The Micro-Foundations of Employment Systems:

An Empirical Case Study of Britain and France

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Abstract

Building on existing studies of national employment systems, we undertake a comparative analysis of the micro-foundations of employment relations in Britain and France. Our analysis utilises harmonised, linked employer-employee survey data for the two countries and takes a multi-dimensional approach in which the national level remains meaningful but within-country variance is also emphasised. Our analysis contrasts the British model characterised by variability and heterogeneity with a French model characterised by stability and uniformity. We discuss ways in which these systems are shaped by differences in employer and employee networks, the financial and organisational links between firms, and macro-institutions.

Keywords: employment relations; survey; national models; employment regimes

JEL classification: J21; J31; M51; P52

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1. Introduction

The literature discussing the relevance and content of national systems of employment relations is of long-standing, but far from static. Following the intense internationalisation of economies at the end of the 21st century, debates focused on the potential for convergence or divergence of national models (Berger and Dore, 1996; Rubery and Grimshaw, 2003; Lallement and Spurk, 2003). This literature indicates that global competition has not led to isomorphism and convergence of economies. The emergence of the varieties of capitalism literature (Hall and Soskice, 2001, Amable, 2003) can be seen in this light: even if countries are considered in sub-groups, rather than individually, different national models persist.

In contrast to these studies, another strand of literature has developed since the 2010s. It highlights within-country dynamics. Contributions come from economists, who emphasise the primacy of firm and worker-level decision-making when characterising the operation of firms and labour markets (Bloom and Van Reenen, 2010; Scur et al., 2021), and from sociologists and political scientists, who point to the importance of dynamics at the sectoral or multinational firm level rather than the national level (Bechter et al., 2012; Bechter and Brandl, 2015). Both approaches highlight the *internal* heterogeneity within national models, albeit in different ways, and give less prominence to the national level.

In the light of these debates, we revisit the notion of national models, adopting an approach informed by the work of David Marsden (Marsden, 1999; Marsden and Belfield, 2010; Doellgast and Marsden, 2019) in which linked employer-employee data are used to offer insights into national employment relations regimes. The approach highlights differences across countries in the degree of internal heterogeneity in the employment relations regimes and stresses the role of norms and institutions in creating these differences in internal dynamics and heterogeneity of outcomes.

Much of the literature characterising national models of employment relations operates at a country level, identifying similarities and differences across countries based on aggregate data (see for example Milner, 2015, or the varieties of capitalism literature referred to earlier). When micro-survey data on firms and workers are deployed, it is usually to test hypotheses about the incidence or operation of variables of interest based on characterisations of the national system of employment relations (see for example Bryson et al. 2021), or to investigate convergence or divergence in national employment regimes (see for example, Addison et al., 2013). Here we use micro-survey data to further our understanding of national models in a way that pays close attention to the degree of within-country variance and its connections to the broader institutional environment.

This approach builds on the tradition of analysing how institutions shape national norms and practices (DiMaggio and Powell, 1983), particularly research on 'societal effects' (Maurice et al., 1979, 1986, Maurice et al., 1980, Marsden et al., 1990) and the work of David Marsden (1999) on the micro-foundations of national models. This body of work combined analysis of institutional features and micro-survey data to draw country profiles, recognising the value of linking micro

and macro levels of analysis.[1] Marsden maintained that national employment systems operate as a framework in which "even though each decision by a firm and its workers may be taken individually, there are strong pressures to conformity [through] the institutionalisation of prevailing employment norms" (Marsden, 1999: 269).

Our empirical investigation is based on two comparable linked employer-employee surveys, the *Workplace Employment Relations Survey* (WERS) for Britain and the *Enquête Relations Professionnelles et Négociations d'Entreprises* (REPONSE) for France. They combine representative samples of employers with linked samples of their employees and cover various facets of the employment environment (corporate governance, market competition, and human resource management). The value of these data is threefold. First, they contain the necessary information allowing us to specify the links between economic and institutional actors (employers and employees; unions and business organisations) and therefore to highlight how the micro and macro features, from actors' networks to institutional patterns, are linked to workplace outcomes. Second, the large samples of workplaces and employees make it possible to specify the degree of heterogeneity of individual situations. Third, the longitudinal dimension of the data provides a means of testing the degree of stability, or instability, of the situations observed in each country.

Early studies initially characterised the national models as being typified by the presence of "internal labour markets" in France and "occupational labour markets" in Britain (Eyraud et al. 1990). By the turn of the century, several studies documented the destabilisation of these models, especially in Britain given the demise of the apprenticeship system (Marsden, 2007). Since then, the prevailing literature has emphasised the pivotal role for market mechanisms and competition in Britain, in the context of relatively light product and labour market regulation, and the tempering of market forces by strong collective rules and institutions in France, most often stemming from the state. These broad features would lead one to expect a greater degree of stability in employment in France than in Britain, and greater uniformity in wage outcomes. However, the extent to which this is evident in practice cannot be deduced *a priori*.

Our substantive focus is on the quantity of labour engaged by workplaces in the two countries and the degree of variance in wages within and between workplaces. The quantity and price of labour are core features of any employment system. Each dimension is examined via harmonised indicators taken from our pooled dataset. Through our analysis, we show that there is indeed greater stability and uniformity within employment relationships in France compared to Britain. Observable characteristics also explain more of the variance in employment and wage outcomes in France than in Britain. We then draw on our wide-ranging linked employer-employee pooled dataset to explore important reasons for these patterns at the institutional level, examining the extent of employer and employee networks, the role of corporate governance and ownership patterns, and the role of regulation and legal standards. Specifically, we argue that the actions of firms and workers are shaped in both space and time by the societal context in ways that lead to greater or lesser degrees of internal heterogeneity, depending on the precise nature of the prevailing institutional framework.

The article proceeds as follows. In Section 2, we describe the aims of the research and provide an overview of the research approach. Section 3 provides further details on our survey data and methods of analysis. Section 4 presents the main statistical results concerning workforce dynamics

[1] Frege and Kelly (2013) argue that linkage of these different levels of analysis is at the core of comparative research.

and wage heterogeneity. A discussion of workplace-level institutional factors and their links to workplace outcomes follows (Section 5), before a short conclusion (Section 6).

2. Aims and research approach

2.1 Research aims

Since the 1980s, the internationalisation of societies has supported common trends that have affected developed economies all over the world. Such trends include the flexibilisation, fragmentation, liberalisation, financialisation or marketization of economies (Crouch, 2009, Baccaro and Howell, 2011, Rubery, 2015). In this context, multiple comparative studies have focused on the similarities and differences between European countries, including between France and Britain. These two market economies are geographically close, with similar populations and GDP, and with extensive mutual trade. Almost 40 years of European Union (EU) membership has led markets to adopt shared standardisation and regulations – many of which remain despite the UK's exit from the EU.

And yet, if we consider the differences, many characteristic traits have been revealed, describing Britain as the ideal liberal market economy and France as an emblematic, but unique, example of an economy regulated by both the Government and social partners, mid-way between the situations prevailing to the North and South of Continental Europe. These national portraits are built on a tradition of research at the interface of different social sciences, as part of the literature on the history of business relationship systems, production regimes, social systems and varieties or types of capitalism (Esping-Andersen, 1990; Crouch, 1993; Hollingsworth and Boyer, 1997; Hall and Soskice, 2001; Amable, 2003; Gallie, 2007). They are mainly based on macro-economic or macro-political indicators even if some combine these macro characteristics with case studies, such as those carried out by the 'societal analysis' research program (Maurice et al, 1986; Eyraud et al., 1990). Their aim is to identify the main characteristics of each country (or group of countries) and how they relate to one another.

The strength and popularity of such studies lies precisely in their power of synthesis - their ability to illustrate national specificities in a synthetic and coherent portrait. Yet, recent contributions have questioned the very concept of a national model (Bechter et al., 2012; Bechter and Brandl, 2015; Demazière et al., 2013; Dumitru, 2014). One strand of this more recent literature emphasises the specificity of employment relations along firm, regional or sectoral dimensions (Almond and Ferner, 2006; Doellgast et al. 2009; Bechter et al., 2012; Jaerhling and Méhaut, 2013; Bechter and Brandl, 2015). Another adopts a more universalist perspective focusing on the identification of common structural features of firm behaviour which exist almost irrespective of the national system in which they take place (e.g. Bloom and Van Reenen, 2010; Scur et al., 2021).

Given the role for the legal system, public policy and culture, we maintain that the national level remains a key component of the institutional context in which corporate action takes place (Marsden, 1999). Following Doellgast and Marsden (2019), we argue that different institutions combine in setting the context for workplace-level decisions. Assessments of these institutions vary across different sets of actors, notably employers and employees, in ways that 'create' employment relations as social relations that are inherently fluid and subject to renegotiation.

Our aim, then, is to contribute to the existing literature on national models by drawing a portrait of France and Britain in which we highlight the degree of heterogeneity both between and within each employment system.[2] We investigate these aspects of heterogeneity through a focus on two key features of the labour market – workforce dynamics and wage heterogeneity. We then discuss the results having regard to the ways that actors are connected through employer and employee networks, linked by financial and organisational ties, or influenced by legal standards and norms.

2.2 Research approach

Debate about the appropriateness of the unit of analysis for comparative analysis has an important methodological dimension. The choice of an inductive or deductive approach, as well as the reliance on quantitative or qualitative data, often influences the lines along which any comparative analysis will be made. The micro-macro approach we adopt is made possible by an in-depth and multi-level analysis of rich micro-statistical data covering a range of topics.

