22.6
31 to 50%	20.4		13.2
More than 50%	32.1		20.1
Total sample size	**2904**		**1563**

Note: the percentages are unweighted.

4.4. Empirical analysis of the effects of stock exchange listing on HRM practices

Logistic regressions were used to estimate the (logarithm of the) odds-ratio of an establishment being one of the most intensive users of each of the HRM practices.[4] This approach yields a series of 7 estimations for each country, in the following form:

$$\ln (P_{ij} / 1 - P_{ij}) = a + b\, CG_j + \sum_{k=1}^{K} c_k X_{jk} + \varepsilon_j$$

where P_{ij} is the probability of the intensive use of practice $i = \{1,\ldots, 7\}$ for establishment j; CG_j is the corporate governance variable (with 'non listed' as the reference category); X_{jk} is the set of K controls; a, b and (c_1 ;… ; c_K) are the estimated coefficients; and ε_j is the independent and identically distributed random noise. In each case we have indicated the percentage of the sample that the regressions explain.

HRM practices were described as follows:

P_{1j}: the probability of establishment j being among the establishments providing greatest training effort

P_{2j}: the probability of establishment j being among the establishments providing greatest autonomy to their workers

P_{3j}: the probability of establishment j being among the establishments making most use of team-working devices

P_{4j}: the probability of establishment j being among the establishments making most use of individual performance-related pay

P_{5j}: the probability of establishment j being among the establishments making most use of collective performance-related pay

P_{6j}: the probability of establishment j being among the establishments where worker engagement on workplace changes was most commonly observed

P_{7j}: the probability of establishment j being among the establishments where worker engagement on target setting was most commonly observed

The results for WERS are summarized in Table 6a-c and the results for REPONSE are summarized in Table 7a-c.

Table 6a: HRM practices regressions for WERS 2004

	Training			Autonomy			Team working		
% of dependent variable coded 1	41%			29%			36%		
	coefficient	**(std error)**	**odds-ratio**	**coefficient**	**(std error)**	**odds-ratio**	**coefficient**	**(std error)**	**odds-ratio**
Intercept	-1.10***	(.23)		-1.43***	(.26)		-.88***	(.23)	
Corporate governance									
Listed	.03	(.14)	1.03	-.06	(.17)	.94	.30**	(.14)	1.36
Non listed	Ref			Ref			Ref		
Organization size									
Less than 1000 workers	Ref			Ref			Ref		
1000 or more	.63***	(.14)	1.87	-.13	(.15)	.88	-.04	(.14)	.96
Establishment size									
Less than 50 workers	-.36***	(.14)	.70	.50***	(.15)	1.65	-.04	(.14)	.96
50 to 199	Ref			Ref			Ref		
200 to 499	-.26	(.18)	.77	-.44**	(.23)	.64	-.08	(.18)	.92
500 or more	-.13	(.18)	.88	-.25	(.21)	.78	-.25	(.18)	.78
Sector									
Wholesale and retail	Ref			Ref			Ref		
Manufacturing	.03	(.20)	1.03	-.11	(.21)	.90	.22	(.19)	1.25
Utilities	1.36***	(.37)	3.91	-.85*	(.51)	.43	.54***	(.36)	4.66
Construction	.24	(.26)	1.27	.24	(.26)	1.27	-.38	(.28)	.68
Hotels and restaurants	-.09	(.28)	.91	-.89***	(.34)	.41	.13	(.26)	1.14
Transport & communication	.32	(.25)	1.38	-.04	(.28)	.96	.25	(.25)	1.29
Financial services	1.17***	(.24)	3.21	-.24	(.27)	.78	.94***	(.23)	2.55
Other business services	.42**	(.20)	1.52	-.31	(.22)	.73	.27	(.20)	1.31
Community services	1.02***	(.19)	2.77	.27	(.20	1.31	.59***	(.19)	1.81
Establishment age									
Less than 20 years	Ref			Ref			Ref		
20 years or more	-.02	(.12)	.98	-.05	(.13)	.95	-.16	(.11)	.85
Market share									
Less than 5%	-.23	(.17)	.80	.07	(.18)	1.07	-.33**	(.16)	.72
5 to 24%	Ref			Ref			Ref		
25% or more	.14	(.16)	1.16	.04	(.18)	1.04	-.17	(.16)	.85
Don't know	-.25	(.16)	.78	.09	(.18)	1.09	-.10	(.16)	.91
State of the market									
Growth	.28**	(.12)	1.32	.08	(.13)	1.08	.34***	(.12)	1.40
Decline	-.21	(.23)	.81	-.06	(.23)	.94	.13	(.21)	1.13
Other	Ref			Ref			Ref		
Proportion of white collar workers									
Less than 15%	Ref			Ref			Ref		
15 to 30%	-.08	(.15)	.92	.10	(.16)	1.11	.08	(.14)	1.08
31% to 50%	.41**	(.18)	1.51	.59***	(.19)	1.80	.14	(.18)	1.15
More than 50%	62***	(.16)	1.86	1.61***	(.17)	4.98	.12	(.16)	1.13
Number of observations	1563			1563			1563		
Nagelkerke R-square	.16			.17			.07		
% pairs concordant	66.8%			73.2%			65.5%		

