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Abstract
Analysing WERS 2004 and its French equivalent, REPONSE, we find evidence that corporate governance form influences employment relations at workplace level in the two countries, although in different ways. In Britain, listed companies are less likely to engage in high-commitment HRM practices than either non-listed companies or ‘stakeholder’ firms (mutuals, cooperatives, public-interest companies and charities). In France, by contrast, stock market listing is associated with a wide range of formal HRM practices. Employees in British stakeholder firms report high levels of organizational commitment, while French employees in both listed companies and stakeholder firms report high levels of job satisfaction relative to those in non-listed companies. We suggest that the different results in the two countries indicate a possible role for regulation – in particular, stronger labour law protection in France – in mediating the effects of corporate governance form.

I. Introduction

Until recently, little attention was paid to the implications of corporate governance forms 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. Beginning 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. The rise of corporate governance codes further stressed the accountability of managers of listed companies to shareholders. By the end of the 1990s certain commentators had identified a ‘normative consensus’ in favour of the idea that managers of listed companies should act exclusively in the economic interests of shareholders, the so-called ‘shareholder value norm’ (Hansmann and Kraakman 2001). It was in this context that corporate governance emerged as one of the major forces reshaping the employment relationship, with repercussions for ways in which labour was managed (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 organisations; others in the private sector include privately-held or

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‘closed’ corporations, mutuals, cooperatives, partnerships and charities. Within the listed company category itself, the case of the widely-held corporation, with dispersed shareholder ownership, is distinct from structures which combine family control with a degree of participation by external investors. A second basis for variation in the impact of corporate governance derives from cross-national differences in structures of ownership and in the legal-institutional framework. The dispersed shareholder model, the classic case of the separation of ownership and control identified in Anglo-American writings on corporate governance dating back to the 1920s, is a rarity outside those two systems. This may be changing as a result of the global convergence of corporate governance standards and the rising influence of British and American institutional investors in systems, such as Germany, France and Japan, which until recently were characterised by a mixture of corporate cross-shareholdings, bank-led control and a continuing role for family holdings. How far and how fast such convergence is truly taking place is, however, unclear.

It can therefore be seen that two critical issues arise with regard to the relationship between corporate governance and employment relations. Firstly, are the different corporate governance forms linked to discernible variations in aspects of employment relations at the workplace or enterprise level? Secondly, are differences in national corporate governance systems, expressed both in terms of the typical structure of ownership and the prevailing mode of legal and institutional regulation in a given country, reflected in employment outcomes?

This paper goes part of the way towards answering these questions. It explores the relationship between corporate governance and employment relations in Britain and France, through an analysis of two comparable datasets which provide a uniquely detailed map of workplace relations in the two countries: the Workplace Employee Relations Survey (WERS 2004) for Britain and the 2004 Relations Professionnelles et Négociations d’Entreprise survey (REPONSE 2004) for France. The questionnaires on which the datasets are based are not identical but there are many similarities; and REPONSE is, to a large degree, modeled on WERS. The conclusion of the fifth WERS survey, WERS2004, provides an opportunity for a direct comparison with the findings of the most recent wave of REPONSE which was carried out in 2004-5.

The paper is ordered as follows. Part II sets out in greater detail the relevant features of corporate governance forms and discusses, at a conceptual level, some of the bases on which those forms might be expected to influence human resource management practices and employment relations outcomes. Part III 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 IV 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 V concludes.

II. The potential implications of corporate governance form for employment relations

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 Pendelton, 2005: 4). They therefore suggest that it is necessary to consider 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 different structures of corporate ownership is the legal form of the business enterprise. This is because company law identifies a variety of forms that give rise to different structures of ownership and control within firms. In modern market economies, the basic legal form of business enterprise is the company limited by share capital. Its attributes derive from its juridical form 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 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 barred from raising capital from the general public in this way. Public limited companies, because they have greater access to external capital, tend to be the appropriate form for large and well-established organizations, while private companies are most often used for start-ups and for family-owned firms. However, this link is by no means inevitable. The public company form can be used for organisations 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 organizations 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').

It follows from the above that the public company form involves the presence of a class of 'external' shareholders whose role in the firm is essentially that of providing liquidity. Liquidity bears two meanings here. First, by subscribing to shares made available by the company in a public offering, shareholders provide it with a source of finance alongside other sources such as retained earnings or debt. Second, 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. In practice, however, established companies (as opposed to start-ups) very rarely seek finance through a public offering; the body of 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.

What it is that such shareholders provide to the publicly listed firm has long been debated, going back at least to Berle and Means (1932). Modern finance theory sees external shareholders as having an essential role in ensuring good governance (Fama and Jensen 1980). This is because it views the capital market 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 and the possibility of diversifying their risks.

In a private company, on the other hand, shareholders are more likely to play the role of 'insiders' for whom exit options are limited and a continuing commitment to the firm is likely. This commitment takes the form of long-term financial support or, in the case of family-owned firms and companies in which the only shareholders are also employees, a direct contribution to the process of production. In this respect, private companies are similar, in their incentive structure, to partnerships; and they are sometimes called 'quasi-partnerships.' The essential difference is that, unlike partners, the shareholders are not personally responsible for the company's debts, although in the case of smaller firms and start-ups, they may well be required by lenders to offer security in a personal capacity for the firm's debts. In 'mutuals', the members of the company are also customers who tend to have a long-term relationship with the organisation. The traditional building society in Britain, or the savings and loan institution in the US, provide the best examples of this. The term 'cooperative' is generally used to refer to corporate forms where the members of the company are also its employees; and as discussed above, the private company form and the partnership are also well suited to employee ownership.

One way of analyzing these different corporate governance forms is to identify, in each case, a category of residual owners: shareholders in the case of the company limited by share capital, customers in the case of mutuals, and workers in the case of cooperatives or professional partnerships. The agency model of the firm presupposes that efficiency is enhanced when there is a single group of owners to whom managers can be held accountable; inefficiency results when there is no such identifiable group, or when control is shared between stakeholders with divergent and conflicting interests (Hansmann 1996). From an organisational perspective, however, the critical issue is not so much whether there is a set of residual owners who can exercise effective control over management; rather, it concerns the manner in which that control is exercised, and, in particular, its implications for managerial strategy. From this point of view, there is a crucial distinction between corporate forms aligned around the model of external or outsider-based governance, and those based on internal or insider-based governance.

Private companies, mutuals and cooperatives may all have different categories of residual owners, but they all share a model of insider-based governance which has the following three features: restricted exit options, a long-term time horizon for investments (whether of labour or finance), and the vesting of voice and voting rights to a semi-closed or restricted class of stakeholders ('insider' shareholders, customers or employees). If there is external finance, it comes mainly in the form of debt which does not confer the privileges of membership on the lender. In these various respects, private companies, mutuals and cooperatives are closely aligned with two further corporate governance forms, the first being the public interest company or, in Britain, the 'company limited by guarantee', which has no external share capital; the second is the charitable trust, which is governed by a combination of regulatory controls and strict legal confinement of its powers. While these two last forms have no members, they are similar to forms with 'internal' governance with respect to time horizons and the degree of autonomy their managers enjoy from external capital market controls.

For the reasons just given, corporate governance form is likely to influence the approach which management takes to relations with employees. In the listed company context, because of the short-term time horizons involved and the opportunities for low-cost exit on the part of shareholders, we would expect to find a 'corporate governance constraint', limiting the extent of cooperation between management and labour. There is a growing body of evidence to suggest that such a constraint exists. Enterprise-based case studies have shown that managements in large listed companies enjoy much 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 to a tendency for managers in listed companies to come under pressure 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 et al. 2003). The emphasis in both law and practice on exclusive managerial accountability to shareholders may help to explain why institutionalized forms of worker representation do not seem to flourish in British and American companies (Ahlering and Deakin 2007). In a similar vein, it has been suggested that a reduced degree of engagement between managers and employees over organisational issues, and a greater use of individualized incentives, including financial ones, can be observed in listed companies, than in the case of corporate governance forms where these pressures are not present (Gospel and Pendleton 2005: 14-17).