Specifically, we utilise data from the British *Workplace Employment Relations Surveys (WERS 2004 and 2011)* (Department for Business Innovation and Skills, 2013) and the French *Enquête Relations Professionnelles et Négociations d'Entreprises (REPONSE 2005 and 2011)* (DARES, 2013).[3] These are nationally-representative surveys of establishments (workplaces) and their employees, carried out at very similar times to very similar methodologies. Both WERS and REPONSE involved long face-to-face interviews with workplace managers. These interviews provide data on the employment practices in operation at the workplace, as well as demographic information about the workplace and any parent enterprise. Both also included self-completion surveys conducted among randomly-sampled employees in those same workplaces. These questionnaires provided information on the job characteristics and working conditions of the sampled employees, thus ensuring that the surveys obtain a rounded picture from both sides of the employment relationship.

The surveys were developed loosely in parallel and contain many comparable data items. They have the advantage of providing larger samples than some of the most prominent harmonised cross-national surveys (such as the *European Working Conditions Survey*, the *European Social Survey* and the *European Company Survey*), even though these offer more recent data. Importantly, our surveys also offer the significant advantage that the data from employees and their workplace managers can be linked, enabling us to combine detailed information on individual employees' working conditions with rich information on the management practices and demographic characteristics of the workplaces in which they are employed.

Their unique features make these surveys particularly suitable for an in-depth multi-level comparison of two national situations, as they provide novel insights into the concept of a national model by permitting a transversal and inductive approach, founded on micro-empirical

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[2] Our approach echoes that of Coutrot (1998) who highlighted the uniformity of industrial relations practices in France with respect to union presence and consultative committees when compared with the UK.

[3] REPONSE has since been undertaken again, in 2017. However, there has been no further iteration of the WERS survey and so a comparative analysis cannot be undertaken at that time point. We therefore focus our attention on the 2011 data. Our analyses have been replicated for both countries in 2004; these results are shown in Supplementary Appendix B to illustrate that the core features of each country revealed by our analysis have been stable over time. Supplementary Appendix C uses Labour Force Survey data to show that the distributions of job tenure and wages have not altered substantively in either country since 2011, aside from the compression of the bottom of the earnings distribution in Britain, which we discuss in Section 5.

observations of key features of the employment relationship. Their value has been recognised elsewhere (Whitfield et al, 1998; Bryson and Frege, 2010) and we are not the first to use these data to compare France and Britain: comparative studies based on WERS and REPONSE have previously been undertaken by Coutrot (1998), Conway et al. (2008), Marsden and Belfield (2010), Bryson et al (2011), Marsden and Laroche (2018), and Bryson et al. (2021) among others. However, previous studies tend to focus on specific issues, such as the nature of wage setting (Marsden and Belfield, 2010) or aspects of job quality (Bryson et al, 2021). Our analysis is multi-thematic, enabling us to contribute more generally to discussions about the nature of employment in the two countries.

In this respect, our approach is complementary to the existing literature on national models. It combines the ability to make robust national cross-national comparisons (by virtue of the comparability of the two surveys), with representative statistical data on individual workplaces, which provides the opportunity to consider the degree of heterogeneity observed below the national level. This approach enables us to revisit the concept of national models in a way that leaves room for infra-national dynamics and diversity and which focuses on the interaction between actors, linking these patterns to institutional and organisational characteristics.

3. Data and methods

3.1 Data

Despite the initial similarities between the surveys WERS and REPONSE, putting their results into perspective required a large-scale process of ensuring consistency between the two sources.[4] Our analysis was thus first based on an in-depth comprehension of the survey questionnaires based on a process of translation with adjudication (Harkness, 2003). Practices which have the same labels, or which seem to be equivalent, may not always be so. We have paid close attention to this point, both when translating questionnaires and when analysing survey data. We do not comment in detail on the construction of the numerous variables used in the article, for reasons of brevity, but all are precisely described in Amosse et al. (2016).

We also align the samples of the two surveys so that they are representative of the same populations. Specifically, our analysis focuses on data from private sector workplaces with 11 or more employees, except those operating in agriculture, mining, public administration and defence, activities of households as employers and extraterritorial organisations (i.e excluding NACE Rev.2 Sections A, B, O, T and U), this being the lowest common denominator in terms of the coverage of the workplace surveys.[5] In respect of employees, our analysis is constrained by REPONSE's sampling approach, which only covered employees with 15 or more months of tenure. Our harmonised employee samples thus omit employees in WERS with tenure of less than one year.[6]

[4] Readers can access all of the documents (and notably translated questionnaires and glossaries of local terms) and programmes required for the combined analysis of the two surveys from the following website: https://www.niesr.ac.uk/projects/employment-relations-britain-and-france. The harmonised data used in the article is described in more detail by Amossé et al., 2016 (p. 14-22).

[5] This applies to all analyses of the 2011 waves of data. Any analyses using the 2004/5 waves of data are based on private sector workplaces with 21 or more employees, due to the higher employment threshold that was applied in the 2005 REPONSE survey.

[6] By implication, our employee samples under-represent employees on temporary contracts.

In total, our harmonised dataset from WERS/RESPONSE 2011 contains observations from 5,549 workplaces (1,602 in Britain, 3,947 in France) and 22,825 employees (11,581 in Britain, 11,244 in France). Our workplace data are representative of almost three quarters (74 per cent) of all private sector employment – and around 55 per cent of *all* employment – in each of the two economies (Amossé et al, 2016: Table A.5). Our harmonised employee samples are representative of over four-fifths of all private sector employees in workplaces with 11 or more employees (87 per cent in France and 83 per cent in Britain). This in turn makes them representative of around half of all employees in each economy (*ibid.*).

We also utilise the WERS and REPONSE workplace panel surveys, in which surviving workplaces from WERS 2004 and REPONSE 2005 were re-interviewed in 2011. These surveys allow us to observe changes within workplaces across the period 2004/5-2011. These panel data – available for 473 workplaces in Britain and 866 in France - are representative of private sector workplaces that had at least 21 employees in 2004/5 and at least 11 employees in 2011.

3.2 Methods

Our analysis focuses initially on two aspects of workplace employment relations: the dynamics of employment at workplace level; and the extent of wage heterogeneity at employee level. We thereby provide insights into key features of the employment relationship from both the workplace and employee perspective. We explore the degree of heterogeneity across and within the two countries, using a mixture of bivariate and multivariate analysis. Our purpose is not to determine causality, but rather to identify differences at national level that are not simply a consequence of different structures in productive systems, workforce composition and HR practices. Further details on the methods of multivariate analysis are provided later. We then follow these analyses with a more discursive exploration of the institutional features of workplace relations at the micro level.

We use survey weights at employee and workplace level throughout to ensure that our estimates are representative of the employee and workplace populations covered by the surveys. Standard errors account for the complex sample design used in each survey, which incorporates variable probabilities of selection at both the workplace and employee levels and the clustering of employee observations within participating workplaces.

4. Workplace dynamics, job tenure and wage heterogeneity in Britain and France

4.1 Workplace dynamics and job tenure

To examine the degree of diversity between Britain and France on the dynamics of employment at the workplace, we focus on three indicators: the job tenure of employees; the age of the workplace; and the change in the size of the workforce. The measure of employee job tenure is taken from the 2011 employee survey. The measure of workplace age is taken from the 2011 management survey, as is the measure of workplace employment change. The latter is defined as the change in employment at the workplace between 2004/5 and 2011 expressed as a percentage of the average level employment at the workplace across the two years, a measure standard in the

literature (Bryson, 2004). It is calculated on panel establishments that survived the period, and thus confined to workplaces that had at least 21 employees in 2004/5 and at least 11 in 2011.

Concerning workplace age and employee tenure, we first compare the raw distributions in the two countries. Then, we estimate multinomial logistic regressions with a set of workplace and/or employee characteristics used as controls on the pooled sample, paying particular attention to the coefficients on the country dummy before and after the addition of controls. The specifications are as follows:

$$log\left(\frac{Age_{jk}}{Age_{jk^*}}\right) = a_0 + a_1 Z_j + a_2 \gamma + \varepsilon_j \quad k \neq k^* \qquad \text{(Eq. 1)}$$

$$log\left(\frac{Tenure_{ijk}}{Tenure_{ijk^*}}\right) = a_0 + a_2 X_{ij} + a_2 Z_j + a_3 \gamma + \varepsilon_{ij} \quad k \neq k^* \qquad \text{(Eq. 2)}$$

where *Age* is a categorical variable indicating the age of workplace *j* and *Tenure* is a categorical variable indicating the job tenure of employee *i* in workplace *j*. Both variables have response categories *1, 2, …, k*, with *k** as the baseline category. *Zj* is a vector of characteristics for workplace *j*, *Xij* is a vector of characteristics for employee *i* in workplace *j*, and γ is a dummy variable identifying the country.

The workplace characteristics *Zj* taken into account in these regressions are size (number of employees), industry (NACE Rev.2 Section level), region (NUTS 1 level), listed status, family-ownership, foreign-ownership, workforce composition (percentage of female; percentage in each of three age groups; and percentage in each of three skill groups) and a set of HR practices.[7] The regression of employee tenure also controls for workplace age. The employee characteristics *Xij* are gender, age, highest qualification (ISCED-97), occupation (ISCO-88 Major Group) and hours worked.[8]

For the measure of employment change, we focus on the dispersion of the distribution in each country. We thus first present descriptive statistics, with the graph of their distribution in each country and some commonly-used indicators of dispersion: the inter-quartile range, the 90:10 ratio and the variance.[9] Then, we compare the share of "unexplained/explained" heterogeneity in each country. To do this, we estimate OLS regressions with our set of controls, but separately in Britain and France.

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[7] HR practices included in workplace vector: team working, just-in-time production, quality circles, IT intensity, share ownership scheme, profit sharing scheme, individual PRP, appraisals, extensive training, target for quality, target for budget, target for sales, target for profitability.

