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Tenure, Skill Development, and Pay: The Role of Internal Labour Markets

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Introduction

The approaches that firms take towards recruitment, skill development and pay are some of the most central elements of its employment system, and go some considerable way towards determining the shape of employees' careers. Can the employee expect a long-term employment relationship, with opportunities given for training, promotion and career progression within the firm? Or is the employee attached loosely to the firm, such that the opportunities for development and progression are more often provided via the external labour market? Firms take different approaches to these questions, influenced in some part by the specific types of product and labour markets in which they operate (Osterman 1987; Kalleberg

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2001). However, their choices are also made within specific institutional constraints (Marsden 1999; Rubery and Grimshaw 2003; Gallie 2007).

In broad terms, Britain is seen as the archetypal liberal economy, offering 'light touch' regulation, with limited employment protection, weak support for employers' investments in workplace training and limited regulation of pay setting. This suggests a labour market that is characterised by employment mobility and wage flexibility, with firms offering relatively little by way of skill development, and workers prospering by using generalisable human capital to switch firms for career development: a so-called occupational labour market (OLM) (Eyraud et al. 1990). France, on the other hand, is characterised by stronger employment protection, legislative support for workplace training and extensive support for the joint regulation of pay. Core workers in France have been shown to benefit from strong internal labour markets (ILMs), characterised by ongoing skill development and opportunities for career progression *within* firms, and high returns to seniority (*ibid.*). A notable degree of dualism is also apparent in the French labour market, however, with peripheral workers experiencing high labour turnover, being 'shut out' of firm investments and finding it more difficult than in Britain to make the transition to permanent work (Piore 1978; Le Barbanchon and Malherbet 2013).

These characterisations find broad support in aggregate labour force statistics, which show a higher incidence of temporary contracts in France (14% compared with 6% in the UK), but also longer job tenure (12 years on average, compared with 9 years in the UK) (OECD 2015a, b). In practice, however, there is likely to be substantial heterogeneity both between (and indeed within) workplaces in either country. Such local heterogeneity is likely to arise *inter alia* from differences in product and labour markets, which affect both the production regime and the balance of power between capital and various types of labour.

This chapter examines the nature of firms' employment systems in Britain and France through an investigation of linked employer–employee data. The chapter will investigate the degree to which firms' employment systems in the two countries conform to the broad tendencies outlined above. We use information on the in-work experiences of individual employees to characterise the approaches taken towards employment by workplaces in the two countries, and seek to explore the degree of heterogeneity across workplaces within each country.

Previous empirical studies have shown that such heterogeneity is widespread. For instance, Petit (2003) showed that a simple duality based on contract permanency is insufficient to capture the variety of employment systems in France, which are also characterised by a second duality relating to career opportunities. Amossé and Coutrot (2011) then used succeeding waves of the *Relations Professionnelles et Négociations d'Entreprise* (REPONSE) survey to show the dynamics of different 'socio-productive models' within the French setting. For Britain, prior analyses have also argued against a uniform representation of the labour market. In the 1980s, Marsden (1986) stressed that ILM-type arrangements were present for some white-collar workers while OLM-type practices predominated among blue-collar employees. McNabb and Whitfield's later study (1998) also showed the existence of ILM-type employment profiles in Britain at the beginning of the 1990s.

Our study examines the nature of the employment systems present in Britain and France today, seeking to answer a number of related questions. For instance, how do the patterns of career progression, skill development and wages compare between the two countries? To what extent are the patterns indicative of OLM- or ILM-type arrangements? Are ILMs still more common in France? And to what extent were such practices affected by the recent economic crisis?

The chapter begins by examining tenure and wage profiles in the two countries, with a particular focus on the variance that exists between different types of workplace in Britain and France. The chapter then goes on to identify high-tenure, high-wage workplaces in either country, as a means of pointing towards the existence of ILM-type employment systems. We discuss the prevalence of ILM-type arrangements between the two countries, and examine the types of workplaces and employees that are involved. The chapter then turns to examine workplaces' practices in respect of skill development, and workplaces' use of non-permanent contracts. The links with ILM-type arrangements are explored, before a final section concludes.

Recruitment and Tenure

Any employee entering into a new employment relationship will naturally wonder how long their job might last. Some may be at the workplace for only a matter of months, or even weeks. Others may end up spending

a large proportion of their working lives at the establishment. In the latter case, this will typically involve some progression—first within the job to which they have been appointed and then, later, to more senior positions within the workplace.

Patterns of job tenure are partly related to worker preferences or attributes. For instance, women are more likely than men to exit the labour market during their working life in order to raise children, and they typically retire earlier than men; both factors contribute to men having longer job tenure than women, on average, although such differentials are declining over time (Bachmann et al. 2015). Employer preferences or strategies are also influential, however, with some employers keen to retain and promote employees within the workplace, whilst others prefer to ‘hire and fire’. Burgess et al. (2000), for example, show that the rate of labour turnover is highly persistent over time for individual employers, which points towards the use of specific personnel policies around recruitment, retention and dismissal. Yet, of course, patterns of job stability also differ between countries. As noted in the Introduction to this chapter, job tenure is lower on average in Britain than in France, with the former having one of the lowest average rates of tenure in the EU and the latter one of the highest. These differences have been stable over time (Auer and Cazes 2000) and may relate, in part, to the different character of employment protection legislation (EPL) in the two countries (see Bachmann et al. 2015), although the evidence is not entirely settled on the importance of legislation in explaining cross-national variation.¹

From the point of view of human resources (HR) practice, a key signal is whether an employer, in seeking to fill a vacant position, will look to fill the post from within the workplace or will primarily look to the external labour market. Data from the workplace-based *European Company Survey* (ECS) indicate that, across Europe, the preference of managers is overwhelmingly to recruit from within (see Table 4.1).² However, the intensity of this internal focus is stronger in France than in Britain.

¹ Very few empirical studies compare the dynamics of the labour market by looking at the flow of workers into and out of establishments. Those few analyses which have been conducted lead to conflicting results about the likely influence of EPL (Bassanini and Garnero 2013; Duhautois et al. 2013; Duhautois and Petit 2015).

² We are grateful to Gijs van Houten at Eurofound for providing the figures underlying Table 4.1.

In the 2013 ECS, managers at just under half (47%) of workplaces in France with 10 or more employees expressed a strong preference for internal recruitment, compared with just less than two-fifths (37%) in Britain. The data presented in Table 4.1 thus point to heterogeneity both across and within the two countries. We seek to explore this, not by looking at recruitment methods (a topic which is not covered in any detail in REPOSE), but by examining the realised patterns of job tenure among employees in our survey population. In doing so, we necessarily focus on employees with at least 1 year of tenure (see Chap. 1).