By contrast to this focus on listed companies, there have been relatively few studies of the impact of corporate governance form on employment relations in mutuals and cooperatives. Nevertheless, qualitative research carried out in the mid-2000s in UK-based building societies and cooperatives found evidence that the absence of external shareholders was influencing managerial strategies with regard to employees; management respondents linked a long-term orientation to employment relations, and elements of a 'partnership' approach to dealings with employee representatives, to the corporate governance form of the firms concerned (Cook et al. 2003).

This is not to say that all listed companies, on the one hand, and all mutuals, cooperatives, charities and public service companies, on the other, will behave in the same way. 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, suggested that while shareholder pressure was a significant constraint on labour-management cooperation in some cases, in others managers were able to develop, often with union support, a strategy that persuaded shareholders to take a long-term view of their investments (Deakin et al. 2002, 2006). Sector-specific factors, including regulation of the quality of services and protection of consumer interests in the case of the utilities, played 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) and the trajectory of individual firms. This work suggests that, as we would expect, corporate governance form is only one of a number of potential influences on the management of labour, and that it is by no means the decisive one in all or even most cases. If there is a corporate governance constraint on listed companies, it could be mediated by regulatory factors, and by particular managerial strategies, but it remains a possible constraint nevertheless.

The studies just referred to are all based on qualitative research; 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. However, 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 must be tested against more quantitative approaches of the kind which the WERS and REPONSE datasets make possible.

Based on our analysis so far, we can identify a basic, first proposition for empirical (quantitative) testing:

(1) Corporate governance form influences the way labour is managed.

More specifically:
(1a) A governance constraint on management's dealings with labour can arise as a consequence of pressure to prioritise shareholder interests in the context of firms with a dominant 'external' stakeholder (in particular, publicly-listed companies).

(1b) Companies with 'internal' stakeholders such as worker or customer owners, and public interest companies, are better placed than listed companies to engage in cooperative forms of labour management.

III. National systems of corporate governance and stakeholder relations

If, at the national level, we would expect the system of corporate ownership and control to have an important influence on behaviour and outcomes at the levels of the organisation and work system, then it may also be the case that institutional differences across national systems are reflected in the ways in which competing stakeholder interests are reconciled within organizations operating under apparently similar corporate governance forms. Here a contrast is frequently drawn between 'liberal market' and 'coordinated market' systems (Hall and Soskice 2001), into which the British and French cases, respectively, are generally thought to fall. However, there are significant respects in which they do not conform straightforwardly to these models, and account must be taken of recent changes within the two systems which further complicate the picture.

Corporate governance in Britain and France takes different forms which are the result, to a large degree, of separate legal traditions and distinctive approaches to the regulation of the business enterprise (see Ahlering and Deakin 2007). Britain looks very much like a standard case 'Anglo-American' system in which the predominant mode of ownership of listed companies is either through individual investors or through the holdings of institutional investors such as pension funds, insurance companies and unit trusts. Although these institutions offer a degree of collectivized ownership, on the whole they actively strive to diversify their holdings in order to minimise risk. As a result, they frequently lack strong ties to particular companies and they rarely engage directly with corporate management. Instead, 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. Stock market liquidity is maintained through the enforcement of rules, in particular those relating to disclosure of investment information and the prohibition of insider dealing, aim to maintain a high degree of stock market liquidity (see Armour et al. 2003); and the hostile takeover, protected by the Takeover Code, serves as the external disciplinary mechanism.

Whereas the English law concept of the 'company' refers to a financial relationship between managers and investors; there is no explicit recognition of the enterprise's organisational dimension. This is not the case in France, where company law essentially sees the business enterprise as having an *organisational* dimension resting on the contributions made by a number of stakeholder groups, and not simply a *financial* dimension which describes the contribution of the shareholders (Aglietta and Rebérioux 2004). However, French company law has seen far-reaching changes in the direction of strengthening shareholder rights in recent years (for detail 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. In parallel with this change 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). Over 40 percent of shares in the top 40 listed companies (the CAC 40) are now held by overseas pension and mutual funds (mainly based in Britain and US), a considerable shift from just a decade ago (Rebérioux 2004).

Nevertheless, important differences remain between the British and French systems, both in terms of ownership structures and at the level of the normative framework. The British Takeover Code plays a pivotal role in focusing managerial attention in listed companies on the short-term, financial interests of shareholders (on the legal status and background to the Code, see Armour and Skeel 2007). Takeover defences, such as 'poison pills' which deter potential bidders (see Deakin et al. 2003), are very rarely put in place prior to a bid, in large part thanks to the Code; and the Code and related aspects of the Listing Rules underpin the principle of one-share, one-vote, which is regarded as sacrosanct by many institutional investors. 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 takeovers; and in a crucial point of difference from Britain, 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 (Aglietta and Rebérioux 2004).

In terms of employment regulation, 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, barely exists in France; a two-tier board structure is one option for larger companies, but very few take it up. The French *comité d'entreprise*, or enterprise committee, has representatives of both workers and managers, chaired by a representative of the employer; and although French workers, through the enterprise committee and other representative bodies, have significant rights of co-participation in decisions affecting the organisation of the firm, employee voice is not as deeply institutionalised at the workplace level as it is in Germany (on the French model and other systems of employee representation in EU member states, see European Commission 2007). Union influence within the workplace in France is also 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 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).

How would we expect this to affect the interaction of corporate governance and employment relations in the two countries? The British system is one in which both the structures of ownership and the regulatory framework privilege a shareholder-based conception of the firm. Managers 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 to some degree by regulation, in particular the growing institutionalisation of employee voice within the firm, via rights to information and consultation which have greater legal support than they have had in the past thanks to the implementation of the EU Information and Consultation Directive in 2004. 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. Rather, the emphasis is on the role of managers as custodians of the organisational entity of the firm, which they have a duty to sustain in the interests of a range of interested parties. Shareholders are included in this group but they do not have automatic 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.

This suggests a number of additional propositions for empirical analysis:
(2) Cross-national differences in the regulatory framework in Britain and France mediate the impact of corporate governance form on the management of labour.

More specifically:
(2a) Listed companies in France, being less subject to external shareholder pressure than their British counterparts, are in a better position to engage in commitment-oriented HRM practices.

(2b) Corporate governance form is a more powerful predictor of human resource practices and outcomes in Britain, where labour laws are a relatively weak countervailing force to shareholder pressure, than in France, where such laws are relatively strong.

IV Empirical analysis: corporate governance forms, HRM and employment relations outcomes

The next step is to identify the particular variables relating to corporate governance form, human resource management practices and employment relations outcomes, within the framework of WERS and REPONSE, which forms the basis for our empirical analysis. Analysis of WERS since its beginnings in the 1980s has been very extensive and it is now widely acknowledged to be a principal source of data on the nature of workplace-level employment relations in Britain. By contrast, there have been few studies in the Anglophone literature, at any rate, of REPONSE, which is surprising given that it is modeled to a large degree on WERS. First conducted in 1992, and then again in 1998 and 2004, this survey was explicitly 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: in total, 125,000 establishments employing 9,600,000 workers (42.7% of all employees in France) are covered in this sector. The public sector is excluded – a main point of difference from WERS, which is a representative sample of workplaces in Britain in both the private and public sectors. Like WERS, however, REPONSE offers a plurality of points of view for a given workplace: interviews are carried out with one senior manager having responsibility for employee relations issues, with one worker representative and with numerous employees. The topics covered are basically the same as in WERS: labour organisation, workplace changes, job management, worker involvement (information and consultation), pay systems, conflicts, and so on, but the precise questions differ, which makes the process of comparison not straightforward.

As we have seen, we hypothesize that corporate governance form has an impact on HRM practices and employment relations outcomes through its influence on stakeholder relations and that this may be mediated by the national institutional and regulatory context. This model is illustrated in Figure 1.

Insert Figure 1 about here

We now turn to our choice of specific corporate governance, HRM and employment relations variables.