[8] A number of the variables in *Zj* and *Xij* have missing values but the density of missing values on any single variable is low and, in at least 90 per cent of cases, a workplace or employee is missing on only one variable. Accordingly, to avoid the data loss that would arise from a listwise approach, we use mean imputation for continuous variables and mode imputation for categorical variables. We do not impute any values on the dependent variables used in our analysis.

[9] We refer here to the population variance, estimated through the application of survey design weights, rather than the sample variance, which would necessarily be affected by the specific sample design in each country.

For workplace employment change between 2004/5 and 2011, the regression (Eq. 3) is estimated with the 2004/5 workplace characteristics controlling for observable heterogeneity.

$$Employment\_change_j = a_0 + a_1 Z_j + \varepsilon_j \qquad \text{(Eq. 3)}$$

where Z_j is a vector identifying the characteristics of workplace *j* in 2004/5.[10]

Shares of low tenured workers is higher in Britain among the core of the workforce

First, we can observe that workplaces in the two countries are characterised by significant differences in employment patterns. In Britain, more frequent employment changes lead to a smaller percentage of employees with long tenure: 30.2% of staff employed for more than one year have a tenure of 10 years or more, compared with 45.6% in France (see Table 1). This tendency towards shorter tenure in Britain is not due to compositional effects; indeed, the coefficients shown in columns 3 and 4 of Table 1 show that it is even greater once compositional differences have been controlled for. Tenure among the core of the workforce is clearly longer in France.[11]

[TABLE 1 HERE]

The longer tenure of core employees in France coincides with a greater prevalence of fixed-term contracts within the workplace: only 32% of British workplaces have at least one employee on a temporary or fixed-term contract, half of the proportion observed for their counterparts in France (61%) (authors' analyses of WERS/REPONSE). The French labour market is therefore dual in nature, with the relatively high degree of stability among core employees (those with at least one year of tenure) being accompanied by a highly flexible element (those on temporary contracts). In the British labour market, by contrast, low tenure is more pervasive across the workforce.

One might hypothesise that the differences between the two countries are purely a consequence of the higher level of employment protection legislation in France. However, the more dynamic nature of employment in Britain is not simply a result of higher levels of forced terminations. There is also a higher level of voluntary job changes, with the rate of resignations three to five times the equivalent figure in France: our analysis shows that, over one year, in Britain, 9.5% of employees in workplaces with over 50 employees resigned, versus 3.3% in France. The temporary nature of employment is therefore an economic and social reality – the outcome of actions by both employers and employees – and not merely a direct consequence of differences in legal standards.[12]

[10] Family ownership and profit sharing scheme do not form part of the vector Z_j in this instance, as they are not observed in 2004.

[11] See Supplementary Appendix Table B1 for the equivalent analysis of 2004 data.

[12] This result is consistent with work using data on labour mobility in France showing that the legal form of contracts is not an obstacle to their use to vary employment (Duhautois and Petit, 2015): at the establishment level, the adjustment of employment is made primarily through the entry and exit of employees on permanent contracts, rather than by the extensive use of temporary contracts.

British workplaces are younger

On average, British workplaces are younger than their French counterparts. In the population represented by our surveys (i.e. private sector workplaces with 11 or more employees), 34.2% of workplaces were incorporated within the last 10 years in Britain, compared with 14.9% in France (see Table 2). This difference is particularly prominent in services and among very small businesses. It coincides with the smaller mean size of workplaces in Britain (a mean of 48 employees, compared with a mean of 53 employees in France) (authors' analysis of WERS/REPONSE). However, the age difference between the two countries is still significant after controlling for workplace size and other characteristics (Table 2, columns 3 and 4).[13]

[TABLE 2 HERE]

This pattern points to a more intense process of creative destruction in the British economy, and is consistent with data showing that British workplaces face a higher level of product market competition. Our analysis shows that, in 2011, 33% of French workplaces indicated that their output had been stable over the previous three years whereas only 17% of their British counterparts declared that the market on which they operated was mature, and not growing, declining or turbulent. The more dynamic situation in Britain, which contrasts with the more stable production environment in France, is reflected in the market positions of companies: in the population studied, 75% of workplaces in Britain hold a market share of less than 25%, versus 63% of workplaces in France (authors' analysis of WERS/REPONSE). The difference between the two countries becomes slightly greater after controlling other characteristics (estimations not shown). British establishments are thus younger, smaller and face greater competition, on average. They also operate on foreign markets more often: it is for instance the case for 17% of British single independent workplaces, and only of 10% of French equivalents.

The distribution of workplace employment change is more dispersed in Britain

The greater degree of workforce dynamism observed in Britain is not only evident in cross-sectional patterns of workforce tenure, it is also seen in more heterogeneous patterns of employment change at the workplace. Workplaces shrank slightly, on average, in both countries over the period 2004-2011 (by 0.4% per annum in Britain and 1.3% in France, a difference which is not statistically significant). But these figures hide substantial heterogeneity in workplace dynamics. Over the period, the numbers employed in British workplaces varied far more substantially than their French counterparts in both tails of the distribution (see Figure 1); the coefficient of variation (i.e. the ratio of the standard deviation in growth rates to the mean) is four times higher in Britain than in France (17.5 versus 4.2) and the interquartile range is almost 50% wider (58.3 percentage points in Britain, from -33.3% to +25.0%, versus 39.4 points in France, from -20.7% to 18.7%).

[FIGURE 1 HERE]

We undertake a regression analysis and variance decomposition in order to investigate the extent to which the greater variance in employment change in Britain can be explained through reference

[13] Supplementary Appendix Table B2 presents the equivalent analysis of 2004 data.

to employer characteristics in the two countries. The regression specification follows Eq. 3, discussed earlier. We use the predicted values from this regression specification to decompose the total variance in employment change in each country into that part which can be accounted for by observed employer characteristics and that part which is unexplained (the residual), then compare across countries in order to account for differences.

In comparable regression analyses, employer characteristics together explain around one fifth of the variance in workplace employment change in each country (R^2 = 0.20 in Britain and 0.18 in France) (Table 3, columns 1 and 2). In both countries, there is notable heterogeneity in the rate of workplace employment change across workplace size and age categories and workforce characteristics.[14] The degree of heterogeneity across observed employer characteristics tends to be greater in Britain (see column 3), and this explains 21.5% of the total difference in the variance of employment change between the two countries (column 4). A substantive part of the greater dispersion of employment change in Britain can therefore be attributed to a greater degree of heterogeneity of outcomes across standard demographic categories than is seen in France.[15] However, the larger part of the difference (78.5%) is due to a much greater idiosyncratic component in Britain. The variability of workplace employment is therefore greater in Britain and a smaller part of this higher variance can be explained through reference to workplace characteristics. We consider the factors that might contribute to these patterns in Section 5.

[TABLE 3 HERE]

To investigate the relative importance of explained and unexplained variance components across the distribution of workplace employment change, we divide the distribution of workplace change into quintiles and decompose the cross-country difference in mean employment change within each quintile. The results are presented in Figure 2, with the quintiles of employment change presented in descending order. This analysis shows (among other things) that idiosyncratic factors make the largest contribution to employment change among workplaces that shrank in size the most, that is, those in the lowest quintile of the employment change distribution. This means that the longer tail of shrinking workplaces in Britain when compared with France is particularly difficult to account for based on observed workplace characteristics.

[FIGURE 2 HERE]

The implication from this analysis is that other features of the workplace that have not yet been accounted for play an important role in driving employment change in Britain as compared with France. One such unobserved feature is workplace-level productivity. However, another might be the degree of autonomy managers have in adjusting employment levels, conditional on economic and other factors, in Britain compared with France. We return to this issue in Section 5.

4.2 Wage heterogeneity

[14] F-tests confirm that there is a statistically significant association between the rate of employment change and these three sets of characteristics in both countries. There is also a statistically significant association with industry and the set of HRM practices in France.

[15] Testing interactions between the employer characteristics and the country dummy in a pooled model, we find statistically significant differences across countries in the contributions from workplace age, industry and workforce characteristics.

We now turn to examine the extent of wage heterogeneity among employees in Britain and France. The classical approach is to explain wage heterogeneity through reference to educational and skill differentials (e.g. Becker, 1964; Mincer, 1974). There is also an established literature identifying substantial inter-industry pay differentials (e.g. Dickens and Katz, 1987), with other strands going on to show substantial differences between firms in the same industry (e.g. Groshen, 1991). Interest in the role of the firm has only increased with the observation that, across several countries, rising between-firm wage inequality has been the most important driver of overall trends in wage dispersion (see Barth et al., 2016; Song et al., 2019; Schaeffer and Singleton, 2020). Elsewhere, management scholars have taken an intense interest in the extent to which the employment practices of firms contribute to shaping outcomes for workers, but this literature has been limited in the extent to which it has investigated the distributional consequences of such employment practices at the societal level (see Cobb, 2016, for one discussion).

Our comparative analysis seeks to investigate the degree of wage heterogeneity in Britain and France, and the extent to which this can be explained through reference to employee and workplace characteristics. We measure the hourly wage by taking the employee's gross weekly wage (that is, the wage received by the employee before the deduction of the employee's personal tax payments) and dividing by the usual number of hours worked per week.[16] Data on usual hours worked are obtained directly from the WERS and REPONSE employee questionnaires. For France, wage data are obtained by matching the REPONSE employee sample to individual records in an administrative database (the Déclarations Annuelles de Données Sociales). For Britain, they are obtained directly from the WERS employee questionnaire. However, the WERS employee questionnaire only places the weekly wage within a specified interval and so we obtain point estimates for gross hourly wages in WERS by dividing the upper and lower bounds of the weekly wage by the continuous measure of hours worked, and then taking the midpoint of this hourly wage interval to obtain a hourly wage.[17] We uprate wage values from the 2004 surveys to 2011 prices using the Eurostat Harmonised Index of Consumer Prices (HCIP), and we convert wage values in WERS from Pounds Sterling to Euros using the prevailing exchange rate at the time of the 2011 surveys. The distribution of wages in each country is skewed to the right, such that our measures are approximately normally distributed after taking logs.