We find that, just as in aggregate labour force statistics, job tenure among employees in our specific population of interest is higher in France than in Britain. Some 14% of employees in our British population in 2011 have tenure of between 1 and 2 years, compared with 8% in France; at the other extreme, almost half (46%) of employees in France have 10 or more years of tenure, compared with just 30% in Britain (Table 4.2).

Table 4.1 Workplace recruitment practices in France, the UK and the EU-28, 2013

When recruiting the management usually first look whether there are any suitable internal candidates

	France (%)	UK (%)	EU-28 (%)
Strongly disagree	5	1	3
Disagree	11	9	11
Agree	37	53	49
Strongly agree	47	37	37

Base: All workplaces with ten or more employees

Source: *European Company Survey 2013*.

Table 4.2 Years of tenure at the workplace in 2011, by country

	Britain (%)	France (%)
1–2 years	14	8
2–5 years	29	23
5–10 years	27	23
More than 10 years	30	46
<i>Number of observations</i>	<i>11581</i>	<i>11123</i>

Base: Employees with at least 1 year of tenure in private sector workplaces with 11 or more employees

Looking in further detail, we find that, in cross-tabular analysis, a French 'premium' on job tenure is found to exist across most age groups, most categories of educational attainment, and for both men and women. It is also observable within most occupational categories and across a variety of different types of workplace. Indeed, if we regress our categorical measure of job tenure on a country identifier and a wide range of demographic, job and workplace characteristics, we find that none of the premiums can be explained by observable differences in the composition of the two employee or workplace populations.³

There are two notable deviations from the broad pattern of higher tenure in France, however. First, average tenure (as indicated, e.g. by the share of employees with tenure of 5 years or more) is not significantly different among the least qualified in Britain and France (those with qualifications below International Standard Classification of Education-97 [ISCED-97] Level 2). Second, average tenure is not significantly different among those in craft occupations or among those in elementary occupations. These patterns indicate that there is some heterogeneity around the national 'effect'.

To explore the employee and workplace characteristics that are associated with longer tenure in either country, we use multivariate regression analysis to estimate the probability that an individual employee has accrued tenure of at least 5 years in their current workplace.⁴ In both countries, more than 20% of variance in tenure is explained (22% in Britain and 25% in France) and the associations between job tenure and employees' personal and job characteristics are similar. However, some nuances are noteworthy. In both countries, we find that tenure broadly increases as one moves up the occupational classification, but in Britain it is managers that stand apart (having particularly high tenure) and in France it is elementary occupations (their tenure being particularly low). In both countries, tenure rises with age, but the relationship is steeper in France; this is consistent with a greater French focus on internal progression

³ Ordered probit regression controlling for employees' demographic characteristics (age, gender and education), job characteristics (working hours, being a union member and occupation), workplace characteristics (size, independence, age, industry and localisation in capital city or nor) and workforce attributes (percentage of female workers, percentage of workers aged less than 25 and more than 50 years old, and percentage of low, medium and high occupations).

⁴ We use the same set of control variables as listed under note 3.

rather than external mobility. Some variations are also apparent in the influence of workplace characteristics, with tenure in France being particularly high in the manufacturing sector, in old workplaces (those aged 50 years or more) and in very large workplaces (those with more than 500 employees). Such characteristics are, indeed, those associated in the literature with the archetypal ILM model.

In order to explore the role of the workplace further, we take advantage of our linked employer–employee data to identify workplaces in which employees have high average levels of tenure. To derive such an indicator, we pool our samples of employees from Britain and France and regress the categorical measure of job tenure shown in Table 4.2 on a small set of employee demographic characteristics (gender, age and educational attainment) and a unique identifier for each individual workplace. The demographic characteristics control for differences in the attributes which employees bring to each of these workplaces (and which cannot be altered by the employer); the workplace identifier then provides a measure of average tenure within that workplace after adjusting for such differences in employee attributes. We call this the 'workplace fixed effect' on job tenure and argue that it provides an indicator of all aspects of employers' strategic choice over job tenure. We arrive at a continuous variable which is observed for each workplace in the sample that provides employee observations.⁵ The variable is approximately normally distributed in both countries, although the weight of observations is further to the right in the French distribution, which is consistent with the higher average tenure observed in France (see Table 4.2). A comparison of these 'fixed effects' (FEs) at the workplace level then provides an indication of the heterogeneity among workplaces both within and between the two countries.

An overview of this heterogeneity can be obtained by dividing the FEs for all workplaces in the pooled sample into quartiles (Table 4.3).

⁵ This sample extends to 1101 of the 1601 workplaces in the WERS sample and 3561 of the 3947 of the workplaces in the REPOSE sample. The WERS sample thus suffers from greater attrition, but has a higher density of employee observations per workplace. The attrition is addressed through employee weights, whilst the differing density of employee observations will introduce only imprecision rather than bias (see Amossé and Forth 2015). To estimate the fixed effects, we utilise the `-areg-` command in Stata with the `-predict d-` option (see McAffrey et al. 2012).

On doing so, we find that only one-third (34%) of British workplaces have an FE at or above the median for the pooled sample; this compares with almost two-thirds (63%) of French workplaces. The most striking difference is that 37% of French workplaces sit in the top quartile of the distribution, compared with just 10% of workplaces in Britain. In contrast, one-third (33%) of British workplaces are in the bottom quartile, compared with under one-fifth (18%) in France.

This heuristic device thus serves to illustrate—at the workplace level—the two broad points that have been apparent in the foregoing discussion. First, workplaces in France provide employees with longer job tenure, on average, than workplaces in Britain, and this remains true after controlling for the basic attributes that employees bring to the workplace. It will be evident in Chap. 7 that this is also in line with the lower rates of employee turnover in French workplaces. Second, there is considerable heterogeneity in these workplace effects *within* each country. Both countries have substantial proportions of workplaces at either end of the distribution of FEs, as shown in Table 4.3. These broad patterns are thus consistent with the data on recruitment preferences shown in Table 4.1, which showed a stronger preference for internal recruitment in France but also a variety of preferences in either country. One cannot truly determine the extent to which such approaches are influenced by—or adopted in spite of—the different regulatory frameworks in the two countries. However, the clear impression is that job stability and progression within the workplace are more important in France than in Britain. Later in the chapter we will go on to consider what this might indicate about workplaces' approaches to employment more generally.

Table 4.3 The distribution of workplace FEs on job tenure in 2011, by country

	All workplaces (%)	Britain (%)	France (%)
Below the 25th percentile	25	32	19
Between the 25th and 49th percentile	25	33	18
Between the 50th and 74th percentile	25	24	26
At the 75th percentile or above	25	10	37
<i>Number of observations</i>	<i>4662</i>	<i>1101</i>	<i>3561</i>

Base: Private sector workplaces with 11 or more employees, where at least one employee was observed

Wages

Wage setting practices are one of the dimensions on which the British and French labour markets differ most. In France, collective bargaining is compulsory at the firm level and widespread at the branch level so that, in practice, its coverage is nearly exhaustive in the private sector, while in Britain it is largely absent (see Chap. 3). The use of collective and individual performance pay schemes is also more prevalent among French workplaces (see Chap. 5). We do not repeat the investigation of those specific practices here. Instead, we focus on the profiles of wages in each country that result from these (and other) influences, so as to investigate the use of high or low wages as part of the approach to employment within the workplace.