The corporate governance variables

Although WERS is an establishment-based survey, respondents were asked to indicate the corporate form of the employer to which the establishment belonged. It is therefore possible to relate features of workplace-level employment relations to corporate governance form. In the WERS 2004 survey, twelve corporate governance categories based on formal (legal) status can be identified; these include public limited companies (plcs); private limited companies; companies limited by guarantee; partnerships (including limited liability Partnerships) and self-proprietorships; trusts and charities; bodies established by Royal Charter; co-operatives, mutuals and friendly societies; government limited companies, nationalised industries and trading public corporations; public service agencies; other non-trading public corporations; QUANGOs (quasi-autonomous national government organizations); and local/central government (including NHS & local education authority). It is also possible to identify those establishments belonging to companies with shares listed on a stock exchange. REPONSE is structured in a similar way, so that is possible to relate corporate governance form to establishments. However, fewer categories of corporate governance are differentiated, and the vast majority (86.7 percent) of workplaces in REPONSE are recorded as relating to a '*société commerciale*.' This form groups together the British public limited company (plc) and the private limited company. A number of other categories are identified, including mutuals and non-profits (see Appendix 1 for further detail).

Using the corporate governance forms identified in WERS 2004 and REPONSE 2005, we created three composite categories for the purposes of our analysis: these consisted of public listed companies; non-listed companies; and companies which we characterize as serving the interests of stakeholder-members or the public. The aim of this classification was to identify three categories which covered the broad spectrum of ownership forms, from the listed company with external shareholders at one end, to organizations with no share capital of any kind at the other. Privately held companies and unlisted plcs, in which share capital is normally held by insiders who are involved in management and have an medium to long-term time horizon, occupy the intermediate category. We did not study partnerships and self-proprietorships since while these are included in WERS they are excluded from REPONSE; for the same reason, the public sector had to be excluded from our analysis. Table 1 provides descriptive measures for the corporate governance variables in WERS and REPONSE. Greater detail on the construction of these variables is provided in Appendix 1.

Insert Table 1 about here

In classifying a wider range of corporate governance forms into just three main categories, we are not seeking to suggest that mutuals, cooperatives and public interest firms (for example) necessarily share identical features. However, as explained above (see section II), the relevant theoretical literature and qualitative studies of the influence of corporate governance forms on labour management point to there being an important distinction, from the point of view of the impact of corporate governance form on organisational behaviour, between forms with a dominant external stakeholder (here, listed companies), and those with strong internal stakeholders and/or a public interest remit (mutuals, cooperatives and public interest companies). Our third category, consisting of private companies and unlisted plcs, lies between these two: private companies and unlisted plcs may under certain circumstances be converted to listed status, and so may be managed with this end in view; but this is much more costly and time-consuming in the case of the types in our 'stakeholder-member/public interest' category (see Cook et al. 2003). In that sense, it is appropriate to treat this intermediate category as distinct from each of the other two.

The HRM and employment relations variables

The choice of HRM practice and employment relations outcome 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 or bundles of HRM practices that constitute an HCWS (Edwards and Wright 2001, Guest 2001). One branch of the research focuses on the effects of individual practices (e.g., Dyer and Reeves 1995, Guest and Hoque 1994) while the other takes more of a 'systems' approach (e.g., 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 (e.g., 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 (e.g., Appelbaum et al. 2000, Bailey et al. 2001). Our research is also informed by the Contingency theory of HRM, which stresses the importance of contextual factors from the external environment (e.g., 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, assumes centrality.

The issues raised are important for the relationship between corporate governance and employment relations, especially as the interaction between ownership forms and regulation may have a bearing on which HRM practices are adopted and how effectively they secure their objectives. Consequently, the practices we have included in the analysis include *training; performance related pay (PRP); autonomy; team working* and *engagement*, all of which are seen as high commitment HRM practices (e.g., Den Hartog and Verburg 2004, Wright and Gardner 2003, Wright et al. 2005). Because of pressure from external shareholders, we would expect managers in listed firms to be constrained in their ability to implement and maintain high commitment HRM practices but to make greater use of formal HRM practices, such as training, formal team-working and individualised incentives. By contrast, we would expect stakeholder firms to provide their employees with greater autonomy and opportunities for engagement. But the gap between listed and stakeholder firms may be narrower in France, where managers are less constrained in the HRM approaches they are able to take.

The effectiveness of HRM practices in achieving the HRM outcomes they are designed to deliver is an important intermediary link between HRM practices and organizational performance. Examining this, Guest (1997) proposed a causal path from high performance at the individual level to improved performance at the organizational level such that HRM practices 'influence workplace practice; employee attitudes change with increased satisfaction or commitment; there is a consequent effect on behaviour; and this in turn feeds through to performance of the work unit and eventually the company' (Edwards and Wright 2001: 570). Following this logic, the employment relations outcome variables included in our study include *job satisfaction* (e.g., Green et. al., 2006, Harter et. al. 2002, Fulmer et. al., 2003) and *organisational commitment* (e.g., Green et. al., 2006, Whitener 2001, Wright et. al. 2005). Our expectation, consistent with the literature, is that better HRM outcomes, such as higher levels of job satisfaction and organizational commitment, will contribute to better individual and, hence, organizational performance.

In the literature, certain of the HRM practices in our study have been shown to be related to job satisfaction and organisational commitment. But the research is far from conclusive. Berg (1999), for example, found that the use of high involvement work practices, particularly team-working, had a positive impact on job satisfaction whereas Guest (1999: 20) argued that 'HR practices have no direct impact on job satisfaction, instead working through a positive "psychological contract"'. Interestingly, while Guest (1999) and Berg (1999) both found a positive relationship between teamwork and job satisfaction, when other variables were included in their analyses, including autonomy, the relationship lost its significance. A more consistent relationship has been found between PRP and employee motivation, with a number of studies revealing a negative or insignificant relationship (e.g., Dowling and Richardson 1997, Lewis 1998). This is possibly because merit pay is seen to be a form of employer control. Not surprisingly, studies also find a mutually reinforcing positive relationship between job satisfaction and organisational commitment, with satisfaction posited to be a forerunner to commitment (Lok and Crawford 2001, Mathieu and Hamel 1989, Wasti 2003, Brashear et al. 2003).

Job satisfaction and organisational commitment can also be expected to be related to the form taken by corporate governance as mediated by the regulation of relationships among stakeholder groups. In listed companies, for example, the conditioning of managerial commitments to employees on the interests of shareholders has the potential to undermine employee commitment to the organisation as well as job satisfaction. By contrast, we would expect to see greater evidence of organisational commitment among employees in stakeholder firms. This effect is likely to be stronger in countries like Britain, where regulations provide strong legal protection for shareholder interests but relatively weak employment laws, and weaker in countries like France, with relatively strong protections for employee interests.

To sum up: we focus on two sets of variables within WERS and REPONSE. The first consists of variables relating to HRM practices. These are: training, individual PRP, autonomy, team working, and engagement. Two aspects of engagement with workers are identified: engagement over workplace change, and engagement over performance targets. Appendix 1, Table A sets out in detail the way in which these variables were constructed from the two datasets. As will be seen from this Table, 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. The second set of variables consists of employment relations outcomes. Here we focus on what we regard as two core indicators in the employee questionnaires: job satisfaction and organisational commitment. Appendix 1 Table A again sets out in detail how we constructed the relevant variables from the questions in WERS and REPONSE.

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 have an impact on the degree of formalization of the HRM system and hence the likelihood of having formal practices in place (Konzelmann et al. 2006). It is also likely to have an influence on the nature of the social relations of production and hence on the level of commitment employees might feel towards each other and the organisation. We also control for workplace age and structural conditions, including industrial sector, market share and nature of the market.