For hourly wages, a multiple regression is estimated in each country in order to control for observable characteristics at the employee level and observable and unobservable characteristics at the workplace level:

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[16] WERS observes the "gross wage" defined as the wage after deduction of employer's social security contributions and before the deduction of the employee's social security contributions and tax payments; while REPONSE observes the "net wage" defined as the wage after the deduction of both employers and employee's social security contributions but before the deduction of employee's tax payments. In France, employee's social security contributions are deducted at a similar rate for all workers.

[17] This is the standard approach in the literature and it generates points estimates and regression coefficients that are very close to those obtained from conventional wage data (see Supplementary Appendix A, Table A1, for a comparison of point estimates between WERS/REPONSE and national Labour Force Survey data; see Davies and Welpton, 2008, for a comparison of regression coefficients).

$$wage_i = b_0 + b_1 X_{ij} + b\lambda_j + \varepsilon_{ij} \qquad \text{(Eq. 4)}$$

where:

X_{ij}: observed characteristics of employee *i* in workplace *j*

λ_i: observed and unobserved characteristics of workplace *j* (workplace fixed-effects).

Taking the results of Eq. 4, we use the method of Barth et al. (2016) to decompose the variance of log earnings in each country into the part *V(s)* accounted for by the observable characteristics of employees, the part *V(φ)* accounted for by the observed and unobserved characteristics of workplaces, the covariance between these terms and the variance in the error term (a purely employee-level residual):

$$V(lnw) = V(s) + V(\varphi) + 2Cov(s, \varphi) + V(\varepsilon) \qquad \text{(Eq. 5)}$$

To determine which employer characteristics or practices widen the earnings structure between establishments, we regress the establishment average wage on the vector *Z* (discussed earlier) and use the results to identify the share of the between-establishment variance *V(φ)* that can be attributed to observed and unobserved workplace characteristics.[18]

One complication in decomposing wage variance into employee and employer components is that the WERS linked employer-employee data has a higher density of employee observations per workplace (an average of 10 in 2011) than REPONSE (an average of 3), as a result of sampling a higher number of employees per workplaces. This affects the share of wage variance that would be attributed to employee versus workplace characteristics in a comparative setting. We therefore reduce the number of employee observations in each WERS workplace by sub-sampling employees at random at a ratio of 3/10. This results in a WERS employee sample that has the same density of employees per workplace as found in REPONSE (see Supplementary Appendix Figure A1); the profile of the sample is unchanged across all other observed characteristics, although the sample size is inevitably reduced.

Higher variance of hourly wage in Britain

The median log hourly wage is similar in the two countries (2.49 in Britain; 2.44 in France) but the variance is much higher in Britain (see Figure 3). The main difference is in the lower tail of the distribution. Whilst the 90:50 ratios are similar (1.33 in Britain, compared with 1.29 in France), there is a substantial difference in the 50:10 ratios (1.32 and 1.18 respectively).[19] The longer tail of lower wages in Britain is likely to be related, in part, to the lower bite of the minimum wage. At the time of the surveys in 2011, the minimum wage for adult workers was the equivalent of around 7 Euros per hour in Britain, covering around 3 per cent of adult employees, whereas the inter-professional minimum wage (SMIC) stood at around 9 Euros per hour in France, covering around ten per cent of employees.

[18] As in the analysis of workplace employment change, we refer here to the population variance, estimated through the application of survey design weights, rather than the sample variance, which would necessarily be affected by the specific sample design in each country.

[19] Supplementary Appendix Figure B1 shows that the patterns described here are very similar in 2004.

[FIGURE 3 HERE]

A larger idiosyncratic component in Britain

Overall, the variance of log hourly wages in the population of employees represented by our surveys stands at 0.350 in Britain, compared with a value of just 0.175 in France. We can use the methods outlined above (Eq. 4 and Eq. 5) to investigate the extent to which the greater variance in wages in Britain can be explained through reference to employee or employer characteristics in the two countries. The results are presented in Table 4, which adopts a similar format to Table 3 but now distinguishes between employee and employer-level characteristics.

[TABLE 4 HERE]

Columns 1 and 2 show that the combination of employee characteristics and workplace fixed effects are able to explain a substantial share of the variance in wages in each country (R^2=0.766 in Britain and 0.855 in France).[20] The extent of wage variance across the observed employee and job characteristics is similar in each country, such that very little of the *difference* between the two countries can be attributed to such factors (row 2, column 4 shows that the cross-country variance differential would actually be 1.9% larger if these characteristics were aligned). Instead, the higher level of wage variance in Britain is attributable to other factors. First, we find greater heterogeneity in wages across employers. This accounts for 61% of the total difference in wage dispersion between Britain and France. It can partly be attributed to greater dispersion in inter-industry wage differentials and greater wage variance associated with workforce segmentation and the use of HR practices.[21] However, a large part (accounting for 42% of the total variance) is due to unobserved employer characteristics. Second, we find greater dispersion in employee-level residuals, which accounts for 32% of the total difference. There is thus a more substantial degree of idiosyncratic pay-setting both across and within establishments in Britain than in France.[22]

Following our approach for workplace employment change, we again investigate the relative importance of explained and unexplained variance components across the distribution, but here the larger sample size allows us to divide the wage distribution into deciles. The results are presented in Figure 4, with the deciles again presented in descending order. The average wage in the first decile of the wage distribution in Britain is around 0.3 log points lower than the average wage in the first decile of the wage distribution in France. A greater proliferation of low-wage workplaces in Britain contributes to the major part of this difference (0.3 log points, shown by the light blue segment of the stacked bar), as is also the case in the second, third and fourth deciles. A further 0.1 log point difference in the first decile is due to a greater degree of unexplained dispersion in wage outcomes at the employee level in Britain (the dark blue segment). There is a small countervailing impact of around -0.1 log points from observed employee and job characteristics. In the upper part of the wage distribution, a greater proliferation of high-wage

[20] F-tests confirm that each set of employee and employer characteristics shown in Table 4 has a statistically significant association with wages in each country.

[21] Testing interactions between the employer characteristics and the country dummy in a pooled model, we find statistically significant differences across countries in the contributions from workplace age, industry, ownership characteristics, workforce characteristics and HRM practices.

[22] Supplementary Appendix Table B3 repeats the analysis using data from the 2004 surveys, showing very similar patterns.

workplaces in Britain is an important part of the story. However, in the top decile, there is again a greater degree of unexplained dispersion at the employee-level.

[FIGURE 4 HERE]

5. Discussion: what might account for differences in the level and share of unexplained variance across countries?

Above we showed that there is more variance in employment and wages in Britain than in France, both between and within establishments, and that individual and workplace characteristics explain less of this variance in Britain compared with France. In this section, we argue that understanding differences in macro-factors can help account for the increased variance in the British case.

The existing comparative literature shows how different institutional settings constitute constraints and resources that shape the adoption and implementation of different practices. David Marsden's work (Marsden, 1999; Marsden and Belfield, 2010; Doellgast and Marsden 2019) for instance stresses the role for institutions at national and workplace level in influencing employment relations. Such macro-institutionalist approaches do not allow one to make causal inferences about the role of institutions. These features may generate the variance but the reverse might also be true. Equally, both the variance and institutional context may be driven by some third dimension we do not observe. Consequently, our hypothesis is that the link between variance in employment or wages and the institutional context is too pervasive or complex to allow for direct empirical testing. Hence we rely on a more discursive approach in which we seek to draw out the possible inter-relationships via descriptive analysis.

Three main lines of argument will be developed. First, networks of employment relations actors play a more significant role in France. Second, organisational and financial links across employers are stronger in France than they are in Britain. Third, legal norms are prominent in shaping labour market heterogeneity.

5.1 Employer and employee networks

In an earlier study using WERS and REPONSE 2004, Marsden and Belfield (2010) emphasised the role that employer organizations and human resource manager clubs played in determining the diffusion of incentive pay in France compared with Britain. They showed that, in each country, more intense employer networking was associated with more frequent use of incentive pay schemes and also that networking was more frequent in France both at national (national employer associations) and local level (local and regional employer association and other local employer bodies such as chambers of industry and commerce). They concluded that participation in these employer networks has a prescriptive effect on HR practices.

Our analysis confirms that employer networking is still much more frequent in France in 2010/2011: in Britain only 6% of workplaces belonged to an employers' organisation versus over half in France (see Table 5). These organizations are deeply embedded in French employment

relations. They perform many roles going well beyond collective representation over pay, offering advice on human resource management strategies and information and resources on best practice and legal advice (Amossé et al. 2012, Louey, 2022). Exchanges are managed at local, departmental or regional level, sometimes with a sector-based component. Employers often belong to several organisations at the same time and one in six managers even hold responsibilities in one of them (authors' analyses of WERS/REPONSE). Research for Britain for the period 1984-1998 found such networks played a role in the diffusion of high-commitment human resource management practices (Bryson et al., 2007) but subsequent work indicates they play a more substantial and decisive role in the diffusion of such practices in France compared to Britain (Forth et al., 2019). Since these employer networks can also be a resource in turbulent times (a way to find new contracts or new ways to cope with difficult times), the strength of these networks may help to explain the greater stability and survival rates of French firms.