* p < 0.10, ** p < 0.05, *** p < 0.01

Table 6b: HRM practices regressions for WERS 2004

	Individual PRP			Collective PRP		
% of dependent variable coded 1	44%			33%		
	coefficient	**(std error)**	**odds-ratio**	**coefficient**	**(std error)**	**odds-ratio**
Intercept	-.57***	(.23)		-.69***	(.23)	
Corporate governance						
Listed	.25*	(.14)	1.28	.37***	(.14)	1.45
Non listed	ref			ref		
Organization size						
Less than 1000 workers	ref			ref		
1000 or more	.22*	(.14)	1.25	.11	(.14)	1.11
Establishment size						
Less than 50 workers	-.31**	(.14)	.73	-.25*	(.15)	.78
50 to 199	ref			ref		
200 to 499	.37**	(.18)	1.45	-.11	(.19)	.89
500 or more	.71***	(.18)	2.04	.33*	(.18)	1.39
Sector						
Wholesale and retail	ref			ref		
Manufacturing	-.22	(.18)	.80	.08	(.19)	1.08
Utilities	-.15	(.35)	.86	-.48	(.36)	.62
Construction	-.51**	(.26)	.60	-.53**	(.27)	.59
Hotels and restaurants	-.47*	(.27)	.63	-.11	(.27)	.90
Transport & communication	-.31	(.24)	.73	-.46*	(.26)	.63
Financial services	.88***	(.25)	2.40	.50**	(.23)	1.64
Other business services	.29	(.20)	1.33	.06	(.20)	1.06
Community services	-1.03***	(.20)	.36	-1.37***	(.23)	.25
Establishment age						
Less than 20 years	ref			ref		
20 years or more	.05	(.12)	1.05	-.07	(.12)	.93
Market share						
Less than 5%	.10	(.16)	1.11	-.26	(.17)	.77
5 to 24%	ref			ref		
25% or more	.12	(.16)	1.13	-.08	(.16)	.93
Don't know	-.40***	(.16)	.67	-.27	(.16)	.77
State of the market						
Growth	-.02	(.12)	.98	.08	(.12)	1.09
Decline	-.14	(.21)	.87	-.22	(.23)	.80
Other	ref			ref		
Proportion of white collar workers						
Less than 15%	ref			ref		
15 to 30%	.35**	(.15)	1.42	.34**	(.15)	1.41
31% to 50%	. 61***	(.18)	1.85	.41**	(.18)	1.51
More than 50%	.80***	(.16)	2.22	.42***	(.17)	1.52
Number of observations	1563			1563		
Nagelkerke R-square	.17			.13		
% pairs concordant	65.9%			68.8%		

* p < 0.10, ** p < 0.05, *** p < 0.01

Table 6c: HRM practices regressions for WERS 2004

	Engagement: changes			Engagement: targets		
% of dependent variable coded 1	23%			32%		
	coefficient	**(std error)**	**odds-ratio**	**coefficient**	**(std error)**	**odds-ratio**
Intercept	-1.50***	(.26)		-.76***	(.25)	
Corporate governance						
Listed	-.10	(.16)	.90	.20	(.16)	1.22
Non listed	ref			ref		
Organization size						
Less than 1000 workers	ref			ref		
1000 or more	.31**	(.15)	1.36	-.51***	(.15)	.60
Establishment size						
Less than 50 workers	-.16	(.16)	.85	.16	(.15)	1.18
50 to 199	ref			ref		
200 to 499	.09	(.20)	1.09	-.34*	(.20)	.71
500 or more	.17	(.20)	1.19	-.10	(.20)	.91
Sector						
Wholesale and retail	ref			Ref		
Manufacturing	.14	(.21)	1.15	.07	(.21)	1.08
Utilities	.97***	(.36)	2.63	.23	(.39)	1.26
Construction	-.53	(.35)	.59	-.39	(.29)	.68
Hotels and restaurants	-.01	(.31)	.99	-.52	(.33)	.60
Transport & communication	-.11	(.29)	.89	-.32	(.30)	.73
Financial services	.27	(.26)	1.31	.26	(.25)	1.30
Other business services	-.15	(.24)	.86	.39*	(.22)	1.48
Community services	.79***	(.21)	2.21	.30	(.20)	1.35
Establishment age						
Less than 20 years	ref			ref		
20 years or more	.07	(.13)	1.08	-.14	(.13)	.87
Market share						
Less than 5%	-.08	(.18)	.92	.03	(.18)	1.03
5 to 24%	ref			ref		
25% or more	-.04	(.17)	.96	-.01	(.17)	.99
Don't know	-.22	(.18)	.80	-.10	(.17	.90
State of the market						
Growth	.22*	(.13)	1.25	-.01	(.13)	.99
Decline	.14	(.24)	1.15	-.70***	(.26)	.49
Other	ref			ref		
Proportion of white collar workers						
Less than 15%	ref			ref		
15 to 30%	-.09	(.16)	.92	.42***	(.16)	1.52
31% to 50%	-.44**	(.21)	.64	.41**	(.19)	1.51
More than 50%	.08	(.18)	1.09	.47***	(.17)	1.60
Number of observations	1563			1381		
Nagelkerke R-square	.06			.09		
% pairs concordant	76.6%			69.4%		