Empirical analysis of corporate governance, HRM and employment relations
To investigate the separate effects of corporate governance form on HRM practices and employment relations outcomes, we conducted two sets of regression analysis. In the first model, corporate governance (and control variables) are used to predict HRM practices. The three category variables of corporate governance were converted into dummy variables, and the omitted dummy variable was unlisted companies. Therefore, in the regression analyses, the effects of other corporate governance forms are relative to unlisted companies. As we have seen, control variables include establishment and organization size (number of workers), sector, establishment age, market share and state of the market. To investigate the separate effects of corporate governance form on HRM practices and employment relations outcomes, we conducted two sets of regression analysis. In the first model, corporate governance (and control variables) are used to predict HRM practices. The three category variables of corporate governance were converted into dummy variables, and the omitted dummy variable was unlisted companies. Therefore, in the regression analyses, the effects of other corporate governance forms are relative to unlisted companies. Control variables include establishment and organization size (number of workers), sector, establishment age, market share and state of the market. In the second model, high commitment HRM practices are added to predict the employment relations outcomes of job satisfaction and organizational commitment from the point of view of employees.

Linear ordinary least square regressions were used to analyse interval-measured dependent variables or variables with a fairly normal distribution. Logistic regressions were used to analyse binary dependent variables, or variables which required dichotomizing due to non-normal distributions. In these cases, we have indicated the percentage of the sample that the regressions explain. As we have pointed out, the nature of the WERS and REPONSE questionnaire means that the statistical and regression analyses are conducted at the level of the workplace and not the company or firm.

The results for WERS 2004 are summarized in Tables 2 and 4 and the results for REPONSE 2004 are summarized in Tables 3 and 5. As we have just noted, Appendix 1 Table A presents in greater detail the HRM and employment relations variables, showing how composite variables were constructed and how the survey items were aggregated, and Appendix 1 Tables B and C present the correlations between the study variables.

Tables 2 and 3 summarise the regression results for the model in which corporate governance is used to predict HRM practices in Britain (Table 2) and France (Table 3). In Britain, listed companies were positively associated ($p<.001$) with only one of the six HRM practices – team working – relative to the omitted dummy variable of unlisted companies. Being a British stakeholder-member/public interest firm was positively related to two of the six HRM practices, namely, autonomy and engagement about workplace change; and it was negatively associated with individual PRP.

Insert Table 2 about here

In France, being an establishment of a listed company was positively associated ($p<.001$) with four of the six HRM practices relative to the omitted dummy variable of unlisted public and private limited companies (See Table 3). These include training, autonomy, team-working, and individual PRP. Stakeholder-member/public interest firms were positively related to three out of the six HRM practices, including training, engagement with respect to targets and engagement in workplace change. Stakeholder-member/public interest firms were also positively associated with autonomy, yet less significantly ($p<0.1$).

Insert Table 3 about here

Tables 4 and 5 summarise the regressions when HRM practices are added to corporate governance and the controls to predict the employment relations outcomes of job satisfaction and organizational commitment. In Britain (Table 4), establishments of listed companies were not significantly associated with employee job satisfaction or organizational commitment, relative to non-listed companies, while being an establishment in a stakeholder-member/public interest firm was significantly positively related to organizational commitment. In other words, employees working in establishments of stakeholder-member/public interest firms reported being more committed to their organizations than employees in non-listed firms and listed firms.

Insert Table 4 about here

In France (Table 5), both listed companies and stakeholder firms were associated with high levels of job satisfaction; in other words, French employees in establishments serving the interests of stakeholder-members and in listed companies reported being more satisfied with their jobs compared with employees in non-listed firms.

Insert Table 5 about here

When examining the influence that HRM practices might have on employment relations outcomes, we conducted a strict test of these relationships. By including all of the HRM practices in the analysis, we were able to establish if any effects can be found for individual HR practices after controlling for all of the other practices. As is evident in Table 4, for Britain, the three practices of autonomy, engagement (relating to targets) and training were significantly positively associated with both job satisfaction and organizational commitment; and engagement (relating to changes) has a significant positive association with organizational commitment. Thus, employees that have more control over how they work, receive training, and are consulted regarding workplace targets, are more satisfied with their jobs and committed to the organization than their counterparts, while employees that are consulted regarding workplace change also report higher levels of organizational commitment. Table 5 shows that for French establishments, training and autonomy emerge as predictors of job satisfaction but they do not have a significant effect on organizational commitment.

Assessment

Table 6 summarises the significant findings with respect to the relationship between corporate governance and HRM practices and outcomes in WERS and REPONSE. In Britain, we found little evidence of the use of high commitment HRM practices in establishments of listed companies compared with unlisted and private companies, aside from team-working. By contrast, in French listed firms, we found evidence of a positive relationship between corporate governance form and not only team-working but also training, autonomy and individual PRP. We also found that British stakeholder/public interest firms were significantly more likely than unlisted and private companies to allow employees autonomy in their work and to engage with them over workplace change. These practices were also found in establishments of French stakeholder/public interest firms (although with lower significance) which in addition provided training and engaged their employers in setting targets. It came as little surprise that stakeholder firms were less likely to use individual performance related pay, significantly so in Britain.

Insert Table 6 about here

After controlling for HRM practices, we found no significant relationships between corporate governance form and either job satisfaction or organizational commitment in establishments of British listed companies compared with those of non-listed firms, but we did find a positive relationship for job satisfaction in establishments of French listed companies. We also found that employment in an establishment of a stakeholder/public interest firm was significantly positively associated with job satisfaction in France and organizational commitment in Britain.

When the effects of HRM practices on job satisfaction and organizational commitment are considered, British and French establishments have many similarities. Table 7 shows that in Britain and France, training and the degree of autonomy employees are given in carrying out their work are significant predictors of job satisfaction and, in Britain, of organisational commitment. In Britain, engagement with respect to targets also significantly predicts job satisfaction and organizational commitment; and engagement with respect to workplace change is positively associated with organisational commitment. By contrast, for France, REPONSE shows no significant relationships between HRM practices and organizational commitment.

Insert Table 7 about here

V Conclusions

This paper presents an empirical analysis of the relationship between corporate governance form and employment relations in Britain and France. Previous research (Deakin et. al. 2002; Armour et al. 2003; Gospel and Pendleton 2005; Konzelmann et. al. 2006), suggested that the commitments managers in listed companies can make to employees and other internal stakeholders are constrained by the priorities they are required to give to the interests of external shareholders who can readily sell their equity stakes. As a consequence, managers may find it difficult to deploy HRM practices requiring reciprocal commitment from the organization and its employees and which meet worker demands for greater autonomy and engagement. By contrast, the managers of unlisted/private companies, the exit of whose shareholders is more constrained, can offer a more inclusive and stable working environment. Even more so, stakeholder-member/public interest firms without external shareholders are better placed to give priority to organisational over financial goals, show a greater propensity to adopt HRM practices giving long term commitments to employees who they rely upon to deliver the benefits of work systems requiring high levels of worker involvement.

One of the theoretical propositions guiding our research is that employees are reflexive in their commitment to their employers, and reciprocate the loyalty their employers have for them. In turn, the commitment to their workers that managers are able to build into their side of employment relationship is negatively associated with the priorities that they are required by corporate governance form to give to other stakeholder groups. This generalisation applies to different forms of corporate governance within countries, and to what appear to be similar forms across countries but which are affected by regulations that shape the degree to which managers are required to commit themselves to the firm's workforce. For example, governance systems in Britain, which provide low levels of support for employee voice and participation but considerable protections for shareholders, would be expected to have less favourable employment relations outcomes than those in France where labour law requires management to be more protective of employee interests, regardless of corporate governance form.

We proposed two sets of research hypotheses, relating, respectively, to the influence of corporate governance form and country-specific features of the regulatory framework on HRM practices and outcomes. With respect to corporate governance form, we suggested that *(1) corporate governance form influences the way labour is managed*, and, more specifically, that *(1a) a governance constraint on management's dealings with labour can arise as a consequence of pressure to prioritise shareholder interests in the context of firms with a dominant 'external' stakeholder (in particular, publicly-listed companies),* and that *(1b) companies with 'internal' stakeholders such as worker or customer owners, and public interest companies, are better placed than listed companies to engage in cooperative forms of labour management.* We find broad support for hypothesis 1 and for the two sub-hypotheses.