Again we base our analysis on data from our samples of employees, and again we make use of the linked employer–employee structure of our survey samples to examine heterogeneity at the level of the workplace. Both of our employee samples contain information on the employee's gross hourly wage (i.e. the wage received by the employee before the deduction of the employee's tax payments and social security contributions). For France, these data are obtained by matching the REPOSE employee sample to individual records in an administrative database (the *Déclaration Annuelles de Données Sociales*) that holds information on gross wages and hours worked. For Britain, they are obtained directly from the *Workplace Employment Relations Survey* (WERS) employee questionnaire, although this only places the weekly wage within a specified interval and so we obtain point estimates for gross hourly wages by dividing the upper and lower bounds of the weekly wage by a continuous measure of hours worked, and then taking the midpoint of this hourly wage interval to obtain a hourly wage.⁶ All figures are converted to euros at the exchange rate which prevailed at the time of the survey. The resulting distribution of wages in both countries is skewed to the right, such that our measures are approximately normally distributed after taking logs.

⁶This is the standard approach in the literature and, in regression analysis, it generates coefficients that are very close to those obtained from conventional wage data (see Davies and Welpton 2008). Moreover, point estimates from our WERS data are shown to correspond well to those obtained from the continuous measure of wages provided by the Labour Force Survey (see Technical Appendix Table A.6).

Table 4.4 Log of hourly wages (euros) in 2011, by country

	Britain	France
25th percentile	2.13	2.21
Median wage	2.49	2.44
75th percentile	2.90	2.76
<i>Number of observations</i>	<i>10759</i>	<i>11198</i>

Base: Employees with at least 1 year of tenure in private sector workplaces with 11 or more employees

As shown in Table 4.4, the median log hourly wage is similar in the two countries (2.49 in Britain, compared with 2.44 in France). However, the inter-quartile range is somewhat greater in Britain than it is in France (0.77 log points, compared with 0.55 log points). This is in line with the broader literature, which highlights the greater degree of wage dispersion in Britain (Dreger et al. 2015).

Our first interest is in how the pattern of wages varies with employee attributes in each country, particularly those attributes relating to career experience. If wages rise more steeply with age or job tenure in one country, this would indicate that experience is important in wage determination. We estimate separate wage equations for each country, using the log of gross hourly wages as our dependent variable and begin by controlling for employee age. In both countries, wages rise with age and, when entered alone, age explains approximately 7% of the variance in gross hourly wages. The rise in wages is steepest for younger workers in Britain, but steepest for older workers in France. Moreover, the gap in wages between older and younger workers is larger in France, with wages rising by 30% between the 22–29 and 50–59 age groups in France but by only 16% in Britain. The higher incidence of long tenure in France does not wholly explain this pattern. Adding a control for job tenure, we find that wages are positively linked to tenure in both countries, but the relationship is weaker in Britain: only those employees with 10 or more years of tenure have average wages that are higher—to a statistically significant extent—than those of employees with 1–2 years of tenure. Moreover, adding tenure raises the share of variance explained by only 0.5 percentage points in Britain, but by 1.4 percentage points in France. The results for tenure are unchanged if we control for a range of other employee, job

Table 4.5 The distribution of workplace FEs on wages in 2011, by country

	All workplaces (%)	Britain (%)	France (%)
Below the 25th percentile	25	38	15
Between the 25th and 49th percentile	25	18	31
Between the 50th and 74th percentile	25	19	30
At the 75th percentile or above	25	26	25
<i>Number of observations</i>	<i>4627</i>	<i>1018</i>	<i>3609</i>

Base: Private sector workplaces with 11 or more employees, where at least one employee was observed

and workplace characteristics.⁷ They suggest that tenure is less influential in shaping the wage-career profile in Britain than in France.

To illustrate the heterogeneity in wage levels between workplaces, we adopt the same approach as that taken in respect of job tenure. Specifically, we pool our samples of employees from Britain and France and regress our measure of log hourly wages on a small set of employee demographic characteristics (gender, age and educational attainment) and a unique identifier for each individual workplace.⁸ The workplace identifier then provides a measure of average wages within that workplace after adjusting for such differences in employee attributes.

This 'workplace FE' on wages is approximately normally distributed in each country and, in line with the distribution of employee wages shown in Table 4.4, the distribution of workplace FEs is more dispersed in Britain. As in the case of job tenure, we divide the FEs for all workplaces in the pooled sample into quartiles, and find that a similar share of workplaces in either country (around one quarter) is positioned within the top quartile (Table 4.5). In other words, each country has a similar share of all high-wage workplaces. However, the share of low-wage workplaces—indicated by those in the first quartile—is much higher in Britain (38%, compared with just 15% in France). Overall, 56% of British workplaces sit at or below the median point in the pooled sample, compared with 46% in France.

⁷We use the same set of control variables as listed under note 3.

⁸We first equalise the median wages in the two countries in order to eliminate the potential effects of price differentials.

We are not concerned here to investigate the workplace-level correlates of high or low wages in any detail (see Chaps. 2, 3 and 5 for specific investigations in that respect). Instead, our intention is to use the relative position of a workplace in the pooled sample of workplace wage FEs (as indicated in Table 4.5) in conjunction with the workplace's position in the pooled sample of workplace tenure FEs in order to reveal something more about the workplace's orientation to career development.

A Composite Indicator of ILM Orientation

A number of industrial relations scholars have discussed the rules shaping employment practices and outcomes inside an organisation with reference to the notion of an 'ILM' (see Doeringer and Piore 1971; Osterman 2011). These rules, which may be specific to individual firms, lead to outcomes different from those predicted by simple supply and demand models, moving the firm away from an employment system that is shaped only by labour market conditions. Elsewhere, the notion of the ILM has also been developed in a more standard labour economics framework by those interested in personnel economics (Lazear and Oyer 2004) or efficiency wage models (Saint-Paul 1996). This varied literature often pits firms with ILM-type practices in opposition to those acting more in reaction to labour market conditions. The two different types of firms, and their workers, then constitute two different segments in the labour market.