* p < 0.10, ** p < 0.05, *** p < 0.01

Table 7a: HRM practices regressions for REPONSE 2004

	Training			Autonomy			Team working		
% of dependent variable coded 1	35.6%			27.1%			19.3%		
	coefficient	**(std error)**	**odds-ratio**	**coefficient**	**(std error)**	**odds-ratio**	**coefficient**	**(std error)**	**odds-ratio**
Intercept	-2.40 ***	(.19)		-1.18 ***	(.19)		-3.84 ***	(.28)	
Corporate governance									
Listed	.18 *	(.90)	1.20	.17 *	(.10)	1.18	.46 ***	(.11)	1.59
Unlisted	ref			ref			ref		
Organization size									
Less than 1000 workers	ref			ref			ref		
1000 or more	.46 ***	(.10)	1.59	-.06	(.11)	.94	-.01	(.12)	.99
Establishment size									
Less than 50 workers	-.36 ***	(.13)	.70	-.32**	(.13)	.73	.11	(.15)	1.12
50 to 199	ref			ref			ref		
200 to 499	.28 **	(.13)	1.32	-.27 *	(.14)	.76	.22	(.15)	1.24
500 or more	.68 ***	(.12)	1.98	0.14	(.13)	1.15	.50 ***	(.14)	1.65
Sector									
education, health, social	-.44 **	(.22)	.65	0.24	(.19)	1.27	1.21 ***	(.27)	3.34
agri-food	.61 ***	(.24)	1.85	-.60 **	(.29)	.55	.81 **	(.34)	2.25
automotive	.56 ***	(.18)	1.75	-.25	(.19)	.78	1.90 ***	(.24)	6.72
consumer goods	.62 ***	(.21)	1.86	-.74 ***	(.24)	.48	1.55 ***	(.27)	4.70
construction	.64 ***	(.21)	1.89	-.40 *	(.22)	.67	1.41 ***	(.27)	4.09
intermediate goods, energy	.77 ***	(.16)	2.16	-.26	(.16)	.77	1.54 ***	(.22)	4.69
commerce	ref			ref			ref		
business services	.26 *	(.16)	1.30	-.08	(.15)	.92	1.26 ***	(.23)	3.52
financial services, real estate	.68 ***	(.21)	1.98	-.05	(.21)	.95	.61 **	(.30)	1.84
private services	-.17	(.27)	.84	-.72 **	(.328)	.48	.52	(.36)	1.68
transports	.70 ***	(.22)	2.01	-.71 ***	(.26)	.49	.66 **	(.33)	1.93
Establishment age									
Less than 20 years	ref			ref			ref		
more than 20years	.06	(.10)	1.06	-.23 **	(.10)	.79	.03	(.12)	1.03
Market share									
less than 3%	-.08	(.15)	.92	.01	(.15)	1.01	.08	(.17)	1.08
3 to 24%	ref			ref			ref		
25% or more	.10	(.11)	1.11	-.27 **	(.11)	.76	.10	(.13)	1.10
not concerned, do not know	-.14	(.12)	.87	-.34 ***	(.12)	.71	-.04	(.14)	.96
State of the market									
growth	.23 **	(.10)	1.26	-.02	(.10)	.98	.20 *	(.12)	1.22
decline	-.17	(.14)	.84	-.24 *	(.14)	.79	.20	(.15)	1.22
other	ref			ref			ref		
Proportion of white collar workers									
Less than 15%	ref			ref			ref		
15 to 30%	.47 ***	(.14)	1.61	.23	(.16)	1.26	.74 ***	(.18)	2.09
31% to 50%	1.04 ***	(.15)	2.84	.64***	(.16)	1.89	.81 ***	(.18)	2.25
More than 50%	1.58 ***	(.14)	4.88	1.58***	(.14)	4.86	.76 ***	(.17)	2.14
Number of observations	2904			2904			2904		
Nagelkerke R-square	.25			.16			.15		
% pairs concordant	75.3			71.3			71.7		

