Good jobs for all in a changing world of work

The OECD Jobs Strategy

Implementation Highlights for France

May 2019

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).

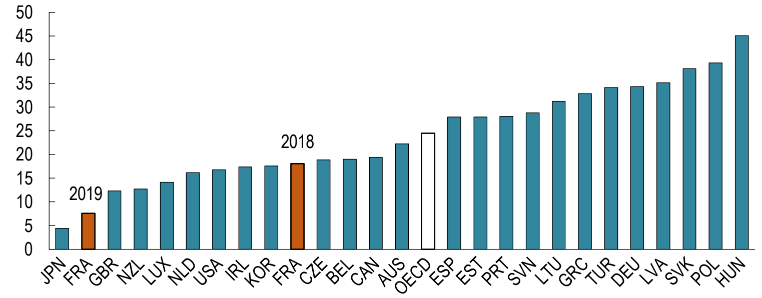
Tackling labour market duality

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.

Figure 1. Effective tax rates at the minimum wage have been cut

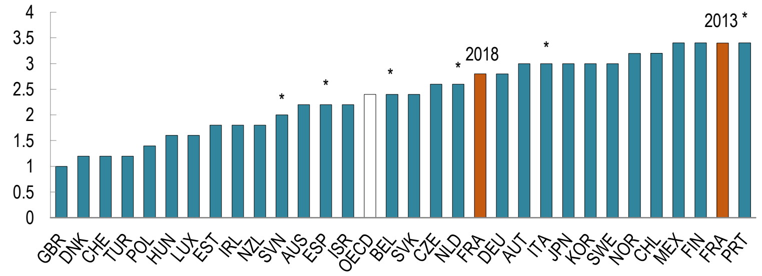
Effective tax rate rate as % of labour costs at the minimum wage, 2018



Note: The effective tax rate is defined as total taxes and social security contributions paid less benefits received as a % of labour costs. Calculation is based on a single household without children. 2017 for Canada.

Figure 2. Employment protection has become more flexible

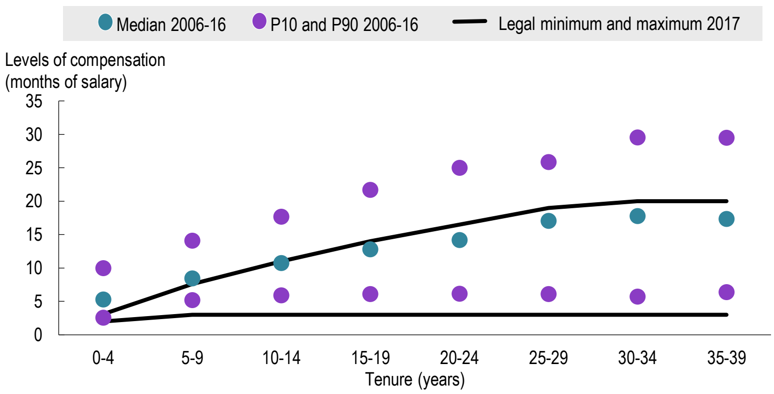
Difficulty of dismissing permanent workers, 2013 and 2018



Note: Component of employment protection index for permanent workers on difficulty of dismissal in terms of: procedural inconveniences, notice periods and severance pay for fair dismissal, and the definition of unfair duismissal and its repercussions for employers. Scale from 1 (less) to 6 (more protective).* 2018 (preliminary).

Figure 3. Compensation in the case of unfair dismissal has been capped

Compensation granted by courts during 2006-16 compared with legal ceiling



Note: Based on 29 000 appeal court decisions.

Further reading

OECD (2019), "Improving labour market performance", in OECD Economic Surveys: France 2019, https://doi.org/10.1787/badee9bc-en.

Carcillo, S., et al. (2019), "Assessing recent reforms and policy directions in France: Implementing the OECD Jobs Strategy", OECD Social, Employment and Migration Working Papers, No. 227, https://doi.org/10.1787/657a0b54-en.

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