In Britain, we found a significant relationship between being a stakeholder/public interest firm and high commitment HRM practices. British stakeholder firms were significantly more likely than both listed and non-listed firms to provide for greater worker autonomy and engagement over workplace changes. In addition, being in stakeholder firm was associated with a higher degree of organisational commitment on the part of employees. By contrast, listed companies in Britain were not significantly associated with any of the high-commitment HRM practices aside from team working. Thus in Britain, our empirical findings closely mirror our predictions that listed companies are subject to a corporate governance constraint in matters of HRM practices and that this effect is least evident in the case of stakeholder/public interest firms.

In France, on the other hand, the results confirm our general hypothesis, but present a somewhat different picture to that we observe for Britain. Having a stock market listing is significantly associated with an intense use of high commitment HRM practices and with greater job satisfaction; but both these are also true of French stakeholder-member/public interest firms. On the other hand, being in a French listed company has no significant effect on worker engagement in either setting targets or, most tellingly, in relation to workplace change. This suggests that HRM practices in French listed firms have little effect on the strength of labour's voice in corporate governance. Thus, while French managers of listed companies are less constrained than their British counterparts in the implementation of high commitment work practices, ultimately such firms are governed in the interests of shareholders and responding to worker voice is not a primary concern. By contrast, French stakeholder firms are more likely to engage with their employees than their listed or non-listed counterparts.

We are now in a position to reconsider our second set of hypotheses, which were that *(2) cross-national differences in the regulatory framework in Britain and France mediate the impact of corporate governance form on the management of labour*, in such a way that *(2a) listed companies in France, being less subject to external shareholder pressure than their British counterparts, are in a better position to engage in commitment-oriented HRM practices*, and *(2b) corporate governance form is a more powerful predictor of human resource practices and outcomes in Britain, where labour laws are a relatively weak countervailing force to shareholder pressure, than in France, where such laws are relatively strong.*

We do find differences in the degree to which corporate governance form influences managerial practices and outcomes in the two countries which confirm our broad hypothesis and which throw light on our suggestion that cross-national differences in labour regulation play a mediating role in relation to corporate governance forms. Our results for French listed companies suggest that they are indeed better placed than their British counterparts to engage in certain high-commitment HRM practices, but that they are more constrained than French stakeholder-member/public interest firms in their capacity to provide for employee voice within the firm. In line with our hypotheses, it appears that a stock market listing in Britain has a negative effect on HRM practices and employment relations outcomes, compared to France. The results for stakeholder firms in Britain and in France are consistent with the theory we presented, because in both countries stakeholder firms have higher levels of worker involvement and autonomy compared to other forms.

In the course of our analysis we looked at the relationship between certain HRM practices and employment relations outcomes independently of the influence of corporate governance form. We found that in Britain, training, autonomy and engagement had a positive relationship both with job satisfaction and organisational commitment; in France, training and autonomy are significant for job satisfaction. What this implies, for Britain, is that for firms of all types, beneficial employment relations outcomes can be achieved through the use of certain HRM practices; but certain of these practices (autonomy and engagement) are more likely be found in stakeholder/public interest firms than in other types. In France, job satisfaction is linked to practices (training and autonomy) which are more commonly found in both listed companies and in stakeholder-member/public interest firms, compared to the third category of unlisted firms. This suggests that corporate governance is less of a constraint on high-commitment managerial practices in France than it is Britain.

In France, managers in establishments operating under different forms of corporate governance appear to employ different strategies for gaining workforce cooperation – a range of formal HRM practices in listed firms and engagement in stakeholder firms. This is not inconsistent with our hypothesis that other factors in the French institutional environment – including strong worker representation laws and job security laws – mediate the effect of corporate governance forms. However, our hypothesis is only partially confirmed, since we might have expected France's worker representation laws, which are stronger than those in Britain, to have encouraged a higher degree of engagement in listed companies, and, in all firms, to have resulted in greater organisational commitment, neither of which is the case. However, it must be borne in mind that, as we explained in section III, the French system of workplace representation is not considered to provide rights equivalent in strength to the German model of codetermination. They may therefore provide only a weak foundation for mediating the impact of shareholder pressure in French listed companies. It is difficult go further than this, since neither WERS nor REPONSE contains questions concerning the perceived effects of employment laws *as such*. However, the result is indicative of an effect which it may be possible to verify in future using case studies or more specifically tailored survey questions.

In ending, it is important to bear in mind what our analysis has not been able to establish. We have evidence that a corporate governance constraint exists for listed companies, particularly in Britain, but we do not know the strength of this constraint 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 2004 as it stands, but it may become possible if WERS is linked in future to company-level data on share ownership. Such data 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 French and British systems are converging, and in particular whether the growing strength of shareholder protection laws in France is having an impact on labour management in listed companies. It may be possible to deploy the panel datasets in WERS and REPONSE to this end, but it should be noted that they are more confined in their scope than the principal datasets. 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 positive employment relations outcomes, in the sense that we have identified them, impact on financial 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 up 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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Figure 1: Corporate Governance and Employment Relations

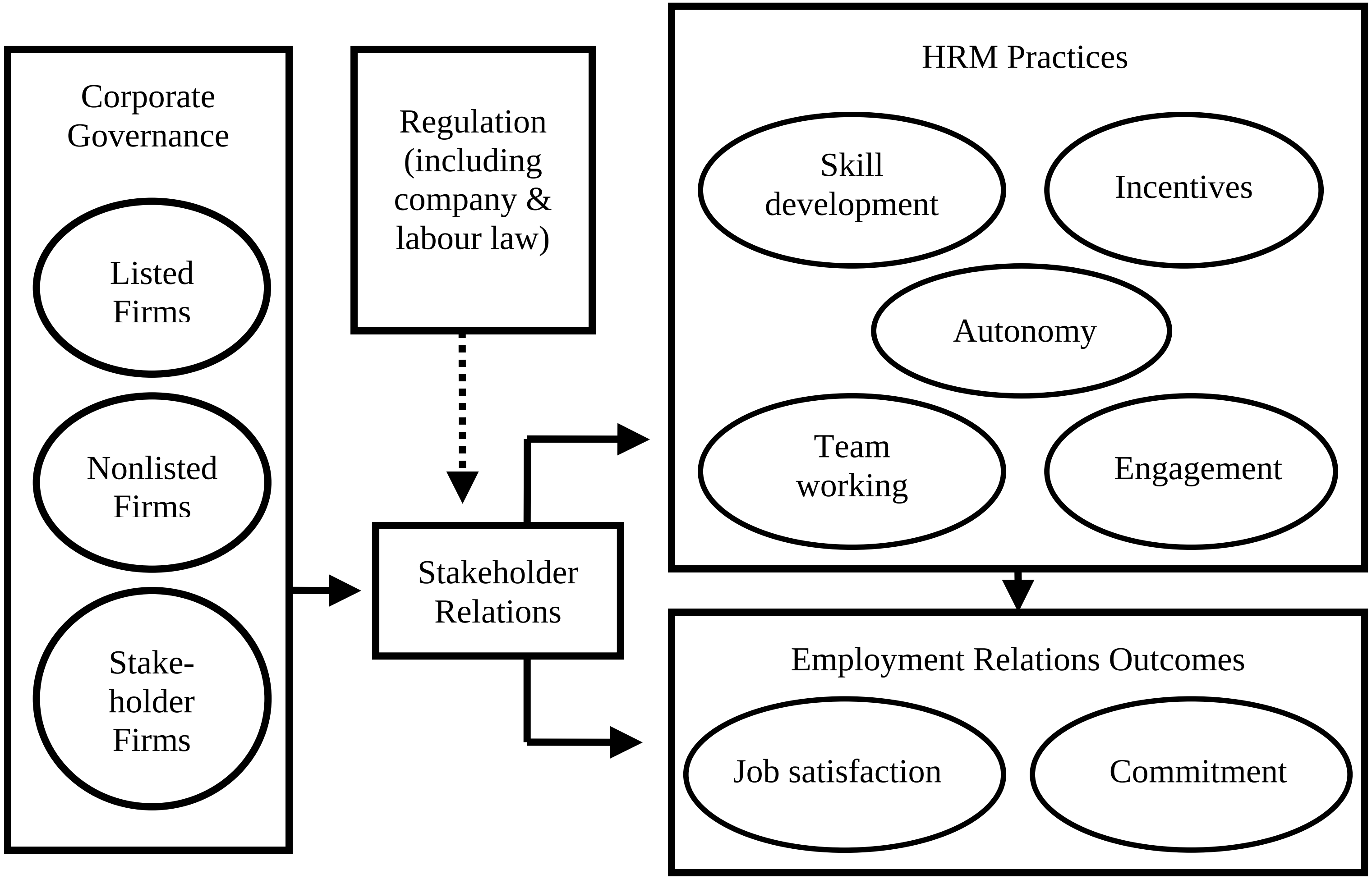

TABLE 1
REPONSE 2004 and WERS 2004
Corporate governance forms in France and the BRITAIN