Despite the substantial literature, there is no common empirical definition of an ILM (Leontaridi 1998). However, one core characteristic of ILM arrangements is that they seek to encourage employees to further their careers within the firm; workplaces with an 'ILM orientation' should then be characterised by high levels of job tenure and the payment of above-market wages. We thus identify workplaces with an ILM orientation as those which, for a given gender, age and education profile within the workforce, sit at or above the median in both the distribution of pooled workplace FEs on job tenure (see Table 4.3) and the distribution of

Table 4.6 Percentage of workplaces with a 'strong' ILM orientation, and corresponding share of employees in those workplaces, in 2011, by country

	Britain (%)	France (%)
Share of workplaces	17	38
Share of employees	26	48
<i>Number of observations</i>	<i>1018</i>	<i>3560</i>

Base: All private sector workplaces with 11 or more employees, where at least one employee was observed

pooled workplace FEs on wages (see Table 4.5).⁹ This is a heuristic device and one should not attach a great deal of importance to the absolute share of workplaces which meet these criteria; instead, what is informative is the position of workplaces in Britain and France *relative to one another* (and equally, the degree of change within each country over time).

In line with the existing empirical literature which shows that high-paying firms experience less worker turnover (Duhautois et al. 2016; Lazear and Shaw 2007; Burgess et al. 2000), we find that correlations between our two FE measures are positive in both countries. Yet we also find that the correlation is stronger in France, showing that tenure and wages profiles are more closely associated there than in Britain. The share of workplaces with an ILM orientation is then considerably higher in France. Almost two-fifths (38%) of all workplaces in France meet our criteria, compared with less than one-fifth (17%) in Britain (Table 4.6). We find that there is no strong bunching of British workplaces just below the cut-off: the share of workplaces sitting at or above the median on only one of the two indicators is quite similar in the two countries (45% in Britain and 41% in France). Instead, Britain has a relatively high share of workplaces that sit below the median on both (38%, compared with 21% in France).

Our data thus indicate that an ILM-type orientation is considerably more widespread among private sector workplaces in France than is the case in Britain. It can be noted that, even in France, the share of workplaces

⁹One may prefer to identify an ILM orientation through the analysis of job mobility and wage progression within and across firms (see, e.g. Lazear and Oyer 2004), but this requires longitudinal data and a much higher density of employees per workplace than is present in our WERS-REPNONSE data set.

with an ILM orientation remains a minority, but the share is notably larger than that found on the other side of the Channel. Moreover, since workplaces with an ILM orientation are larger than the average workplace, they account for a disproportionate share of all employment (48% in France and 26% in Britain).

In order to examine whether the strength of workplaces' orientation towards ILMs was affected by the recent economic crisis—and also to show that our measure is not wholly driven by the particular attributes of our 2011 sample—we conduct a parallel analysis which seeks to compare the strength of ILM orientations in each country in 2004/2005 and 2011. In view of the changes to the inclusion criteria for the REPOSE workplace sample between 2005 and 2011, our dynamic analysis is focused on establishments with 21 or more employees. Within each year, we adopt the same methodology as described above in order to estimate the share of workplaces with a 'strong' ILM orientation.

The distribution of job tenure and wages at employee level in 2004/2005 and 2011 is shown in Table 4.7. In both years, tenure is longer on average in France than in Britain, yet average job tenure rises slightly between the two time points in Britain, whereas it falls slightly in France. In both countries, the economic crisis led to a reduction in worker turnover, but in France this may have been counteracted by

Table 4.7 Distribution of job tenure and wages in 2004/2005 and 2011, by country

	Britain		France	
	2004	2011	2005	2011
<i>Tenure distribution</i>				
1–2 years	16	13	7	8
2–5 years	32	28	23	23
5–10 years	23	27	18	22
10 years and more	29	32	52	47
<i>Number of observations</i>	11066	10288	7861	9905
<i>Log hourly wage</i>				
First quartile	2.13	2.16	2.21	2.22
Median	2.47	2.50	2.44	2.45
Third quartile	2.89	2.93	2.77	2.78
<i>Number of observations</i>	10732	9559	7907	9971

Base: All employees with at least 1 year of tenure in private sector workplaces with 21 or more employees

a substantial process of retirement among 'baby boomers' (Delattre 2014). The wage distributions are found to be relatively stable, with the degree of wage dispersion being similar across the two countries in each year and thus higher in Britain at both time points.

When we compute workplace FEs on job tenure and wages, the results show broad stability in the relative position of the two countries across time (Table 4.8).¹⁰ In 2004/2005, the share of French workplaces with a strong ILM orientation was around three times that found in Britain, whereas in 2011 the ratio was around 2.5. This indicates some closing of the gap between 2004/2005 and 2011, consistent either with a strengthening of ILM orientations in Britain or with a weakening in France. However, the degree of movement is not substantial, indicating that the broad pattern of orientations seen in the two countries is primarily a structural, rather than a cyclical characteristic, at the establishment level.

It remains to be shown which types of workplace in either country have an ILM orientation, and which types of workers benefit from being located in such establishments. Our rich workplace and employee data provide unique opportunities to address these questions, which form a major part of the discussion in the remainder of the chapter.

Table 4.8 Percentage of workplaces with a 'strong' ILM orientation, and corresponding share of employees in those workplaces, in 2004/2005 and 2011, by country

	2004/2005		2011	
	Britain	France	Britain	France
Share of workplaces	13	41	15	37
Share of employees	20	53	24	46
<i>Number of observations</i>	863	2636	824	3056

Base: All private sector workplaces with 21 or more employees, where at least one employee was observed

Note: comparisons should be made across countries, within year

¹⁰ The shares of workplaces with a strong ILM orientation shown for 2011 in Table 4.8 should not be compared with those shown in Table 4.6, as the workplace FEs and quartiles underlying Table 4.8 have been estimated afresh on the pooled sample of workplaces with 21 or more employees.

Profiling ILM Workplaces and Workers

Which Workplaces Have an ILM Orientation?

The existing literature on ILMs (Doeringer and Piore 1971; Piore 1978) leads us to expect an ILM orientation to be most common in manufacturing, among larger workplaces and in larger firms. In both countries, we find that an ILM orientation is most apparent among the largest workplaces: more than two-thirds of those workplaces with 500 or more employees have such an orientation in France (68%); the share is nearly half in Britain (48%). In Britain, more than one-third of workplaces in manufacturing (35%) fit our ILM typology, but this compares with nearly half of workplaces in that sector in France (45%). In both countries, ILMs are also prevalent in the electricity, gas and water supply industry, in financial services and in other business services (business and management consultancy, legal activities, architecture, etc.). In France the prevalence is also reasonably high in the construction industry (50%), pointing to a high degree of duality in that sector, with a small number of large, dominant firms coexisting alongside many smaller ones (INSEE 2014). Finally, the capital ownership structure of ILM workplaces bears some similarities between the two countries: they are more likely to be foreign-owned, and less likely to be family-owned than other workplaces. Yet the association with listed status differs, being positive in France and negative in Britain. The negative association is in line with the hypothesis that the shareholder capital in Britain provides particular disincentives for employers to make long-term investments in their employees (see Chap. 2).