[TABLE 5 HERE]

Trade unions are also social networks offering information and advice of employment relations matters. Conventionally they are conceived of as networks representing and supporting workers, offering advice and information in a way that mirrors the role of employer associations; they also minimise transaction costs for employers, thus assisting in governance issues (Willman et al., 2020). Given the higher incidence of union representatives and bargaining coverage in France compared with Britain (Table 5) this may also be a driving force for uniformity of practice in France. The higher incidence of unionisation in France may also impact the diffusion of norms and preferences, such as those relating to wage inequality, resulting in lower tolerance of wage inequality in France.

The lower incidence of social networks in British employment relations, and the relative weakness of those institutions where they do exist, suggests employers and employees have fewer external references on which to base their decisions/claims as compared to their French counterparts, resulting in greater heterogeneity of practices.

5.2 Corporate Governance and Financing

There are features of corporate governance and firms' structures that are likely to play a role in helping to understand greater variance in employment and wage outcomes in the British case as compared to the French case. The first is the decision-making process regarding human resource issues. In British workplaces, managers hold far more independent decision-making autonomy with respect to their head offices than their counterparts in French companies. This independence is reflected in their ability to make decisions over wages (30% versus 15%) and recruitment (87% versus 26%) (see Table 5). This independence is not attributable to compositional effects, as the difference between the two countries is only slightly reduced when controlling for workplace and

managerial characteristics.[23] Greater independence of workplace managers over the price and quantity of labour may help explain the greater variance in wage and employment outcomes in Britain when compared to France.

These differences in autonomy within the firm may also explain the country differences in the profile of managers in charge of personnel relations in the two countries: specialist HR professionals are more common in Britain (26%, against 15% in France) whereas in France decision-makers are more likely to be administrative or financial directors (18%, against 6% in Britain) (see Table 5). We hypothesise that, in France, because they are the interlocutors of the head office and must report on their actions, the administrative and financial directors keep tight control over HR issues. Whereas in British workplaces, the lack of external accountability allows for greater latitude, leaving the way open for HR specialists.

A second point of difference between the two countries is corporate ownership. Equity ownership entails influence over the way in which an organization is run as shareholders receive voting rights which can be used to influence HR practices (Conway et al., 2008; Pendleton and Deakin, 2007). Although the share of workplaces belonging to listed companies is relatively similar in the two countries (14% in France and 13% in Britain (see Table 5)) there are important differences in capital ownership structure. Ownership is much more concentrated in France and dispersed in Britain (De La Cruz et al., 2019). In France, in 2017, the share of companies where the largest shareholder held more than 50% of the company's equity capital was nearly 40% whereas the UK is among the countries where this share is the lowest (less than 5%, *ibid.*).

The composition of owners is also very different. In France, 27% of French companies have a private corporation as the largest owner which indicates the presence of company group structures (*ibid.*). In such instances, one company holds the majority of another's capital and thus a majority vote among shareholders. It will thus have a decisive influence in its strategic choices. This type of structure is often intertwined (one company owning several and these in turn owning others) in such a way that the average size of groups is very important and a vast majority of employees in the private sector (70%) actually work in companies belonging to company groups (Bigot and Fesseau, 2017). Several studies showed belonging to a group has an impact on employment management. Groups foster internal worker mobility (Delarre and Duhautois, 2003) and favour employment growth of entering firms (Duhautois and Petit, 2013). The holding company also plays an important role in determining how the firm will approach collective bargaining practices (Castel et al., 2014). These inter-firm financial linkages create inter-dependencies across firms which reduce heterogeneity in employment and wage outcomes.

Family ownership also plays a bigger role in France than in Britain. OECD data show 21% of firms have "strategic individuals" as their main owner in France compared to 6% in Britain (De La Cruz et al., 2019). Our workplace-level data confirm the prevalence of family ownership structures in France (see Table 5). The literature on family ownership (Bassanini et al. 2013) shows

[23] Estimating the probability of full workplace autonomy over wage determination, the 15 percentage point difference between Britain and France reduces only to 13 percentage points after controlling for workplace characteristics (workplace size and age, market geography and market share, 4-digits NACE) and local manager characteristics (gender and whether an HR specialist).

this type of capital owners fosters specific employment profiles which are consistent with more homogeneous practices.

In Britain, by contrast, institutional investors are by far the most common owners (68%, De La Cruz et al., 2019). These are often foreign owned (as shown in OECD and our data, see Table 5). This type of investor is known to demand a high return on investment and pursues investment strategies based on diversification which limit their direct influence on the management choices made by companies (Pendleton et al., 2017). Diversification of corporate ownership allows local management greater autonomy to make decisions over the price and quantity of labour, resulting in more heterogeneous outcomes than in the French case.

5.3 Regulation and legal standards

In the 'varieties of capitalism' literature Britain is usually characterised as the quintessential liberal market economy – lightly regulated and market-oriented – whereas the French system is perceived as highly regulated, with the State playing a more central role in setting 'rules of engagement' for firms and workers (Hall and Soskice, 2001).

In France the State's influence is felt through the large body of labour legislation which applies to many aspects of work and employment: minimum wages, working hours, employment contracts, health and safety at work, personnel relationships, and bargaining activity (Milner, 2015). These laws are embodied in a wide ranging and voluminous labor code and often underpinned by tripartite systems which assist in the implementation and inspection regimes. By contrast, and notwithstanding a process of 'juridification', the common law which underpins rights and responsibilities under labour law in Britain seeks to create space for economic actors to engage in business according to principles of laissez-faire (Dickens and Hall, 2009). There are, of course, many exceptions where the law is very prescriptive, as in the case of minimum wage and health and safety provisions (although even in the latter case, a key legal principle in the UK is the concept of 'reasonable practicability' which takes account of employers' costs in meeting minimum legal standards).

In France the sectoral level is also a source of legal standards through the negotiation of collective agreements. Each firm designates the collective agreement to which it belongs. Furthermore, the French administration makes extensive use of legally binding *erga omnes* clauses which extend the terms set in a collective agreement to all workers, not only to the members of signatories' unions. This results in near-universal coverage of branch collective bargaining agreements in France (98% in 2010 according to OECD statistics (OECD, 2023)) This means that French establishments are usually obliged to follow the terms negotiated in branch agreements. If we add to this the legal obligations to negotiate at branch level on several topics (wages, working conditions, continuous training, gender equality), we understand that the sectoral level is in France, like the State level, a major provider of legal standards. In the end, the weight of branch/sector agreements is clearly structuring in the French case.

In Britain, by contrast, sectoral bargaining plays a very minor role in setting standards for pay and other conditions at work following its rapid decline in the 1980s and 1990s (Millward et al., 2000).

Furthermore, provisions to extend collectively bargained agreements to non-covered sectors were disbanded in the 1980s. In 2010, collective bargaining covers 30.9% of employees according to the OECD (2023). This is a far cry from the 1980s when the British government abolished the remnants of the industry-based wages councils that had set minimum wage rates in some industries since 1909 (Bryson, 1989).

Compared to the UK, France is clearly different in the extent of its legal standards, both at sectoral and national level. The more important role for legal standards in France relative to Britain can be seen as both a source and a consequence of their divergent economic models (Deakin et al., 2017). The role played by the legal framework in France (at state or branch level) is important in standardising practices and reducing heterogeneity.

Whilst the legal standards in the two countries are different in volume, they are also based on different philosophies. Legal standards may, and do, set strict prohibitions and obligations in both countries. But, in the French case, legal standards also contain an "aspirational" component in that they define a set of goals towards which a society is moving or hopes to move (Piore and Schrank, 2018). It is arguable that this second logic is the one that prevails in France, but not in the UK. This point can be illustrated by the fact that, in France, only 60% of establishments with more than 50 employees bargain on wages when they are supposedly obliged to do so. The distance that can exist between legal norms and employers' actions can also be illustrated by the great variety of situations regarding the role employers give to branch level agreements in making their own decisions (Delahaie et al., 2023).

This stresses that we should not caricature the oppositions between the French and British legal standards. In some ways, we may even be seeing a convergence between the British and French systems, notwithstanding the intention to de-regulate signalled by Britain's recent departure from the EU. Perhaps the best example is the way in which the British government is using the national minimum wage as a tool to drive up wages at the bottom end of the labour market. It intends to ensure that the minimum wage will be two-thirds of median earnings by 2024, making it comparable to the SMIC in France.

6. Conclusion

In this paper, we contribute to the existing literature on national models by drawing a portrait of France and Britain in which we highlight the degree of heterogeneity both between and within employment systems. In doing so we rely on data from two linked-employer-employee surveys that are comparable and broad in scope. The unique features of these datasets make them particularly suitable for an in-depth multi-level comparison of two national situations which offer novel insights into the concept of a national model by permitting a multi-faceted and inductive approach, founded on micro-empirical observations of key features of the employment relationship.

Our results confirm the salience of two national models of employment relations that are recognisable from the earlier literature and reflect both institutional and cultural differences which persist even under global capitalism. Our results point to the role of short-termism and intense

heterogeneity in the British model while long-termism and uniformity stand out as typical of the French economy. .

By emphasising the heterogeneity and variability within countries, our results echo previous research emphasising the role of sub-national levels: company, regional and sectoral. However, our analyses emphasise the national dimension of these characteristics. Our results therefore complement other studies which focus on national models or varieties of capitalism, whilst emphasising the need for such studies to integrate heterogeneity and variability as salient features of national models.

The survey data from managers and employees make them key actors in our comparative analysis. Their survey responses are the basis on which we are able to introduce internal heterogeneity and diversity into our characterisations of national models. This adds another dimension to comparative institutional analysis as we argue that institutions not only shape national models but also their degree of uniformity and variability. In line with Marsden's seminal study of the micro-foundations of societal diversity (1999), we propose an empirical grounding of the micro-foundations of employment systems in Britain and France.