* p < 0.10, ** p < 0.05, *** p < 0.01

Table 7b: HRM practices regressions for REPONSE 2004

	Individual PRP			Collective PRP		
% of dependent variable coded 1	37.7%			41.3%		
	coefficient	**(std error)**	**odds-ratio**	**coefficient**	**(std error)**	**odds-ratio**
Intercept	-.99 ***	(.17)		-.78 ***	(.17)	
Corporate governance						
Listed	.28 ***	(.09)	1.32	.42 ***	(.09)	1.52
Unlisted	ref			ref		
Organization size						
Less than 1000 workers	ref			ref		
1000 or more	-.15	(.10)	.86	.17 *	(.10)	1.19
Establishment size						
Less than 50 workers	-.36 ***	(.12)	.70	-.69 ***	(.12)	.50
50 to 199	ref			ref		
200 to 499	-.09	(.13)	.91	.28 **	(.12)	1.32
500 or more	.15	(.12)	1.16	.45 ***	(.12)	1.57
Sector						
education, health, social	-3.10 ***	(.34)	.04	-2.43 ***	(.26)	.09
agri-food	-.43 *	(.23)	.65	.17	(.22)	1.19
automotive	-1.03 ***	(.18)	.36	-.59 ***	(.17)	.56
consumer goods	-.49 **	(.20)	.61	-.62 ***	(.20)	.54
construction	.28	(.18)	1.32	-.64 ***	(.19)	.53
intermediate goods, energy	-.52 ***	(.14)	.60	-.49 ***	(.14)	.61
commerce	ref			ref		
business services	-.26 *	(.14)	.77	-.74 ***	(.14)	.48
financial services, real estate	.33	(.20)	1.39	-.61 ***	(.20)	.54
private services	-.87 ***	(.24)	.42	-1.37 ***	(.25)	.25
transports	-.32	(.20)	.73	-.89 ***	(.20)	.41
Establishment age						
Less than 20 years	ref			ref		
more than 20years	-.20 **	(.09)	.81	.10	(.09)	1.10
Market share						
less than 3%	.02	(.14)	1.02	-.05	(.14)	.95
3 to 24%	ref			ref		
25% or more	-.10	(.10)	.90	.13	(.10)	1.14
not concerned, do not know	.03	(.11)	1.03	-.20 *	(.11)	.82
State of the market						
growth	.34 ***	(.10)	1.40	.50 ***	(.10)	1.64
decline	.05	(.13)	1.06	-.19	(.13)	.83
other	ref			ref		
Proportion of white collar workers						
Less than 15%	ref			ref		
15 to 30%	.75 ***	(.13)	2.11	.45 ***	(.13)	1.56
31% to 50%	1.12 ***	(.14)	3.06	.64 ***	(.13)	1.89
More than 50%	1.37 ***	(.13)	3.94	.77 ***	(.12)	2.15
Number of observations	2904			2904		
Nagelkerke R-square	.20			.21		
% pairs concordant	71.8			72.7		

* p < 0.10, ** p < 0.05, *** p < 0.01.

Table 7c: HRM practices regressions for REPONSE 2004

	Engagement: changes			Engagement: targets		
% of dependent variable coded 1	28.6%			12.8%		
	coefficient	**(std error)**	**odds-ratio**	**coefficient**	**(std error)**	**odds-ratio**
Intercept	-.95 ***	(.20)		-2.38 ***	(.26)	
Corporate governance						
Listed	-.11	(.11)	.89	-.26 *	(.14)	.77
Unlisted	ref			ref		
Organization size						
Less than 1000 workers	ref			ref		
1000 or more	.01	(.11)	1.01	-.18	(.14)	.83
Establishment size						
Less than 50 workers	.04	(.14)	1.04	.13	(.17)	1.14
50 to 199	ref			ref		
200 to 499	.20	(.14)	1.22	-.12	(.19)	.88
500 or more	.41 ***	(.13)	1.50	.50 ***	(.16)	1.66
Sector						
education, health, social	.53 **	(.21)	1.70	1.35 ***	(.24)	3.85
agri-food	-.04	(.27)	.96	-.18	(.41)	.83
automotive	.03	(.19)	1.03	.49*	(.26)	1.64
consumer goods	.06	(.23)	1.07	.29	(.32)	1.34
construction	-.03	(.24)	.97	.52	(.30)	1.69
intermediate goods, energy	.02	(.17)	1.02	.49 **	(.23)	1.64
commerce	ref			ref		
business services	-.18	(.17)	.83	.34	(.24)	1.41
financial services, real estate	.02	(.24)	1.02	.26	(.32)	1.30
private services	-.02	(.27)	.98	.64 *	(.33)	1.89
transports	.43 *	(.22)	1.53	.45	(.30)	1.57
Establishment age						
Less than 20 years	ref			ref		
more than 20years	.10	(.11)	1.10	.12	(.14)	1.13
Market share						
less than 3%	-.34 **	(.16)	.71	-.00	(.21)	1.00
3 to 24%	ref			ref		
25% or more	-.19	(.12)	.83	-.10	(.16)	.91
not concerned, do not know	-.39 ***	(.13)	.68	.08	(.16)	1.08
State of the market						
growth	-.18*	(.11)	.83	-.02	(.13)	.98
decline	-.13	(.14)	.88	-.15	(.19)	.86
other	ref			ref		
Proportion of white collar workers						
Less than 15%	ref			ref		
15 to 30%	.04	(.15)	1.04	-.17	(.19)	.84
31% to 50%	.19	(.15)	1.21	.17	(.18)	1.19
More than 50%	.19	(.14)	1.21	-.15	(.18)	.86
Number of observations	2287			2679		
Nagelkerke R-square	.03			.05		
% pairs concordant	58.9			63.3		