Going beyond simple workplace demographics, the literature on labour market segmentation proposes a number of motivations for a firm to implement an ILM-type strategy. For instance, Berger and Piore (1980) and Saint-Paul (1996) argue that predictable product demand is a prerequisite for firms to envisage reducing labour turnover, such that ILMs would be most likely to emerge in enterprises catering to stable markets. If we control for other workplace and workforce characteristics, we do indeed find that an ILM orientation is more common among workplaces in which the manager describes product demand as either stable (in France) or declining (in Britain) than it is among workplaces that face growing demand.

We also expect that stabilisation of the workforce would enable ILM-type workplaces to compete on dimensions other than price. In France, we find in bivariate analysis that workplaces which compete on price are less likely to have an ILM orientation than those which compete on quality or innovation. However, the differences are no longer statistically significant after controlling for industry sector. In Britain, an ILM orientation is not associated to a particular strategy. There are, then, both similarities and differences across the two countries in the relationship between ILMs and the workplace's position in its product market.

Osterman (2011) argues that there is also typically a political dimension to ILM building, with ILMs being more common in workplaces with specialist HR managers and strong unions. We do find a positive association with the presence of a specialist HR, as well as with union membership density at the workplace and the recognition of unions for collective bargaining. However, few of these associations remain significant after controlling for workplace and workforce characteristics: the only one which remains is the positive association with active collective bargaining in France. HR specialists and unions are thus more common among workplaces with an ILM orientation, but they are not a defining characteristic by and large.

Turning to other HR practices, Piore (1975) stressed the role of work organisation and production techniques in motivating the creation of ILMs. In both countries, we find that ILMs are positively associated with the use of 'high-performance' work practices such as team working, quality circles or intensive use of information technology. Using a score variable for these practices (see Chap. 5), we see ILMs are positively associated with the cumulative use of 'high-performance' work organisation and production techniques. In France, we find an equivalent result when using the score variable for incentive practices (profit sharing schemes, share ownership plans, performance-related pay and appraisal meetings). In Britain, however, there is no particular association between an ILM orientation and the use of incentive pay schemes, even in a bivariate context.

Finally, using the managers' subjective ratings of workplace labour productivity and financial performance (as discussed in more detail in Chaps. 3 and 5), we find that managers are more likely to give higher performance ratings in workplaces with an ILM orientation than in

workplaces without such an orientation. In France, the positive association remains statistically significant after controlling for other workplace and workforce characteristics. This may indicate that the lower-than-average levels of employee turnover and higher-than-average wages that characterise our ILM indicator serve to encourage higher levels of productivity on the part of employees (e.g. as in theories of efficiency wages). However, with our cross-sectional data, we cannot rule out the possibility of reverse causality (which may arise if high levels of productivity or profitability prompt firms to pay high wages and to focus on employee retention).

Looking across the piece, we thus find a greater number of dimensions on which French ILM workplaces appear distinctive from those without an ILM orientation, and that the correlates appear to be more in line with those proposed in the existing literature. This would suggest that the profile of workplaces with an ILM orientation in France is more specific than is the case in Britain, which may in turn suggest a more focused strategy towards ILM building in French workplaces. ILM workplaces in Britain appear more heterogeneous in comparison. This implies that the distinction between the two countries is perhaps even greater than the figures in Table 4.6 might suggest.

Which Employees Are Located in Workplaces with ILMs?

Labour market segmentation ultimately derives from differences in firms' strategies, but Doeringer and Piore (1971) stressed that there are also distinctions between workers in different segments of the labour market which parallel those between jobs. One particular advantage of our linked employer–employee data in this regard is that, having compiled an identifier of workplaces with an ILM orientation, we can take this back to the employee data in order to identify whether the characteristics of employees differ between those workplaces with a strong orientation and those without.

In line with the prior literature, we find that male employees, older workers and those with a higher-level education are all particularly

likely to be located in a workplace with an ILM orientation. There is also a strong association with occupation. Together, employees in higher-skilled white-collar occupations (managers, professionals and technicians) account for half (51%) of all employees in ILM-type workplaces in France, but for only one quarter (24%) of employees in non-ILM workplaces; the equivalent figures for Britain are 52% and 37%, respectively. Elementary occupations and service and sales workers are particularly rare in ILMs in either country. In spite of these associations, however, we find that, when we regress our ILM indicator on a full range of employee demographic, job, workplace and workforce characteristics, the workplace and workforce characteristics are particularly influential in explaining whether an employee is located in a workplace with an ILM orientation. Specifically, we find that the share of variance explained roughly doubles when we move beyond employee demographic and job characteristics to control for characteristics of the workplace and workforce (rising from 13% to 24% in France, and from 10% to 24% in Britain). This points towards employers as the driving force in labour market segmentation.

Skill Development and Training

Having considered some core features of the employment system in terms of tenure and wages, we now move on to consider other core facets, namely, training and skill development and forms of labour contracting.

Whilst most workers will typically favour an employment relationship offering the prospects of long tenure and good wages, many will also look favourably on opportunities to develop their skills within the workplace. Such opportunities bring intrinsic rewards through personal development, but also extrinsic rewards through enhanced opportunities for occupational mobility (whether within or outside the workplace). For the employer, training and skill development thus provide a tool for employee retention—particularly in support of ILMs. But more broadly, they also provide a means of maintaining and enhancing labour productivity, particularly in the face of changing product markets.

Different Institutional Settings

Most workplaces in Britain and France engage in some off-the-job training, but the context for workplace training in the two countries is quite different. Looking first outside the workplace, France has a stronger vocational element to its schooling when compared to Britain, which offers a more general form of schooling.¹¹ This implies that there is likely to be a greater need for workplace-based training in Britain—particularly among young employees—in order to provide employees with the necessary vocational skills. Conversely, however, the lower degree of job mobility in France would suggest that French firms are better able to recoup any investments from training, which should provide additional incentives to train over and above those faced by the typical British employer. Added to this, France differs from Britain in placing legal obligations on firms to offer training opportunities (see Box 4.1).

Box 4.1: France and Britain: Two different approaches to training

All French firms are obliged to spend some part of their wage bill on training for their own workers. At the time of the 2011 REPOSE survey, the legal obligation was 1.6% of the wage bill for firms of ten employees and more (and thus for all of the workplaces in our sample), and 0.55% for smaller firms. Workers in France also accrue training credits to provide up to 20 hours of training per year, and they are entitled to a personal skills audit as a basis for career development (Paul 1992; Joras 2002). Furthermore, a highly developed system of social dialogue over vocational training also mandates that negotiations take place on vocational training every 5 years. The system in Britain is considerably more voluntarist in nature and relies to a much greater extent on market forces and the actions of individual employers. The UK government has been active in promoting vocational training schemes, such as Modern

¹¹ Vocational training in France does not have the status associated with the system of apprenticeship training in Germany, however (see Rubery and Grimshaw 2003, pp. 106–137 for one discussion).