Heterogeneity at a point in time and variability across time are necessarily interrelated. The frequency of change may be the driver of more within country variance in the British economy while the greater stability observed in France is likely fuelling uniformity. For example, greater across-workplace wage variance in Britain fuels higher resignation rates compared with France, where greater within-workplace wage variance attributable to internal labour markets results in lower labour turnover (Forth and Petit, 2022). We also discuss how this variance in the two systems is consistent with and shaped by macro-level institutions. Here we go beyond the standard focus on legal standards focusing also on employer and employee networks – which were also a focus in Marsden's work (Marsden and Belfield, 2010) and corporate governance and the financial and organizational links between firms, features of the work of Conway et al. (2008). When we do focus on legal arrangements we emphasise the role played not only by state-level standards, as is common in the literature, but also those binding at local level.

Our approach is intended as heuristic: complementary to – rather than a substitute for – other possible interpretations. We deliberately exclude the question of "best practices", by assuming that each of the characteristics mentioned may have benefits and drawbacks. Each model has strengths specifically based on the consistency of the inherent variables, while the different variables cannot be considered as necessarily better as such (or, on the contrary, worse). For instance, one of the differentiating characteristics between France and Britain relates to the degree of constraints governing the operations of companies located in these two countries: obligations or standards can hamper the capacity for action, but they can also drive innovation and hence solutions. On this basis, constraints can be beneficial (Streeck, 1997), by constructing new forms of capital (human, organisational, etc.). We then argue that institutions or national models should not be considered as intrinsically good or bad in themselves. An institution may constitute, at the same time, a resource and a constraint for actors, and this will be best understood by studying how institutions combine and how actors engage with them.

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Table 1: Employee tenure at the workplace in Britain and France (2011)

	Percentage in frequency distribution		Coefficient of the country dummy (Britain vs France) in multinomial regressions	
	Britain	France	Without controls	With employee and workplace controls
1-2 years	13.7	7.6	0.50***	0.60***
2-5 years	29.2	22.9	0.33***	0.43***
5-10 years	26.9	22.7	0.29***	0.42***
10+ years	30.2	45.6	Ref	Ref
DK	0.0	1.2	/	/
Total	**100.0**	**100.0**		
N	*11,581*	*11,244*	*22,704*	*22,704*

Base: employee with at least one year of tenure in workplaces with 11+ employees operating in NACE Rev.2 Sections C-S (excluding O) with tenure known.

Notes:

a. Columns 3 and 4 show the multinomial logit coefficients on the country dummy (Britain=1; France=0) within each category of employee tenure, relative to the value of the country dummy for the reference category "10+ years"
b. Key to statistical significance: *** p<0.01; ** p<0.05; * p<0.10.
c. Analyses for 2004/5 are presented in Supplementary Appendix Table B1.

Source: WERS/REPONSE

Table 2: Workplace age in Britain and France (2011)

	Percentage in frequency distribution		Coefficient of the country dummy (Britain vs France) in multinomial regressions	
	Britain	France	Without controls	With controls
<5 years	12.7	4.2	0.57***	0.55***
5-9 years	21.5	10.7	0.36***	0.39***
10-19 years	24.2	25.0	Ref	Ref
20-49 years	29.3	41.5	-0.16***	-0.10
50+ years	10.6	18.4	-0.26***	-0.25**
DK	1.8	0.2	/	/
Total	**100.0**	**100.0**		
N	*1,602*	*3,947*	*5,503*	*5,503*

Base workplaces with 11+ employees operating in NACE Rev.2 Sections C-S (excluding O) with workplace age known.

Notes:

a. Columns 3 and 4 show the multinomial logit coefficients on the country dummy (Britain=1; France=0) within each category of employee tenure, relative to the value of the country dummy for the reference category "10-19 years"
b. Key to statistical significance: *** p<0.01; ** p<0.05; * p<0.10.
c. Analyses for 2004/5 are presented in Supplementary Appendix Table B2.

Source: WERS/REPONSE

Table 3: Variance decomposition of workplace employment change (between 2004/5 and 2011)

	(1) Britain	(2) France	(3) Diff. (1)-(2)	(4) Contribution to the difference (%)
Total variance	**5.04**	**1.49**	**3.55**	**100%**
Variance explained by observed employer characteristics	**1.03**	**0.27**	**0.76**	**21.5%**
Workplace size	0.11	0.02	0.10	2.7%
Workplace age	0.14	0.04	0.10	2.8%
Single/branch/HQ	0.05	0.01	0.04	1.1%
Industry	0.07	0.11	-0.04	-1.2%
Ownership characteristics (listed, foreign ownership)	0.03	0.01	0.02	0.6%
Region	0.23	0.03	0.19	5.4%
Workforce characteristics (% of women, age and skill groups)	0.22	0.04	0.18	5.0%
HR practices	0.16	0.07	0.09	2.6%
Variance unexplained (residuals)	**4.01**	**1.22**	**2.79**	**78.5%**
R^2	*0.20*	*0.18*		
N workplaces	*473*	*866*		

Base: workplaces with 21+ employees in 2004/5 and 11+ in 2011 operating in NACE Rev.2 Sections C-S (excluding O).
Source: WERS/REPONSE

Table 4: Variance decomposition of log hourly wages, 2011

	(1) Britain	(2) France	(3) Diff. (1)-(2)	(4) Contribution to diff. (%)
Total variance	**0.350**	**0.175**	**0.175**	
Variance explained by:				
Employee and job characteristics	**0.163**	**0.111**	**0.053**	**29.9%**
Observed characteristics (gender, age, education, occupation, hours worked)	*0.082*	*0.086*	*-0.003*	*-1.9%*
Employee residuals	*0.081*	*0.025*	*0.056*	*31.8%*
Employer characteristics	**0.144**	**0.038**	**0.106**	**60.6%**
Observed characteristics:				
Workplace size	*0.001*	*0.000*	*0.001*	*0.7%*
Workplace age	*0.001*	*0.000*	*0.001*	*0.6%*
Single/branch/HQ	*0.001*	*0.000*	*0.001*	*0.8%*
Industry	*0.009*	*0.003*	*0.006*	*3.3%*
Ownership characteristics (listed, foreign-owned, family-owned)	*0.002*	*0.000*	*0.002*	*1.1%*
Region	*0.003*	*0.001*	*0.002*	*1.0%*
Workforce characteristics (% of women, age and skill groups)	*0.018*	*0.004*	*0.014*	*8.1%*
HR practices	*0.005*	*0.000*	*0.005*	*2.6%*
Unexplained component of workplace fixed effect	*0.104*	*0.029*	*0.074*	*42.4%*
Covariance	**0.043**	**0.026**	**0.017**	**9.4%**
R^2	*0.766*	*0.855*		
N employees	*3,124*	*11,198*		
N workplaces	*1,093*	*3,618*		

Base: employees with 1+ years of tenure, in workplaces with 11+ employees operating in NACE Rev.2 Sections C-S (excluding O), in 2011.

Notes: A value of 0.,000 indicates a value in the range (0.0000,0.0004). Analyses for 2004/5 are presented in Supplementary Appendix Table B3.

Source: WERS/REPONSE

Table 5: Networks, corporate governance and financing

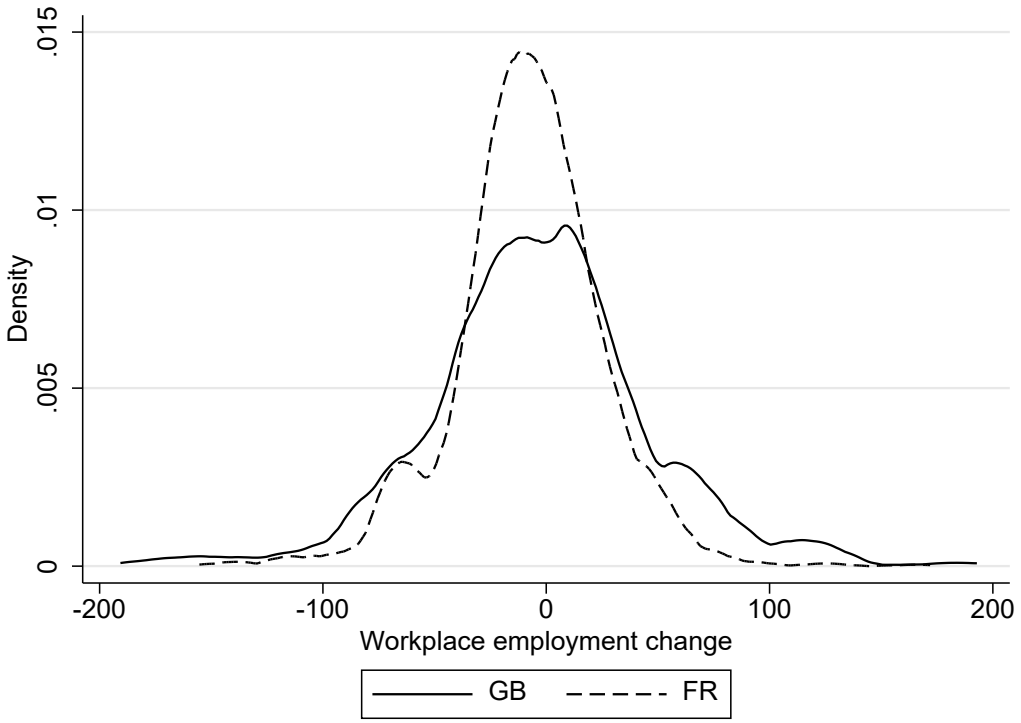
	Britain	France
Employer and employee networks		
Member of an employer's association	6	47
Presence of a union representative	7	31
Corporate governance and Financing		
Autonomy of local managers in respect of rates of pay*	30	15
Autonomy of local managers in respect of employment*	87	26
Manager responsible for personnel issues is…		
a HR specialist (personnel manager, an HR manager, or a manager of employment relations)	26	15
not an HR specialist (financial manager, company secretary or accountant, other)	6	18
Part of a listed company	13	14
Family ownership	42	47
Foreign ownership	13	6
N *workplaces*	*3,947*	*1,602*

Base: workplaces with 11+ employees in 2011 operating in NACE Rev.2 Sections C-S (excluding O).