*p < 0.1, ** p < 0.05, *** p < 0.01.

In Britain, as in the descriptive analysis, listing is positively and significantly associated with team working and PRP (individual and collective).[5] Considering odd-ratios gives us information on the size of the effects. Listed companies are 1.36 times more likely to have high levels of team working, 1.45 times more likely to have an intensive use of collective forms of PRP, and 1.28 times more likely to have an intensive use of individual PRP. The positive correlation between listing and training does not persist (in the sense of no longer being significant) after the introduction of controls; nor does the negative correlation between listing and autonomy. In other words, it is the various control factors that explain the positive correlation between listing and training and the negative correlation between listing and autonomy in our descriptive analysis.

In France we have evidence of a significant positive relationship between listing and team working and PRP (individual and collective), as in Britain. In addition, in France listing is significantly and positively related with training and autonomy and there is a negative link to engagement over targets. The link with listing is particularly strong for two practices: collective PRP and team working. Establishments belonging to listed companies are 1.53 times more likely strongly to implement collective forms of PRP and 1.59 times more likely to widely develop team working.

Econometric estimations for engagement variables yield similar results to the descriptive analysis in that listing is not significantly associated to engagement on change in either country. Engagement on targets is negatively associated with listing in France, but independent of it in Britain.

Altogether, these results indicate that establishments of listed companies are relatively more involved in the use of high commitment HRM practices than others,[6] and this is especially the case in France.

The analysis also highlights the role of establishment size, sectoral effects and workforce composition in the two countries. Establishment size is correlated with more intense use of HRM, but the results are not uniform across countries. In France, the use of each of the main HRM variables increases in the largest establishments (those over 500 employees) while for two of the variables, those relating to training and individual PRP, there is a negative correlation for the smallest ones (those employing less than 50). In Britain, the picture is not as clear: the smallest establishments are less likely to train but more likely to offer

autonomy to their workers, while establishment size is positively correlated with individual and collective PRP.

Employment in financial services is positively associated in both countries with training, team-working and collective PRP, but not with engagement, autonomy or individual PRP. In Britain, the utilities sector is positively associated with training, team working and engagement. This is compatible with case-study evidence to the effect that the firms in the utilities sector are more likely than those in manufacturing to have enduring labour-management partnerships notwithstanding the influence of shareholder pressures, thanks in part to the role played by sector-specific regulation for the protection of consumer interests in lengthening time horizons (Deakin *et al.*, 2002, 2006). Manufacturing constitutes a point of cross-national difference: it is significantly and positively associated with training and team working and negatively associated with both forms of PRP in France, but there is no such effect in Britain.

The proportion of white collar workers is highly correlated with an intensive use of high commitment HRM practices (except for worker engagement practices). The higher the share of white collar workers, the greater the use of autonomy, training, team working and PRP (both collective and individual), suggesting that these kinds of high commitment HRM practices are primarily directed at more highly qualified workers.

4.5 Assessment

How should our findings be assessed? We are able, first of all, to say something about the importance of a stock market listing for HRM. We find very little support for the existence of a corporate governance constraint. From the French survey we can see that listed companies are significantly more likely than other firms to provide training, casting doubt on the claim that the listed company form leads to a reduced investment in human capital. Most strikingly, we found evidence that managers in French and British listed companies are more likely to try to foster team working than their counterparts in non-listed firms, the opposite results to those predicted by the idea of a governance constraint. The results on PRP confirms what we would expect, namely that listed companies make greater use of financial and other performance-based incentives than other firms. Overall, then, our empirical evidence provides no support for the 'constraint hypothesis'.