Apprenticeships, and has recently placed greater focus on industry-led initiatives. However, there are no generalised, minimum requirements for firms and no system of training credits for workers, although employees do have the right to ask for unpaid time off work for training or study, and union representatives have the right to paid time off to promote training within the workplace.

Against this backdrop, we use our data to investigate the extent and patterns of provision of on-the-job training in the two countries; we then go on to investigate the association with ILM orientations. The questions covering workplace training within the respective management questionnaires are not comparable, but neatly illustrate the differing contexts. The REPOSE survey understandably focuses its attention on training expenditure as a share of the wage bill. Around one quarter (24%) of workplaces spent less than 1.5% of their wage bill on training in 2010, whilst the same proportion (24%) spent more than 3.0%. The WERS survey, in contrast, focuses its attention on the share of experienced workers in the largest occupational group that received off-the-job training over the 12 months prior to the survey. Around one in seven workplaces (13%) reported that none of these workers had received off-the-job training, whilst just under half (46%) reported that at least 80% had received training.

More comparable measures with which to judge the relative levels of provision across the two countries (and more fully explore the correlates) are available in the employee questionnaire. The REPOSE employee questionnaire asks whether the employee has undertaken any job-related training during the previous 3 years that was financed wholly or in part by their employer. In WERS there is a very similar question, but with a shorter recall period, asking how many days of off-the-job training the employee has received in the previous 12 months that were paid for or organised by their employer.¹² In spite of the shorter recall period,

¹² The full question text explicitly excludes health and safety training.

Table 4.9 Percentage of employees receiving off-the-job training in 2011, by age and tenure, by country

	Cell percents	
	Britain	France
<i>Job tenure:</i>		
Less than 2 years	72	38
2–4 years	68	47
5–9 years	66	50
10 years or more	60	47
<i>Employee age:</i>		
16–29	71	49
30–49	68	49
50 or more	60	40

Base: Employees with at least 1 year of tenure in private sector workplaces with 11 or more employees

Note: Figures for France refer to receipt over the previous 3 years. Figures for Britain refer to receipt over the previous year

The number of observations varies across the cells of the table (minimum 691 for each cell of job tenure; minimum 1,665 for each cell of employee age)

receipt of off-the-job training is more prevalent in Britain, with some 66% of employees reporting the receipt of employer-provided training in the previous year, compared with 46% of employees in France who reported any such receipt in the previous 3 years. Although the comparison appears surprising in the context of the more extensive support for workplace training in France, it accords with the higher levels of training receipt recorded for UK employees in the *European Working Conditions Survey* (Eurofound 2012: 104). The differing schooling systems, referred to above, are one possible influence and, indeed, the gap between the two countries is particularly large for employees with low tenure. However, the gap does not disappear among employees with substantial tenure and, moreover, it is not only apparent among younger workers (the new entrants to the labour market) (Table 4.9). Indeed, the higher training propensity in Britain remains after controlling for a variety of employee characteristics, namely, age, education, gender, tenure, occupation and hours. Training durations are, however, known to be shorter in Britain than in France (O'Mahony 2012), and so the total stocks of training received are likely to be somewhat closer than our data would suggest, but

unfortunately we do not have comparative information in our WERS-REPONSE data set to be able to take this further.¹³

Off-the-Job Training and ILMs

What role do ILMs play in training provision in Britain and France? Within an ILM, the stability of the workforce allows the employer greater opportunities to recoup a return from any training investments, and so one might expect a positive association between an ILM orientation and the provision of training within the workplace. However, we do not find a consistent picture across the two countries. In France, there is a strong positive association, with 53% of employees in ILM workplaces having received off-the-job training in the 3 years prior to the survey, compared with 40% of employees in non-ILM workplaces. This positive association remains in France after controlling for a standard set of employee, job and workplace characteristics. In Britain, in contrast, the positive association is weaker (69% of employees in ILM workplaces had received training in the previous year, compared with 64% of those in non-ILM workplaces) and the difference was no longer statistically significant after controlling for other workplace characteristics. The provision of off-the-job training thus appears to be a more integral part of the ILM approach in France.

One potential limitation of this analysis is that it focuses only on formal, off-the-job training, while informal training is actually supposed to play a crucial role in segmentation theory. According to Doeringer and Piore (1971) the presence of on-the-job (informal) training is among the three main factors motivating ILM implementation (along with the presence of customs and the specificity of qualifications). Our surveys do not provide comparable measures of on-the-job training, but they both have general indicators of the workplace's approach to skill development, as perceived by the employee. The REPONSE survey

¹³ The number of days of training received by employees was included in the WERS employee questionnaire, but the REPONSE employee questionnaire only asked whether any training had been received.

asks employees whether their job offers them opportunities to learn new things, with the possible responses of 'Always', 'Often', 'Sometimes' and 'Never'. WERS asks whether managers at the workplace encourage employees to develop their skills, with possible responses from 'Strongly agree' to 'Strongly disagree'. When we analyse these indicators in combination with our ILM measure, we find no apparent correlation with the strength of the ILM in Britain, but a clear positive correlation between an ILM orientation and employees' ratings of skill development in France.¹⁴ These more general measures thus provide a similar picture in respect of the association with ILMs as that shown by our measure of off-the-job training.

Other Motivations for Off-the-Job Training

In exploring the further role of workplace characteristics as motivations for the provision of training in the two countries, attention naturally turns to the influence of unionisation. As implied earlier, unions have played an important role at a national level in shaping training provision in France whereas, in Britain, union initiatives around training are more decentralised and focused on the workplace (see Le Deist and Winterton 2008). This would suggest that variations between unionised and non-unionised workplaces may be more apparent in Britain and, indeed, this is the case. In regressions that control for our standard range of employee, job and workplace characteristics, the likelihood that an employee has received off-the-job training is 5 percentage points higher in Britain if their workplace has an on-site union representative. In contrast, there is no difference between unionised and non-unionised workplaces in France. Examination of the coefficients on other control variables in the regression indicates that product market pressures are a common factor across both countries, with workplaces in either country that compete heavily on price providing less training to their employees than workplaces in less price-sensitive markets.

¹⁴This remains the case when we control for the provision of off-the-job training.

Within these regressions, our standard range of employee, job and workplace characteristics, which include indicators of unionisation, product market competition and ILM approach, serves to explain 10% of the variance in the provision of training among employees in either country within our WERS-REPOSE data. To delve further into the possible motivations for training provision in the two countries, we thus augment our analysis with more detailed indicators which seek to illuminate the importance of the occupation, industry sector and workplace in which the employee is located.