	Number of establishments		Share of the sample		Median establishment size (no. employees)	
	WERS	**REPONSE**	**WERS**	**REPONSE**	**WERS**	**REPONSE**
Listed companies	453	1,117	29 %	38 %	159	288
Non-listed companies	906	1,527	58 %	52 %	48	106
Stakeholder-member firms	204	280	13 %	10 %	66	107
Total	1,563	2,924	100 %	100 %		

Table 2: HRM practices regressions for WERS 2004

	Training	Autonomy	Team working	Individual PRP	Engagement: changes	Engagement: targets
Regression method	Logistic	OLS	Logistic	Logistic	OLS	Logistic
% of the sample explained (for logistic regressions only)	16%		57%	13%		28%
Intercept	-3.55***	2.69***	-.11	-2.74***	3.59***	-.62**
Corporate governance						
Listed	.14	-.05	.38**	.07	.05	.27
Non listed	Ref	Ref	Ref	Ref	Ref	Ref
Stakeholder	-.09	.18**	.26	-1.18**	.24**	.27
Organization size						
Less than 1000 workers	Ref	Ref	Ref	Ref	Ref	Ref
1000 or more	.81***	-.01	.10	.65**	.14**	-.42**
Establishment size						
Less than 50 workers	-.12	.19***	-.50***	.15	-.05	-.02
50 to 199	Ref	Ref	Ref	Ref	Ref	Ref
200 to 499	-.45	-.13*	.13	.00	-.08	-.37
500 or more	-.12	.01	.20	.90***	.03	-.11
Sector						
Wholesale and retail	Ref	Ref	Ref	Ref	Ref	Ref
Manufacturing	.28	-.12*	.40*	-.15	.07	.10
Utilities	1.62***	-.09	1.43***	-.26	.39**	.29
Construction	.19	.10	.05	-.33	-.27**	-.30
Hotels and restaurants	.06	-.38***	.15	.39	-.19	-.69
Transport & communication	.13	-.16*	.15	-.46	-.08	-.41
Financial services	1.32***	.09	1.21***	1.73***	-.21*	.41
Other business services	.65*	.12	.37*	.77**	-.14	.43*
Community services	1.06***	.08	.76***	-.40	.13	.24
Establishment age						
Less than 20 years	Ref	Ref	Ref	Ref	Ref	Ref
20 years or more	-.10	.03	.04	.00	.02	-.19
Market share						
Less than 5%	.62*	-.01	-.39*	-.26	-.02	-.16
5 to 24%	Ref	Ref	Ref	Ref	Ref	Ref
25% or more	.73***	-.03	-.05	.29	.08	-.06
Not concerned, do not know	.36	.04	-.06	.24	-.01	-.19
State of the market						
Growth	.61***	.00	.21	-.05	.07	.00
Decline	.56	-.10	.03	-.81	-.01	-.62*
Other	Ref	Ref	Ref	Ref	Ref	Ref
Number of observations	1563	1557	1563	1563	1562	1563
R-square	0.12	0.08	0.13	0.22	0.05	0.05

Notes : Unstandardised regression coefficients for OLS regressions. R-square refers to the adjusted R-square for OLS regressions, and to Nagelkerke R Square for logits.

Table 3: HRM practices regressions for REPONSE 2004

	Training	Autonomy	Team working	Individual PRP	Engagement: changes	Engagement: targets
Regression method	OLS	Logistic	Logistic	Logistic	Logistic	Logistic
% of the sample explained (for logistic regressions only)		16%	19,3%	37,7%	28,6%	12,8%
Intercept	2.52***	-1.68***	-3.32***	-0.36*	-0.87***	-2.41***
Corporate governance						
Listed	0.27***	0.34***	0.54***	0.37***	-0.05	-0.20
Non listed	Ref	Ref	Ref	Ref	Ref	Ref
Stakeholder	0.33*	0.40(*)	0.28	-0.26	0.49*	0.58*
Organization size						
Less than 1000 workers	Ref	Ref	Ref	Ref	Ref	Ref
1000 or more	0.26***	-0.20	-0.07	-0.25*	-0.03	-0.24(*)
Establishment size						
Less than 50 workers	-0.64***	-0.04	0.09	-0.32**	0.03	0.13
50 to 199	Ref	Ref	Ref	Ref	Ref	Ref
200 to 499	0.19(*)	-0.08	0.24	-0.08	0.19	-0.10
500 or more	0.76***	0.58***	0.57***	0.30**	0.43**	0.51**
Sector						
Agri-food industry	0.07	-0.40	0.76*	-0.54*	-0.06	-0.21
Automotive	0.53***	-0.01	2.07***	-0.68***	0.07	0.47(*)
Consumer goods	0.38*	-0.55(*)	1.66***	-0.29	0.08	0.24
Construction	0.51***	-0.21	1.52***	0.36*	-0.02	0.51(*)
Intermediate goods, energy	0.59***	-0.20	1.70***	-0.28*	0.05	0.47*
Commerce	Ref	Ref	Ref	Ref	Ref	Ref
Business services	0.35**	0.46**	1.28***	0.04	-0.19	0.23
Financial services, real estate	1.04***	0.63**	0.76*	0.95***	0.01	0.06
Private services	-0.02	-0.75*	0.54	-0.70**	-0.04	0.58(*)
Education, health, social	-0.14	0.37	1.16***	-2.54***	0.26	0.94**
Transports	0.06	-0.54(*)	0.51	-0.48*	0.35	0.37
Establishment age						
Less than 20 years	Ref	Ref	Ref	Ref	Ref	Ref
20 years or more	0.07	-0.16	0.04	-0.15(*)	0.08	0.11
Market share						
Less than 3%	-0.30**	-0.04	0.06	-0.03	-0.34*	-0.00
3 to 24%	Ref	Ref	Ref	Ref	Ref	Ref
25% or more	0.02	-0.07	0.10	-0.13	-0.18	-0.09
Not concerned, do not know	-0.26**	-0.21	-0.05	0.02	-0.41**	0.03
State of the market						
Growth	0.12(*)	-0.12	0.19	0.32***	-0.17	0.01
Decline	-0.20*	-0.25	0.19	0.03	-0.12	-0.12
Other	Ref	Ref	Ref	Ref	Ref	Ref
Number of observations	2904	2904	2904	2904	2287	2679
Adjusted R-square	0.17	0.06	0.14	0.15	0.03	0.05