What then of the 'partnership hypothesis'? This holds that shareholder pressure might actively assist the emergence of a high-commitment approach to HRM, precisely because of the focus on maintaining financial returns which it provides for management. Implementing high commitment HRM may be also a

way to enhance worker motivation in a context where workers may feel disengaged given the priority given to the interests of external shareholders. We find some evidence for this in the form of the positive correlations between listing and team working in both countries and between autonomy and training in France. However, the absence of a positive link between listing and engagement (and the negative association with engagement over targets in France) suggests that there are limits to any 'partnership' approach. Managers may take steps to motivate employees, but they are less willing to give them a voice in the way work is organized.

What can we say about the possible role of cross-national differences in terms of the strength of capital market pressures and of the regulatory framework? Our empirical evidence tends to show there exist important similarities in the HRM profiles of listed firms in Britain and France. The association we observe between listing and high-performance HRM practices is perhaps slightly more intense in the French context, in particular given the positive correlation there between listing on the one hand and worker autonomy and training on the other. The greater tendency of French companies to adopt formal HRM practices is a theme of other recent studies analysing REPONSE and WERS (Marsden, Belfield and Benhamoun, 2007). In assessing how far such a difference might be linked to variations at the level of the regulatory framework, we have to be cautious. The effects of specific regulatory influences cannot be directly observed in the WERS and REPONSE datasets. Our overview of the regulatory framework in the two countries suggested that a significant role could be played by labour regulation as a countervailing force to shareholder pressure in France. Labour regulation formally restrains management in various respects, but the restraint can be viewed as 'beneficial' in so far as it rules out managerial strategies based on a cost-cutting approach, and favours those involving partnership (Streeck 2004). It is possible to be specific about the possible role played by one particular aspect of French labour law, namely the rules governing employee representation in the workplace. The 50-employee threshold is significant for determining the presence of an enterprise committee at firm level and, in firms with multiple establishments, at establishment level too; as additional thresholds are reached, the required size of the committee increases, along with other, complementary rights of representation (see Pélissier, Supiot and Jeammaud 2006: 710). Although the fit is not precise, the association between establishment size and the increasing formalisation of HRM in France, and the absence of a similar finding for Britain (where no equivalent issue of firm or establishment level thresholds arose at the time when the WERS 2004 survey was being carried out), is suggestive of a possible role for the law of the kind we have identified.

In Britain, as we have seen, case study evidence suggests that listed companies adopt a range of approaches to the management of labour, depending on their sectoral context. There is some evidence to support the argument that sectoral effects could play a role in fostering labour-management partnership in the British case in the form of the results obtained for the utilities sector, where firms are more likely than elsewhere to include training, team working and engagement on changes among their HRM practices.

Overall, it is the similarities between the two countries which are most striking, not their differences. In particular, the effect of listing on teamworking and on performance related pay was strongly evident in WERS and REPONSE.

5. Conclusion

In this paper we have reviewed evidence on the relationship between corporate governance and human resource management in Britain and France. The two systems of corporate governance are, to a degree, converging, at least at the level of formal law and regulations. France has adopted a more shareholder-friendly legal regime over the past decade. The pattern of share ownership in France is also changing, with a greater role for overseas investors and a higher level of stock market activity, although cross-shareholdings are still much more widespread than is the case in the UK. In Britain, dispersed share ownership remains the norm, together with a high level of liquidity in the stock market; UK-based institutional investors remain a powerful influence, but as in France, overseas ownership is growing. A divergent feature is the strength of labour law in the two countries. In the UK, labour laws remain weak, despite some adjustment to the mainland European model of employee information and consultation rights. In France, labour regulation is strong by international standards.

How does this (shifting) pattern of corporate ownership, governance and regulation affect labour relations and human resource management? In both countries, a stock market listing is associated with an intensive use of high commitment HRM practices in relation to teamworking and the use of PRP. In France, but not in Britain, there is a link between listing and the adoption of HRM practices relating to worker autonomy and training, but in neither country is listing associated with worker engagement on workplace changes or target setting.

On this basis, we have no evidence to support the claim that a stock market listing operates as a constraint on the capacity of managers to implement high performance HRM practices. On the contrary, shareholder pressure could act as a stimulant to the adoption of practices aimed at enhancing worker motivation –

and apparently to a greater extent in France than in Britain. Can we go further and say that a stock market listing is an active inducement to management to enter into partnership-style relations with employees? We find only limited evidence to support such a claim, given the lack of an association between listing and engagement over workforce changes and performance targets. In addition, it is unclear whether the adoption of these HRM practices really reflects a high-commitment approach by listed establishments or a form of control, where under-performing employees in such intensive performance management systems face job insecurity. In this regard, future research should explore the extent to which listing affects the relationships between PRP systems and employee outcomes such as employee turnover, felt job insecurity and organizational commitment.