We first replace our nine-category indicator of occupation with more detailed indicators that identify around 350 separate occupations in each country, and find that the share of the variance explained rises to 15% in Britain and to 13% in France. The difference is not substantial, but indicates that training is more closely tied to occupation in Britain than in France, following the literature which would argue for the stronger nature of OLMs in Britain (see, e.g. Marsden 1982, 2007). When we then return to our standard specification and replace our broad 12-category industry classification with NACE (Nomenclature Générale des Activités Économiques dans les Communautés Européennes) Rev. 2 at class level (four-digit), we explain 16% of the variance in training provision in Britain and 13% in France. We are unable to control for detailed occupation and industry simultaneously with our sample size but, again, we have an indication that factors relating to the job (rather than employers' strategic choices) are more influential in Britain than in France.

Finally we control for all unobservable features of the workplace in which the employee is located by replacing all of the workplace-level covariates with a workplace FE. We now explain 20% of the variance in training provision in Britain and 18% in France. This workplace FE approach serves to show that a substantial portion of the variance in training provision in each country is accounted for by where the employee works (which will include the effect of industry sector). However, it also indicates that a large share of the heterogeneity of training provision exists across employees within the workplace, along characteristics that we do not observe in our data (given that 80% of the variance is still unexplained). There is thus a substantial role, as we would expect, for specific features of the post or work environment in which the employee finds themselves. This is true in both countries.

Contracts

The final element of the employment system to be considered in this chapter is the workplace's approach to contracting workers. The most common form of contract for labour is the open-ended or 'permanent' contract with no defined end date. This provides the employee with security and so encourages continuation of tenure, but the employer must weigh up the benefits of employee retention against the limits that permanent contracts place on the ability to respond to changes in product market conditions. Fixed-term or temporary contracts may be preferred when labour demand is unpredictable or periodic, although an alternative is to eschew the employment contract altogether and to bring in labour from an employment agency.¹⁵ Within a workplace, one is therefore likely to see a mix of contractual forms.

If the main influences on contractual form are indeed to do with concerns about the retention of skills or the ability to respond to the vagaries of product demand, then one ought to expect similar patterns of contracting across countries within a given industry. However, this denies the likely impact of the institutional setting and, in Britain and France, this is quite different. Specifically, Britain has one of the least regulated labour markets in Europe with comparatively light restrictions on employers' ability to hire and fire. In contrast, employment protection legislation is more restrictive in France (see Box 4.2 and OECD 2015c).

Box 4.2: Employment protection regulations in Britain and France

In France, the use of fixed-term contracts (FTCs) by employers is restricted to specific circumstances, including cover for absence, seasonal tasks and temporary increases in the employer's activity. As a general rule, FTCs can

¹⁵ A firm may also seek to subcontract whole services to another firm, as discussed in Chap. 2. We have no data on the numbers of workers involved in subcontracting arrangements, and do not wish to repeat the discussion in Chap. 2, and so we do not cover it here.

only be renewed once and the maximum cumulative duration of successive FTCs is 24 months (36 months for specific highly skilled occupations). In Britain, in contrast, there are no limitations on the use of FTCs, except that a FTC is automatically converted to an OTC after 4 years of successive renewals.

In France, there are no length-of-service restrictions on claims for unfair dismissal, but employees in Britain can generally only claim unfair dismissal after accumulating 1 year of service (2 years from 2012). Dismissals in Britain typically require 1 week's notice for every year of tenure, up to a maximum of 12 weeks', whereas in France notice of 1 month is required for those with 6–23 months of tenure and 2 months' notice is required thereafter. In situations of collective redundancy, employers in Britain have a duty to consult with employee representatives if they are seeking to make at least 20 employees redundant within any 90-day period. Employers in France must consult employee representatives if they are seeking to make at least ten employees redundant in a given period of 90 days.

Sources: ILO (2015), OECD (2013)

As noted in Chap. 1, the overall use of temporary contracts is higher, in aggregate, in France than in Britain. What is less known is the extent to which the differences in overall prevalence is simply a difference in levels, or whether there are also major differences in the ways in which temporary contracts are used by employers in the two countries. In this section, we examine the pattern of contractual forms seen at the workplace level. In particular, we examine the correlation with ILM orientations, given that Piore's (1978) study of the French labour market showed a critical role for temporary contracts in helping employers to stabilise the core workforce.

Our investigation is focused solely at the workplace level, as our comparable employee sample is restricted to those with at least 1 year of tenure, which means that many employees on short-term temporary contracts will be omitted. In the management questionnaire, however, we are able to observe the share of all employees that have temporary or fixed-term contracts and the number of agency workers employed at the establishment.

Patterns of Use in 2011

We begin by looking at the use of different types of contract in 2011. Managers in both surveys were asked how many of the employees at their establishment were employed on temporary or fixed-term contracts. The difference in prevalence between the two countries is striking, with the use of such contracts much more widespread across workplaces in France. Among French workplaces, some 61% had at least one employee on a temporary or fixed-term contract, whereas in Britain the figure was around half that (32%) (Table 4.10). The greater propensity to use temporary contracts in France was not a function of any differences in the composition of the two economies: after controlling for our standard set of workplace and workforce characteristics, workplaces in France remained around 30 percentage points more likely to use temporary contracts than workplaces in Britain. The push or pull factors encouraging workplaces to make use of temporary contracts are then clearly much stronger in France.

However, as Table 4.10 indicates, there was a greater degree of polarisation among British workplaces, such that the percentage of establishments making very extensive use of temporary contracts was similar across

Table 4.10 Establishments' use of temporary contracts and agency workers in 2011, by country

	Britain	France
<i>Share of employees on temporary contracts:</i>		
None	68	39
1-4%	9	16
5-9%	10	20
10-24%	5	16
25% or more	8	9
<i>Number of observations</i>	1595	3879
<i>Number of agency workers relative to all employees:</i>		
None	86	77
1-4%	5	8
5-9%	5	6
10-24%	3	7
25% or more	2	3
<i>Number of observations</i>	1571	3884

Base: private sector workplaces with 11 or more employees

the two countries: 8% of workplaces in Britain had at least one quarter of their employees on such contracts, compared with 9% in France. Among those workplaces in Britain that made some use of temporary contracts, 26% used them for at least a quarter of their employees; the equivalent figure in France was 14%.

The second panel in Table 4.10 shows workplaces' use of workers from employment agencies. These are not direct employees of the workplace but, in the table, we express their numbers in relation to the number of employees at the establishment for comparability with the figures on temporary contracts. Again, the use of this form of non-permanent contract is more widespread in France, but the two countries are much less distinct than in the case of temporary contracts. Some 23% of workplaces in France employ some workers from an employment agency, compared with 14% of workplaces in Britain. The share of workplaces using a large proportion of such workers (25% or more) was small (3% or less) in both countries.