*: Restricted to workplaces that are part of part of multi-site organizations or operating under franchise arrangements (N = 2,988; 2,179 in France, 809 in Britain). These workplaces comprise around two-fifths of the total population (42% in Britain, 43% in France).

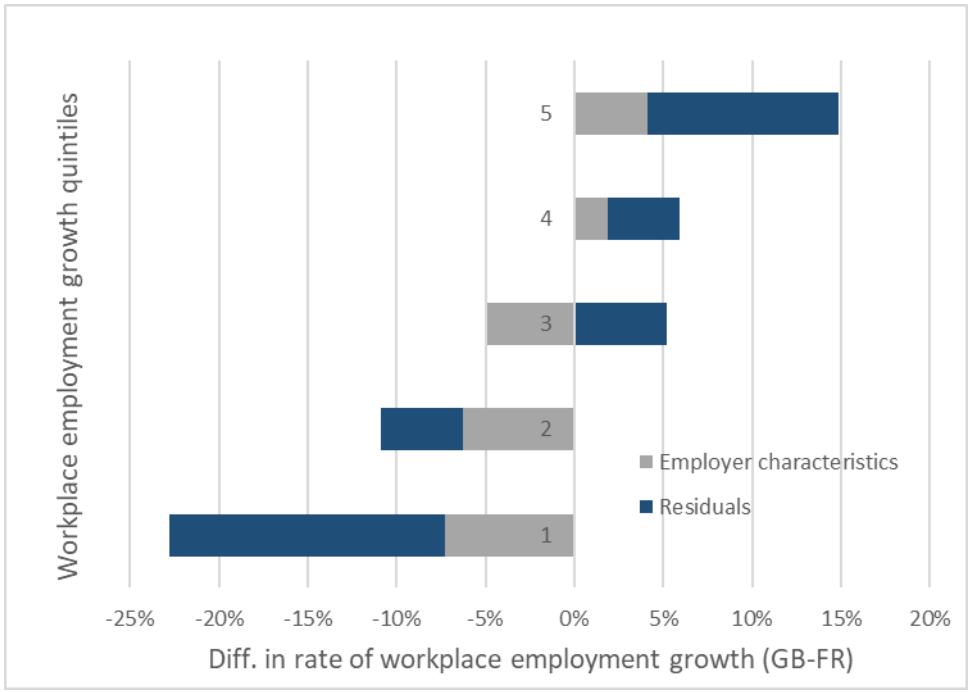
Source: WERS/REPONSE

Figure 1: Rate of employment growth at the workplace (2004/5–2011) in Britain and France



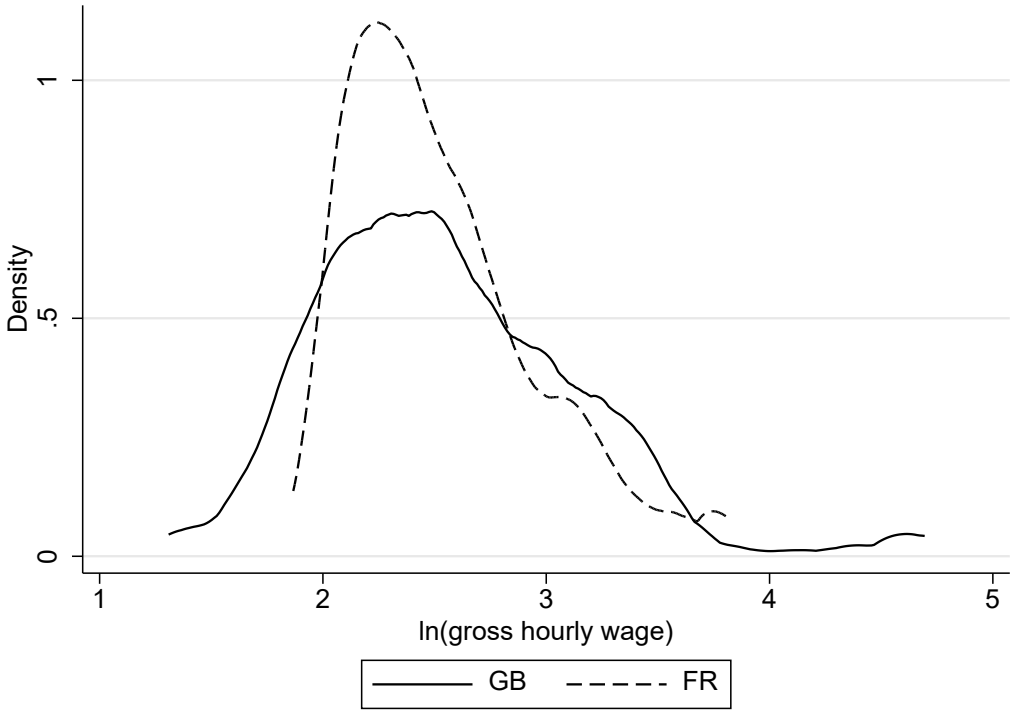
Base: workplaces with 21+ employees in 2005 and 11+ in 2011 operating in NACE Rev.2 Sections C-S (excluding O) (n = 866)
Source: WERS/REPONSE

Figure 2: Quintile decomposition of difference in rate of workplace employment growth (2004/5–2011) between Britain and France



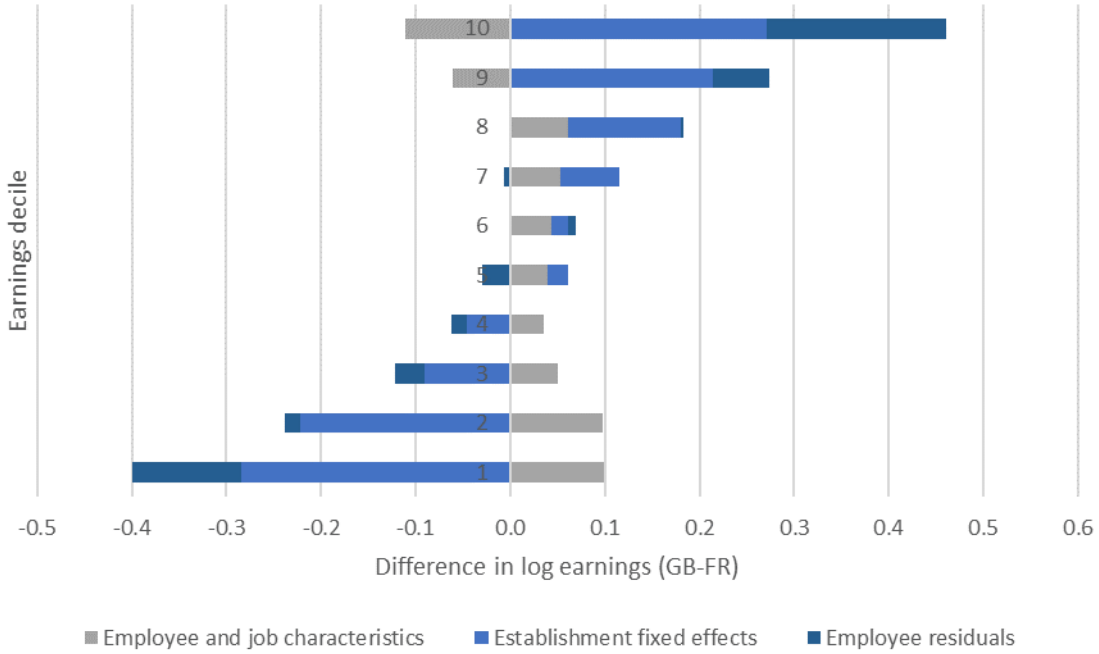
Base: workplaces with 21+ employees in 2004/5 and 11+ in 2011 operating in NACE Rev.2 Sections C-S (excluding O).
Source: WERS/REPONSE

Figure 3: Density plot of the distribution of log hourly wages, Britain and France, 2011



Base: employees with 1+ years of tenure, in workplaces with 11+ employees operating in NACE Rev.2 Sections C-S (excluding O).
Source: WERS/REPONSE

Figure 4: Decile decomposition of difference in log hourly earnings between Britain and France, 2011



Base: employees with 1+ years of tenure, in workplaces with 11+ employees operating in NACE Rev.2 Sections C-S (excluding O).
Source: WERS/REPONSE

SUPPLEMENTARY APPENDICES

Appendix A: Measurement issues

A1. Validation of wage data

We assessed the validity of the wage data by comparing the wage distributions observed in REPONSE and WERS with those indicated by each national Labour Force Survey; there was close alignment in each case.