In ending, it is important to bear in mind what our analysis has not been able to establish. We have evidence that corporate governance form, and in particular being listed, affects HRM, but we do not know the strength of this effect in particular types of case within the listed company category. A more precise analysis of ownership structure among listed companies could help to reveal whether the degree of dispersion of ownership, for example, or the presence of particular types of investors, such as pension funds or hedge funds, influences the management of labour. That kind of analysis is not possible using WERS as it stands, but it may become possible if WERS is linked in future to company-level data on share ownership. Some data of this kind exist already for REPONSE, which makes the linking of WERS to other datasets an interesting prospect.

A second limitation is that we do not offer a longitudinal analysis, using panel data, of the kind which might be able to tell us whether the regulatory convergence which we have observed in having an impact at workplace level. It may be possible to deploy the panel datasets in WERS and REPONSE to this end, but it should be noted that the WERS panel dataset is more confined in the scope of its questions than the principal dataset. How to conduct a longitudinal study, and how to link the two panel datasets to other data sources which might give a more fully rounded picture of the interaction between corporate governance and employment outcomes, is a matter for future research.

Nor finally, do we have any evidence on the extent to which employment relations impact on financial and economic performance. Again, this would only be possible if both WERS and REPONSE were linked to company-level data on these questions. Our analysis has, however, pointed to the potential value of such a step in maximising the potential of WERS and REPONSE. More generally, we have highlighted some of the ways in which corporate

governance and employment relations interact in different national contexts, thereby opening up new avenues for research in this area of growing importance.

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Notes

[1] We decided not to impose, at a further level, fully consistent establishment size thresholds for both WERS and REPONSE, as this appeared to us less crucial than taking into account legal forms for the analysis of corporate governance variables. Furthermore, restricting the WERS sample to establishments of 20 workers or more would lead us to drop out nearly one third of the sample (from 1563 to 1160) and therefore would greatly reduce the statistical power of our sample. This was confirmed when we estimated our regressions on this reduced sample (details are omitted for reasons of space).

[2] The closest to this in WERS is a question which asks whether an individual or family owns 50% or more of the company (*ACONINT*).

[3] In addition, our estimations show that not only does the effect of being listed differ from one country to another, but that the effects of the control variables differ. This means that if we were to pool the datasets we would have to introduce an interaction analysis for each variable, doubling the number of explanatory variables and running the risk of making the analysis uninterpretable.

[4] We decided not to weight the data, following the advice of Reiter, Zanutto and Hunter (2005). They review the advantages and disadvantages of using weighted *versus* unweighted data for complex surveys. They conclude that weighting data might be an appropriate strategy for descriptive statistics, but is a source of controversy for multivariate analyses. The key advantage when conducting multivariate analyses of using unweighted data instead of weighted data is that it produces smaller standard errors (and therefore increases statistical power). Indeed, when we ran our analyses using weighted data we found that all our standard errors increased (details are omitted for reasons of space). Reiter *et al.* (2005) also state that a simple way to take weights into account is to include independent variables that correspond to features of the weighting design, an approach which we followed in our analyses. Furthermore, they also note that when analyses involve missing cases (such as here) the weights no longer reflect the representativeness of the sample.

[5] If we confine our analysis to samples of 20 or more employees the WERS sample reduces from 1563 to 1160 and listing remains significantly associated

with team working and collective PRP, but is no longer significantly related to individual PRP (details are available from the authors on request).

[6] We ran these estimations with different thresholds (higher and lower) where the scale permitted, to check the robustness of our findings (details are omitted for reasons of space). The only relationships that were sensitive to these changes were for autonomy and training in France and autonomy in Britain. Regarding the relationship to training in the French dataset we were able to specify that being listed is related to intensive training but not to *very* intensive training profiles (the relationship is still positive and even more significant for higher thresholds but is no more significant for thresholds lower than 20%). The relationship between autonomy and listing in WERS becomes significant (and negative) when using a very low threshold of 16%, but not at any other available thresholds. Conversely in REPONSE, the relationship between listing and autonomy is no longer significant for a very low threshold (around 16%).

