The new OECD Jobs Strategy provides a comprehensive framework and detailed policy recommendations to help countries addressing the labour market challenges following the digital revolution, globalisation and demographic changes, coupled with the productivity and wage growth slowdown and high levels of income inequality. This note summarises a number of highlights for the implementation of the Jobs Strategy in France.

Boosting work incentives and job creation

Persistently low employment rates, particularly for low-skilled workers, represent a major challenge for France. To enhance the position of low-skilled workers, France has embarked on reforms to make work pay and stimulate job creation. Take-home pay at the minimum wage level has increased by 8.6%, by reducing employee social security contributions and extending in-work benefits. Employer social contributions for low-wage workers have been cut by 3.7 percentage points to lower labour costs and promote job creation. France now has the second lowest effective tax rate on labour at the minimum wage in the OECD area (Figure 1).

Tackling labour market duality

The French labour market has seen an increasing reliance on the use of temporary contracts with limited prospects of obtaining a permanent contract. In recent years, France has implemented a number of reforms to tackle labour market duality by lowering the costs of dismissing workers on permanent contracts. This has resulted in a significant reduction in the OECD employment protection index for permanent workers, in particular its component related to the difficulty of dismissal (Figure 2).

The reduction in employment protection is primarily driven by the introduction of a ceiling for compensation in the case of unfair dismissal as part of the 2017 Ordonnances. This is expected to substantially reduce firing costs, as well as legal uncertainty for employers and employees, given the high degree of variation in granted compensation before its introduction (Figure 3). Before its introduction, unfair dismissal compensation exceeded the new ceiling in 71% of cases.

Further reading