Table 4: HRM outcomes regressions (OLS) for WERS 2004

	Job satisfaction	Job satisfaction	Organizational commitment	Organizational commitment
Intercept	3.66***	3.42***	3.45***	2.97***
Corporate governance				
Listed	-.04	-.04	.00	-.01
Non listed	Ref	Ref	Ref	Ref
Stakeholder	.02	.00	.23***	.20***
Organization size				
Less than 1000 workers	Ref	Ref	Ref	Ref
1000 or more	-.08	-.08**	-.10**	-.11**
Establishment size				
Less than 50 workers	.09	.08**	.08*	.07*
50 to 199	Ref	Ref	Ref	Ref
200 to 499	-.02	.00	-.04	-.01
500 or more	-.04	-.04	.02	.01
Sector				
Wholesale and retail		Ref	Ref	Ref
Manufacturing	-.17	-.17***	-.16***	-.16***
Utilities	-.15	-.16*	-.08	-.12
Construction	.08	.08	.07	.08
Hotels and restaurants	.02	.06	-.04	.01
Transport & communication	-.15	-.13**	-.09	-.06
Financial services	-.24	-.24***	-.01	-.06
Other business services	-.06	-.07	.05	.02
Community services	.08	.06	.14**	.11*
Establishment age				
Less than 20 years	Ref	Ref	Ref	Ref
20 years or more	-.01	-.01	-.04	-.04
Market share				
Less than 5%	.01	.00	.00	.00
5 to 24%	Ref	Ref	Ref	Ref
25% or more	.03	.03	.09*	.08*
Not concerned, do not know	.05	.05	.09*	.08*
State of the market				
Growth	.05	.04	.05	.04
Decline	-.04	-.03	-.03	-.02
Other	Ref	Ref	Ref	Ref
HR practices				
Autonomy		.06***		.10***
Engagement: changes		.02		.04**
Team-working		-.03		.04
Engagement: targets		.06*		.09**
Training		.08*		.08*
Individual PRP		-.04		.08
Number of observations	1135	1135	1133	1133
Adjusted R-square	0.15	0.18	0.12	0.17

Table 5: HRM outcomes regressions (OLS) for REPONSE 2004

	Job satisfaction	Job satisfaction	Organizational commitment	Organizational commitment
Intercept	5.71***	5.36***	2.11***	2.02***
Corporate governance				
Listed	0.20**	0.23**	0.02	0.02
Non listed				
Stakeholder	0.45**	0.41*	0.08	0.09
Organization size				
Less than 1000 workers				
1000 or more	0.16*	0.14(*)	-0.02	-0.03
Establishment size				
Less than 50 workers	0.12	0.23*	0.01	0.03
50 to 199				
200 to 499	-0.06	-0.03	-0.07(*)	-0.06
500 or more	-0.19*	-0.22*	-0.06	-0.05
Sector				
Agri-food industry	-0.01	-0.11	0.02	-0.01
Automotive	-0.15	-0.20	0.06	0.10
Consumer goods	-0.09	-0.15	0.05	0.05
Construction	0.27	0.20	-0.03	0.04
Intermediate goods, energy	-0.13	-0.12	-0.01	0.01
Commerce				
Business services	-0.09	-0.17	-0.19***	-0.19***
Financial services, real estate	0.04	-0.05	0.01	0.02
Private services	-0.03	-0.14	-0.05	-0.04
Education, health, social	0.20	0.13	-0.28***	-0.20*
Transports	0.13	0.08	0.02	-0.01
Establishment age				
Less than 20 years				
20 years or more	0.09	0.05	0.02	0.06
Market share				
Less than 3%	0.07	0.17	-0.03	-0.02
3 to 24%				
25% or more	0.11	0.21*	-0.03	-0.03
Not concerned, do not know	0.11	0.12	-0.00	-0.02
State of the market				
Growth	-0.02	-0.03	0.05(*)	0.08*
Decline	-0.5***	-0.43***	0.00	0.02
Other				
HR practices				
Autonomy		0.09**		0.01
Engagement: changes		0.01		0.00
Team-working		-0.00		-0.01
Engagement: targets		0.07		-0.02
Training		0.06**		0.01
Individual PRP		-0.01		0.00
Number of observations	2245	1655	2293	1701
Adjusted R-square	0.04	0.04	0.02	0.01

Table 6
HRM practices and outcomes in listed and stakeholder establishments: comparison between WERS and REPONSE

	Listed Establishments		**Stakeholder-member and public interest establishments**	
	WERS	**REPONSE**	**WERS**	**REPONSE**
HRM practices, after controlling for size, sector, age, market share and nature of market				
Training	+	+ ***	–	+ *
Autonomy	–	+ ***	+ **	+ (*)
Team working	+ **	+ ***	+	+
Engagement re: targets	+	–	+	+ *
Engagement re: workplace change	+	–	+ **	+ *
Individual PRP	+	+ ***	– **	–
HRM outcomes, after controlling for HRM practices and other control variables				
Job satisfaction	–	+ **	0	+ *
Organizational Commitment	–	+	+ ***	+

*** p<0.001; ** p<0.01; * p<0.05.

Table 7
HRM Practices and Employment Relations Outcomes

HRM Practices:	Job Satisfaction		Organizational Commitment	
	WERS	REPONSE	WERS	REPONSE
Training	+ *	+ **	+ *	+
Autonomy	+ **	+ **	+ ***	+
Team working	–	–	+	–
Engagement re: targets	+ *	+	+ **	–
Engagement re: workplace change	+	+	+ **	0
Individual PRP	–	–	+	0

Results are reported after controlling for corporate governance form, size, sector, age, market share and nature of the market.

*** p<0.001; ** p<0.01; * p<0.05.

Appendix 1:
A note on the corporate governance variable for WERS and REPONSE

For both WERS and REPONSE, the corporate governance variable distributes the sample into three different, mutually exclusive, categories: 'listed companies', 'non-listed companies' and 'stakeholder-member/public interest firms'.

Construction of the corporate governance variable used in WERS
For WERS, the three categories of corporate governance (listed, non-listed, stakeholder) were derived from questions ASTATUS and ALIST in the WERS management questionnaire.

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, set out in the table below.

ASTATUS How would you describe the formal status of this establishment (or the organisation of which it is a part)?

	Frequency	Percent
1 Public Limited Company (plc)	576	25.1
2 Private limited company	794	34.6
3 Company limited by guarantee	55	2.4
4 Partnership (including Limited Liability Partnership) / Self-proprietorship	132	5.8
5 Trust / Charity	92	4.0
6 Body established by Royal Charter	33	1.4
7 Co-operative / Mutual / Friendly society	24	1.0
8 Government-owned limited company / Nationalised industry /	51	2.2
9 Public service agency	62	2.7
10 Other non-trading public corporation	13	.6
11 Quasi Autonomous National Government Organisation (QUANGO)	6	.3
12 Local/Central Government (including NHS and Local Education Authority)	457	19.9
Total	2295	100.0

The item ALIST asked respondents 'Are shares in your organization listed on a stock exchange?' and was only presented to respondents working in a plc (i.e., ASTATUS = 1). This was followed by yes/no response. 453 respondents (80% of plcs) reported their organization as listed.

Our listed corporate governance type refers to listed plcs (ASTATUS = 1 and ALIST = 1); non-listed refers to private limited companies (ASTATUS = 2) and unlisted plcs (ASTATUS = 1 and

ALIST = 2); stakeholder-member/public interest refers to companies limited by guarantee, trusts and charities, bodies established by Royal Charter, and co-operatives/mutuals/friendly societies (ASTATUS = 3, 5, 6, 7). All other categories of ASTATUS (4, 8, 9, 10, 11, 12) were removed from the analysis.

Construction of the corporate governance variable used in REPONSE

In the French case, the information on corporate governance derives from two different sources. The first is the 9-digit INSEE classification for the organisation the establishment belongs to, excluding categories 1 (partnerships or physical persons) and 7 (administrative law legal persons). The second source is the REPONSE managers' survey which asks whether or not the entity is listed on a stock exchange.

The vast majority (87.6%, non weighted) of the REPONSE sample are based on the INSEE classification '*Société commerciale*' (category 5), or 'business company'. Almost a half (48.3%) of the '*Sociétés commerciales*' are listed. Of these, most are '*Sociétés anonymes*' (comparable to UK plcs), but certain other forms such as cooperatives are also included. All listed '*Société commerciales'* were classified as 'listed companies' and the others (51.7%) were categorized as 'non listed'. Categories 2, 3 and 6 of the INSEE classification are very small and quite close to '*Sociétés commerciales*', with some being 'listed' and others 'non listed'.