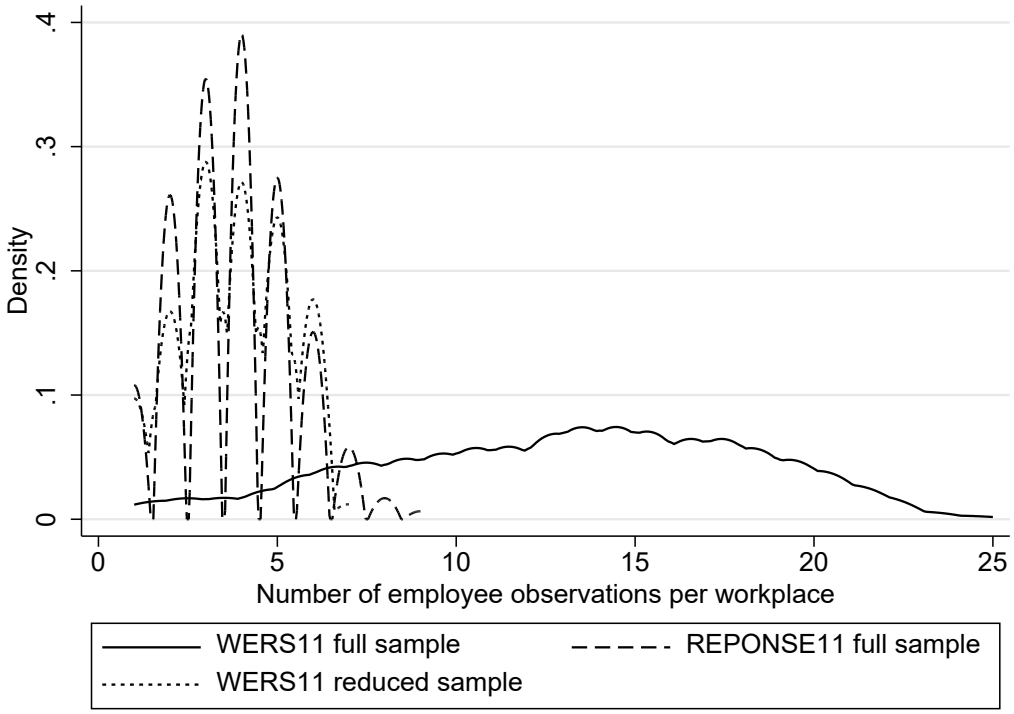
Table A1: Comparison of WERS/REPONSE wage data against national Labour Force Survey data, 2011

	GB (WERS)	GB (LFS)	FR (RESPONSE)	FR (LFS)
P5	1.73	1.78	2.01	2.04
p50	2.49	2.46	2.44	2.50
P95	3.50	3.50	3.35	3.27

Base: employees with 1 or more years of tenure in private sector workplaces with 11 or more employees operating in NACE Rev.2 Sections C-S (excluding O)
Source: see column headings

A2. Aligning the density of employee observations across surveys

Figure A1 Density plot of the number of employee observations per workplace, WERS and REPONSE 2011



Base: employees with 1+ years of tenure, in workplaces with 11+ employees operating in NACE Rev.2 Sections C-S (excluding O).
Source: WERS/REPONSE

Appendix B: Replication for 2004/5

Table B1: Employee tenure at the workplace in Britain and France (2004/5)

	Percentage in frequency distribution		Coefficient of the country dummy (Britain vs France) in multinomial regressions	
	Britain	France	Without controls	With employee and workplace controls
1-2 years	16.0	6.9	0.70***	0.80***
2-5 years	31.9	23.3	0.44***	0.59***
5-10 years	22.7	17.9	0.40***	0.55***
10+ years	29.4	51.1	Ref	Ref
DK	0.0	0.8	/	/
Total	**100.0**	**100.0**		
N	*11,066*	*7,923*	*18,927*	*18,927*

Note: controls for the nature of contract, family ownership and profit sharing not available in 2004/5.

Base: employee with at least one year of tenure in workplaces with 21+ employees operating in NACE Rev.2 Sections C-S (excluding O) with tenure known (missing values of control variables are coded to their average value in the country).

Key to statistical significance: *** p<0.01; ** p<0.05; * p<0.10.

Source: WERS/REPONSE

Table B2: Workplace age in Britain and France (2004/5)

	Percentage in frequency distribution		Coefficient of the country dummy (Britain vs France) in multinomial regressions	
	Britain	France	Without controls	With controls
<5 years	10.7	3.9	0.54***	0.28***
5-9 years	19.1	9.5	0.39***	0.32***
10-19 years	24.6	26.6	Ref	Ref
20-49 years	26.7	40.4	-0.17***	-0,03
50+ years	17.9	19.3	0.00	0.05
DK	0.9	0.4	/	/
Total	**100.0**	**100.0**		
N	*1,237*	*2,924*	*4,130*	*4,130*

Note: controls of family ownership and profit sharing is not available in 2004/5.

Base: workplaces with 21+ employees operating in NACE Rev.2 Sections C-S (excluding O) with workplace age known (missing values of control variables are coded to their average value in the country).

Key to statistical significance: *** p<0.01; ** p<0.05; * p<0.10.

Source: WERS/REPONSE

Table B3: Variance decomposition of log hourly wages, 2004

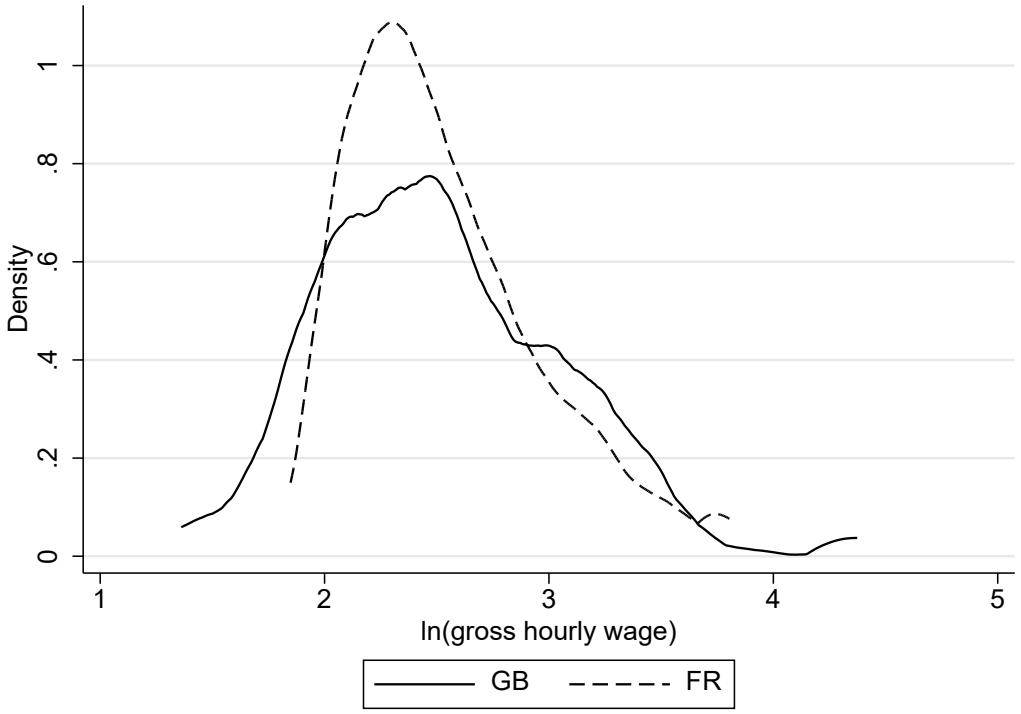
	(1) Britain	(2) France	(3) Difference	(4) Contribution to the difference (%)
Total variance	0.291	0.179	0.112	
Variance explained by:				
Employee and job characteristics	**0.133**	**0.104**	**0.029**	**26.1%**
Observed characteristics	0.066	0.078	-0.012	-10.9%
Employee residuals	0.067	0.026	0.042	37.0%
Employer characteristics	**0.114**	**0.046**	**0.068**	**60.4%**
Observed characteristics	0.051	0.015	0.037	32.6%
Unexplained component of workplace fixed effect	0.064	0.032	0.032	27.8%
Covariance	**0.044**	**0.029**	**0.015**	**13.5%**
R^2	*0.769*	*0.856*		
N employees	*2,583*	*7,907*		
N workplaces	*873*	*2,670*		

Note: a value of 0.000 indicates a value in the range (0.0000, 0.0004).

Base: employees with 1+ years of tenure, in workplaces with 21+ employees operating in NACE Rev.2 Sections C-S (excluding O), in 2004.

Source: WERS/REPONSE

Figure B1: Density plot of the distribution of log hourly wages, Britain and France, 2004



Base: employees with 1+ years of tenure, in workplaces with 21+ employees operating in NACE Rev.2 Sections C-S (excluding O), in 2004.
Source: WERS/REPONSE

Appendix C: Descriptive analysis of job tenure and wages from the Labour Force Survey

Table C1: Employee tenure at the workplace in Britain and France (2011, 2015, 2019)

Column percents

	Britain			France		
	2011	2015	2019	2011	2015	2019
1-4 years	43.2	43.0	46.4	29.4	27.7	32.1
5-9 years	24.2	22.3	20.4	20.0	20.6	17.5
10+ years	32.6	34.7	33.2	50.6	51.8	50.5

Base: employees with 1 or more years of tenure in private sector workplaces with 11 or more employees operating in NACE Rev.2 Sections C-S (excluding O)
Source: Labour Force Survey

Table C2: Log hourly wages in Britain and France (2011, 2015, 2019)

Euros (2011 prices)

	Britain			France		
	2011	2015	2019	2011	2015	2019
P5	1.78	1.79	1.87	2.04	2.05	2.05
p50	2.46	2.48	2.53	2.50	2.51	2.53
P95	3.50	3.52	3.54	3.27	3.30	3.32

Base: employees with 1 or more years of tenure in private sector workplaces with 11 or more employees operating in NACE Rev.2 Sections C-S (excluding O)
Source: Labour Force Survey