There is some indication that temporary employee contracts and the use of agency employment may be seen as substitutes for one another in France. If we examine the use of the two forms of contracting by industry sector in France we find that the propensity to use temporary contracts and the propensity to use agency labour are inversely related. The use of temporary contracts is favoured in service sectors (education, health, community services, wholesale and retail, hotels and restaurants and other business services), whereas agency labour is favoured in manufacturing, construction and transport and communications. The distinction is much less clear in Britain, where sectors such as transport and communications have relatively high use of both types of contract, and sectors such as wholesale and retail and hotels and restaurants have (perhaps surprisingly) comparatively low use of each. This points towards the use of both forms of contract in combination in Britain and, indeed, the use of temporary contracts is much more frequent among firms already making use of agency workers (58%) than among those not using agency staff (28%), whereas the two figures are close to one another in France (63% and 60%, respectively).

If we combine the two measures to compute the total number of non-permanent workers, expressed as a share of all employees, we find that 70% of workplaces have some non-permanent workers in France,

compared with 38% in Britain. The vast majority of French workplaces thus resort to some form of non-permanent labour, whereas this is done by only a minority of workplaces in Britain.

Finally, it is noteworthy that use of non-permanent contracts increased overall in both countries between 2004 and 2011. The main contributor was an increase in the proportion of direct employees with temporary contracts, rather than an increase in the use of agency workers. Chapter 7 investigates whether the recession may have been a contributing factor in these changes.

Which Workplaces Use Non-permanent Labour?

In order to indicate which types of workplaces make greater use of non-permanent labour, we focus on two of the recurring themes from the chapter: the association with the use of ILMs and the association with unionisation. We expect firms to use non-permanent contracts in the face of an unstable or changing demand. We also expect that usage will be higher in workplaces with strong ILMs, where non-permanent labour can be used as a buffer to protect permanent employees from demand shocks (Atkinson 1984; Cappelli 1995; Piore 1978). Conversely, we expect that usage will be lower among unionised workplaces, since unions will be concerned to promote stable employment and typically find it more difficult to organise among non-permanent workers.

To investigate these issues, we run logistic regressions in each country where the dependent variable is the use of at least one non-permanent contract at the workplace. We run separate regressions for the use of agency workers and fixed-term contracts in order to allow for potential differentiation in workplace's strategies. We control for our standard set of workplace and workforce characteristics, and add further indicators to test the hypotheses set out above. Finally, we also use ordinary least squares (OLS) regressions focused on the subset of workplaces that are using each form of contract in order to identify the types of workplace that use them more extensively.

We find that operating in a market with turbulent or unpredictable levels of product demand is not a strong predictor of the use of non-permanent contracts in either country. French workplaces which report

that product demand is difficult to forecast are more likely to use fixed-term contracts, but there is no link with the use of agency workers, and there is no association in Britain between turbulent market conditions and the use of either type of non-permanent contract. The only consistent association across the two countries is that agency workers are more commonly used in workplaces experiencing a growth in demand for their products or services. For both fixed-term contracts and agency contracts, the workplace's industry sector and size explain more of the variance in the use of such contracts than aspects of product market demand.

Turning to the relationship with ILMs, we find no evidence that fixed-term contracts are used as buffer for core workers in workplaces with an ILM orientation. In cross-tabulations, ILM workplaces are, in fact, less likely to use fixed-term contracts than non-ILM workplaces, but the association is not statistically significant in either country after controlling for other workplace and workforce characteristics. Our measure of fixed-term contracts is not ideal for this purpose, however, as it is based on all employees at the workplace, and so may simply be reflective of the fact that workplaces with strong ILM orientations are likely to eschew fixed-term contracts for their core staff, who are likely to form the majority of all employees at the workplace.¹⁶ There are no such concerns with our measure of agency contracts, which is entirely independent of our measure of ILMs. Here we find that French workplaces with an ILM orientation are significantly more likely to employ workers on agency contracts, even after controlling for other workplace characteristics. This is in line with the 'buffer' hypothesis arising from previous studies. The result does not hold for Britain, however, where ILM workplaces are significantly less likely to use agency workers. There is no further correlation with the intensity of use of agency workers in either country, beyond their simple presence in the workplace.

Finally, regarding the association with union presence, the situation is again different across the two countries. In France, unionised workplaces are more likely to use fixed-term contracts and agency workers. In Britain, unionised workplaces are no more likely than non-unionised

¹⁶In other words, our measures of ILM and FTCs are not easily separable as core employees contribute to both.

workplaces to use either form of contract. The pattern observed in France would fit with a hypothesis that unions and employers may bargain over conditions for core workers, to the detriment of workers in the periphery.

Conclusion

This chapter has examined the approaches that firms take towards recruitment, skill development, pay and contracts. These are some of the most central elements of the workplace's employment system, and go some considerable way to determining the shape of employees' careers. The chapter shows that there is substantial heterogeneity in the approach taken by workplaces within both countries. However, in line with previous literature, we find that strong characterisations are also apparent between the two countries. Looking at tenure and wage profiles across countries, we find more dispersion in Britain on both dimensions. We also find the share of workers with long tenure is higher in France, and that both tenure and wages are more strongly associated with employee age than in Britain. These patterns point towards workplaces potentially offering more opportunities for internal careers in France.

We use our linked employer–employee data to identify workplaces with above-average levels of job tenure and wages. We draw a comparison between workplaces in Britain and France, using these data, in terms of their orientation towards ILMs. We find that workplaces with an ILM orientation are present in both countries, but are considerably more prevalent overall in France. An ILM orientation has some similar correlates in either country, being more likely in manufacturing and financial services industries and among larger workplaces, and being positively associated with a stable or mature product market. ILM workplaces also employ disproportionate shares of male, older and more qualified workers in both Britain and France. Other correlates differ between the two countries, however, with the ILM profile more closely linked with training provision in France, whereas training provision in Britain was more closely determined by the nature of the product market or occupation, as fits a broad OLM model. The link

with temporary contracts also differs in the two countries, with the use of agency workers being more common in ILM workplaces, but then only in France. Overall, the results were suggestive of a more focused strategy towards ILM building in French workplaces, contrasting with a more heterogeneous approach in Britain.

Finally, our analysis also brought forth new evidence on the dynamics of labour market segmentation. A comparison of 2004/2005 and 2011 showed some convergence between the two countries, but the bigger picture was one of stability in the two countries' broad tendencies towards the promotion of ILMs, even in the face of a major crisis.

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5

Work Organisation and Human Resource Management: Does Context Matter?

Philippe Askenazy and John Forth

Introduction

In this chapter we give our attention to a set of HRM practices which focus on the ways in which employees are organised and incentivised at the point of production. Specifically, we focus on a set of practices that are concerned with the organisation of work, the use of information technology, target setting, performance evaluation, and incentives. In choosing to focus on this particular set of practices, we take a cue from the literature on strategic HRM (e.g. Huselid 1995; Applebaum et al. 2000). This long-established literature gives principal attention to high-involvement forms of work organisation, such as self-managed teams, but combines this with an interest in the use of incentives and performance evaluation as further means of aligning employee effort with organisational objectives. However, we also take inspiration from the emerging literature in

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