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Appendix 1

Table A: construction of composite variables for HRM in WERS 2004

Variable	Survey questions	Frequency (unweighted) % of establishments
Training	Dummy variable where 1 = 40% or more employees given off-the-job training AND two days or more training received in last year, 0 otherwise	0: 59 1: 41
Autonomy	Dummy variable where 1 = a score of greater than 3 from the arithmetic mean of the below 3 items, 0 otherwise: 1. Degree of discretion in work: 4 (a lot) to 1 (none) 2. Degree of control over pace of work : 4 (a lot) to 1 (none) 3. Degree of involvement in decisions over how work is organized: 4 (a lot) to 1 (none)	0: 71 1: 29
Team working	Dummy variable where 1 = 100% of the largest occupational group at this workplace work in formally designated teams, 0 otherwise.	0: 64 1: 36
Individual performance related pay (PRP)	Dummy variable where 1 = a score of 2 from the count across the below 2 items, 0 otherwise: 1. Individual performance used to determine payment by results: Yes (1) or No (0) 2. Payment due to merit pay: Yes (1) or No (0)	0: 56 1: 44
Collective performance related pay (PRP)	Dummy variable where 1 = a score of 3 or more from the sum of the below 4 items, 0 otherwise: 1. Collective performance used to determine payment by results: Yes (1) or No (0) 2. Employees receive profit-related payments or profit-related bonuses: Yes (1) or No (0) 3. Pay settlement influenced by organization's financial performance: Yes (1) or No (0) 4. Pay settlement influenced by organization's productivity levels: Yes (1) or No (0)	0: 67 1: 33
Engagement re: workplace change	Dummy variable where 1 = a score greater than 4 from the arithmetic mean of the below 2 items, 0 otherwise: 1. Decisions at this workplace are made without consulting employees : 5 (strongly disagree) to 1 (strongly agree) 2. We do not introduce changes without first discussing implications with employees: 5 (strongly agree) to 1 (strongly disagree)	0: 77 1: 23
Engagement re: targets	(Only for establishments where targets are set, reducing the sample from 1563 to 1381) Are targets (sales, costs, profits, productivity, quality. turnover, satisfaction, etc.) set in consultation with employees or employee representatives? Dummy variable where 1 = yes, 0 otherwise	0: 68 1: 32

Table B: construction of composite variables for HRM in REPONSE 2004

Variable	Survey questions	Frequency (unweighted) % of establishments
Training	Dummy variable where 1= 3% or more of the total wage bill is spent on training, 0 otherwise	0: 64 1: 36
Autonomy	Dummy variable where 1 = a score of 2 or more from the count across the 3 items below, 0 otherwise: 1. Work is defined as precise tasks (0) or in terms of global objectives (1). 2. In case of a minor incident, workers are encouraged to refer to a manager or supervisor (0) or to solve the problem themselves (1) 3. Control over work is continuous (0), intermittent (0) or occasional (1)	0: 73 1: 27
Team working	Dummy variable where 1= a score of 5 or more from the count across the below 2 items, 0 otherwise: 1. Share of employees involved in autonomous work teams: none (0), less than 5% (1), from 5 to 19% (2), from 20 to 49% (3) or more than 50% (4). 2. Share of employees involved in pluridisciplinary work groups or project teams: none (0), less than 5% (1), from 5 to 19% (2), from 20 to 49% (3) or more than 50% (4)	0: 81 1: 19
Individual performance related pay (PRP)	Dummy variable where 1= a score of 4 from the count across the below 4 items, 0 otherwise: Did non-managerial workers benefit in 2004 from: 1. Individualised pay increases? Yes (1) or No (0) 2. Individual performance-related bonuses? Yes (1) or No (0) Did managerial workers benefit in 2004 from: 3. Individualised pay increases? Yes (1) or No (0) 4. Individual performance-related bonuses? Yes (1) or No (0)	0: 62 1: 38
Collective performance related pay (PRP)	Dummy variable where 1= a score of 3 from the count across the below 3 items, 0 otherwise: 1. Did non-managerial workers benefit in 2004 from collective performance-related bonuses? Yes (1) or No (0) 2. Did managerial workers benefit in 2004 from collective performance-related bonuses? Yes (1) or No (0) 3. Over the past three years, did firms' financial results have a primary role in wage setting? Yes (1) or No (0)	0: 59 1: 41
Engagement re: workplace change	(Only for establishments where an important change occurred during the past three years, reducing the sample from 2904 to 2287) Dummy variable where 1= a score of 5 or more from the count across the 7 items below, 0 otherwise: Considering the most important change in your establishment (important growth or reduction in staff, technological change or the launching of a new product, for example), did you discuss before this change took place:	0: 71 1: 29

	1. individually, with each employee directly concerned? Yes (1) or No (0) 2. at the working unit level? Yes (1) or No (0) 3. collectively, with all the employees concerned? Yes (1) or No (0) 4. with some or all of the worker representatives? Yes (1) or No (0) What was the objective of those discussions: 5. to consult? Yes (1) or No (0) 6. to negotiate the mode of implementing the change? Yes (2) or No (0) 7. to negotiate the principle of the change? Yes (3) or No (0)	
Engagement re: targets	(Only for establishments where targets are set, reducing the sample from 2904 to 2679) Did you negotiate the targets set in your establishment (concerning profitability, growth, budget constraint, wage bill, quality or security) with worker representatives? Dummy variable where 1 = yes, 0 otherwise	0: 87 1: 13