The 'stakeholder-member/public interest firm' class includes three categories of the INSEE classification: Category 4 'Administrative law legal persons, regulated by commercial law' (2.2% of the sample); Category 8 'Mutuals, unions, work councils' (less than 0.1% of the sample); and Category 9 'Non for profit organizations' ('*associations Loi de 1901'* and '*fondations*'; 6.2% of the sample).

The main difference between the corporate governance variable for WERS and REPONSE is the treatment of 'cooperatives'. In the French case, they are classed as either 'listed companies' or 'non-listed companies', whereas they appear as 'stakeholder-member/public interest firms' in WERS. The reason is that in France, cooperatives have equity capital and can be listed whereas this is not the case in Britain.

Appendix 1: Table A
Construction of Composite Variables for HRM Practices and HRM Outcomes in WERS 2004 and REPONSE 2004

	WERS 2004		REPONSE 2004	
Composite Variable	**Survey questions**	**Coded responses**	**Survey questions**	**Coded responses**
Management Questionnaire				
		HRM Practices		
Training	Dummy variable where 1 = count of 3 across 3 items, 0 otherwise: 1. % employees given off-the-job training 2. No. days training received 3. Performance appraisals used to determine training needs	1 (≥60%), 0 (<60%) 1 (≥1 week), 0 (< 1 week) 1 (Yes), 0 (No)	Count across 2 items: 1. Spending on training as a % of total wage bill 2. Is there a link between the output of worker periodical performance appraisal and training definition?	less than 1.5%=0; from 1.5 to 2%=1; from 2 to 3%=2; from 3.1 to 4%=3; from 4.1 to 6%=4; more than 6%=5 no link or no performance appraisal =0; indirect link=1; direct link=2
Autonomy	Arithmetic mean across 3 items: 1. Degree of discretion in work 2. Degree of control over pace of work 3. Degree of involvement in decisions over how work is organized	4 (a lot) to 1 (none)	Count across 3 items: 1. Is work defined as precise tasks or in terms of general objectives? 2. In case of minor incident, are workers encouraged to solve the problem themselves or to refer to their hierarchy? 3. Is control over work permanent, intermittent or occasional?	precise definition=0; global objective=1 refer to the hierarchy=0; solve themselves=1 permanent=0; intermittent=1; occasional=2
Team-working	What proportion of largest occupational group at this workplace work in formally designated teams.	1 (≥80%), 0 (<80%)	Count across 2 items: 1. % of employees involved in autonomous work teams. 2. % of employees involved in pluridisciplinary workgroups or project	not used=0; less then 5%=1; from 5 to 19%=2; from 20 to 49%=3; more than 50%=4

			teams.	
Engagement re: targets	Are targets (sales, costs, profits, productivity, quality. turnover, satisfaction, etc.) set in consultation with employees or employee representatives?	1 (Yes), 0 (No)	If targets are set in your establishment (concerning profitability, growth, budget constraint, wage bill, quality or security) [1] did you negotiate them with worker representatives?	1 (Yes), 0 (No)
Engagement re: workplace change	Arithmetic mean across 2 items: 1. Decisions at this workplace are made without consulting employees (reverse scored) 2. We do not introduce changes without first discussing implications with employees	5 (strongly agree) to 1 (strongly disagree)	Count across 7 items: Considering the most important change in your establishment over the last three years[2], did you discuss before this change took place: 1. individually, with each employee directly concerned? 2. at the working unit level? 3. collectively, with all the employees concerned? 4. with some or all worker representatives? What was the objective of those discussions: 5. to consult? 6. to negotiate the modality of the change? 7. to negotiate the principle of the change?	1 (Yes), 0 (No) 1 (Yes), 0 (No) 2 (Yes), 0 (No) 3 (Yes), 0 (No)

[1] Roughly 8% of the sample is excluded from this question, because those establishments do not have any targets.

[2] Changes at stake may concern the owner of the firm, an important growth or reduction in staff, technological change or the launching of a new product for example. Roughly 21% of the sample is excluded from this question, because no important change occurred over the last three years.

Individual performance related pay (PRP)	Dummy variable where 1 = count of 3 across 3 items, 0 otherwise: 1. Pay linked to formal job evaluation 2. Payment by results or merit 3. Profit related pay	1 (Yes), 0 (No)	Count across 4 items: Did non-managerial workers benefit in 2004 of: 1. Individualised pay hikes? 2. Individual performance related bonuses? Did managerial workers benefit in 2004 of: 3. Individualised pay hikes? 4. Individual performance related bonuses?	1 (Yes), 0 (No)
Employee Questionnaire[3]				
		Employment Relations Outcomes		
Job satisfaction	Arithmetic mean across 5 items: How satisfied are you with: 1. Scope for using initiative 2. Influence over job 3. Training you receive 4. Job security 5. Amount of pay you receive	5 (very satisfied) to 1 (very dissatisfied)	Count across 3 items: Do the following items impede your involvement at work? 1. The lack of autonomy 2. The lack of training 3. Job insecurity	yes, definitely=0; yes, a little=1; no, not really=2; no, not at all=3
Commitment	I share many of the values of my organization	5 (strongly agree) to 1 (strongly disagree)	Does sharing the value of the organisation motivate your involvement at work?	no, not at all=0; no, not really=1; yes, a little=2; yes, definitely=3

[3] Because there are multiple employee respondents from each establishment, the employee score for each establishment is worked out by averaging scores for each question across employees at that establishment. In this way we arrive at a single score for each question in the employee questionnaire, to go alongside the single score from the management respondent for the management questionnaire, for each establishment.

Appendix 1 Table B Zero-order Pearson correlations between main study variables in WERS 2004

	Mean	Standard Deviation	Listed plcs	Non-listed plcs	Owner-member firms	1	2	3	4	5	6	7
1 Training	.14	.34	.07**	-.09***	.03							
2 Autonomy	2.75	.72	-.09***	-.01	.14***	.12***						
3 Teamworking	.57	.50	.15***	-.18***	.06*	.16***	.06*					
4 Individual PRP	.13	.34	.17***	-.08**	-.11***	.12***	.03	.08**				
5 Engagement: target	.28	.45	.00	-.03	.05	.08**	.16***	.10***	.06*			
6 Engagement: change	3.71	.84	.03	-.12***	.13***	.08**	.15***	.12***	-.01	.12***		
7 Job satisfaction	3.61	.39	-.19***	.09**	.12***	.06	.19***	-.08**	-.10***	.10**	.05	
8 Organizational Commitment	3.49	.49	-.12***	-.06*	.24***	.10**	.25***	.06*	.03	.15***	.12***	.64***

N ranges from 1558 to 1563 for correlations among variables 1 to 6, N ranges from 1134 to 1139 for correlations with job satisfaction and organizational commitment.

* for p<0.05

** for p<0.01

*** for p<0.001

Appendix 1 Table C Zero-order Pearson correlations between main study variables in REPONSE 2004

	Listed public companies	Non-listed public companies	Owner-member firms	1	2	3	4	5	6	7
1 Training	.19***	-.17***	-.03							
2 Autonomy	.07***	-.11***	.08***	.15***						
3 Teamworking	.17***	-.18***	.03	.26***	.15***					
4 Individual PRP	.22***	-.03	-.33***	.27***	.08***	.08***				
5 Engagement: target	-.05*	-.03	.13***	.01	.02	.10***	-.09***			
6 Engagement: change	-.02	-.02	.08**	.10***	.04	.14***	-.02	.11***		
7 Job satisfaction	.00	-.08**	.12***	.06**	.07**	.00	-.04	.03	.02	
8 Organizational Commitment	.02	.01	-.04	.03	-.03	-.02	.03	-.01	.01	.17***

N = 2672 for correlations among variables 1 to 6, N=2474 for correlations with engagement regarding targets and N=2096 for correlations with engagement regarding change; N=2258 for correlations with job satisfaction and N=2307 for correlations with organizational commitment.

* for p<0.05
** for p<0.01
*** for p<0.001