EMEA Labour Market Outlook

July 2025

Summary

The EMEA labour market continues to show weak hiring activity across most European countries. The hiring boom of the post-pandemic recovery era is clearly a thing of the past, and the rebound we previously expected in 2025 now appears to be on hold.

While sectors such as healthcare and energy remain resilient, manufacturing and technology continue to face challenges. Overall, hiring is expected to follow a modest, slow-growth trajectory through 2025.

Despite concerns about AI's impact on graduate employment, data indicates stable hiring of junior workers. Challenges may arise from the growing number of high school graduates pursuing tertiary education, but AI does not yet appear to be affecting youth unemployment.

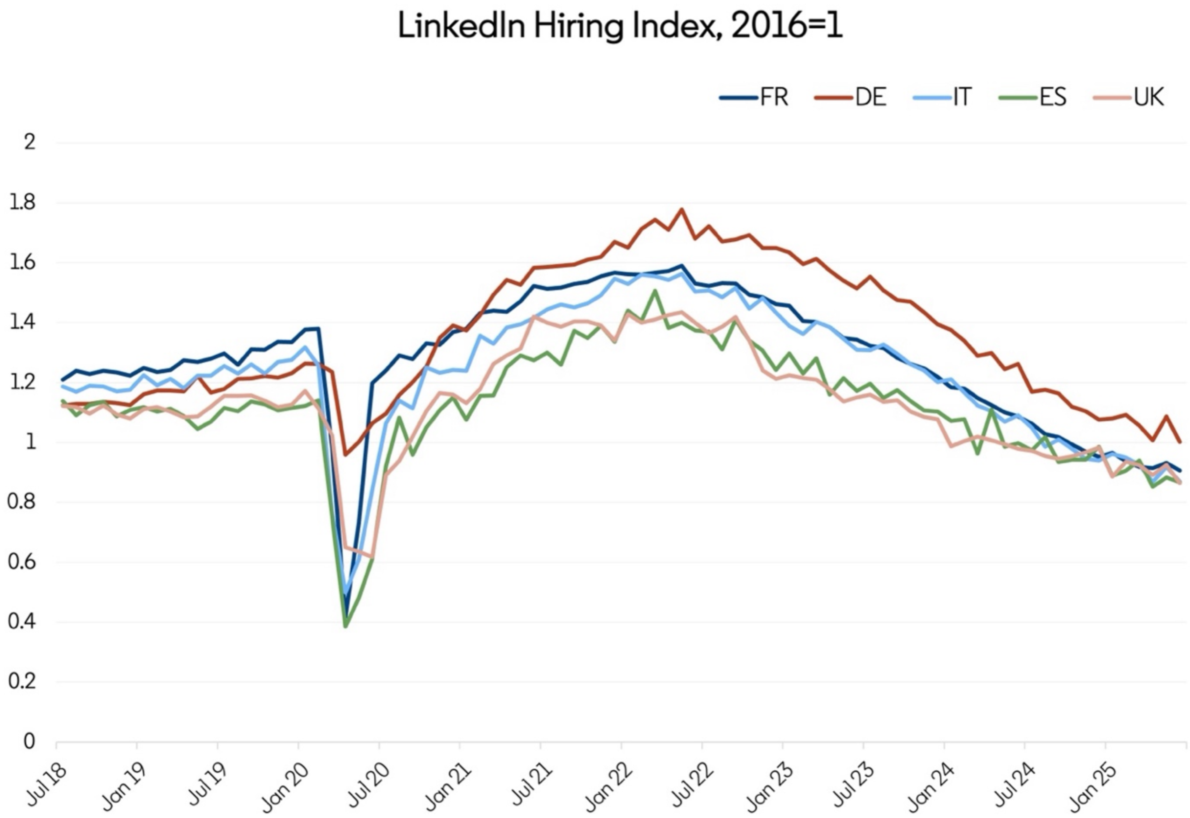
EMEA hiring yet to show signs of recovery

June hiring data continues to reflect weak labour market conditions across most European countries. With the exception of Germany and Israel, hiring levels remain below those recorded in 2016—significantly so in some cases, particularly across the Nordic region.

This slowdown is not a new development. Following the sharp contraction in hiring at the onset of the COVID-19 pandemic, Europe—and much of the developed world—entered a prolonged period of hiring expansion. The economic rebound, fuelled in large part by exceptionally generous government support programmes on both sides of the Atlantic, led to unprecedented hiring activity, at times exceeding 60% above pre-pandemic levels. However, such momentum was unsustainable. Since 2023, we have seen a gradual deceleration in hiring, which has yet to stabilise.

In a more stable global environment—particularly one with clearer trade and tariff regimes—we would expect a more pronounced recovery in labour markets this year. As it stands, a more modest, sideways trajectory appears more likely. While we must adapt to a new normal of lower hiring volumes, there is still potential for a measured recovery in the latter half of the year.

Although growth forecasts have been revised downward for much of the eurozone core—including both Germany and France—there is scope for upward revision, particularly in Germany, as the effects of the anticipated €1 trillion in infrastructure and defence investment begin to materialise.



Source: LinkedIn Economic Graph

Healthcare hiring continues to outperform, tech and manufacturing remain weak

Clear sectoral patterns continue to emerge across the EMEA region's largest labour markets. The healthcare sector remains the strongest performer across the EMEA markets —a trend driven not only by ageing populations but also by the rapid growth of a consumer-led health and wellness industry. This ongoing demand makes healthcare a resilient and structurally supported area of job creation.

Energy is a standout sector, especially in Germany. The combination of accelerating investments in green energy and rising electricity demand is fuelling sustained hiring across the industry. With European governments firmly committed to their green agendas, this sector is expected to continue outperforming, particularly in green jobs. Clean energy is a key priority in the UK Government's 2025 Spending Review, while the EU remains equally dedicated through the framework of its European Green Deal.

Conversely, manufacturing and technology are currently among the weakest sectors in terms of hiring activity. In the case of technology, this slowdown follows an extended period of exceptional outperformance over the past decade. The financial and retail sectors are also seeing hiring levels below their long-term averages in many of the region's major markets.

Sectoral LinkedIn Hiring Index, 2016=1

Source: LinkedIn Economic Graph

	UK	Germany	France
Financial Services	0.81	1.24	0.85
Government	1.10	1.67	1.38
Healthcare	1.24	2.13	1.58
Manufacturing	0.75	0.65	0.73
Real Estate	0.98	1.60	1.24
Retail	0.74	0.74	1.17
Technology	0.75	0.74	0.59
Energy	1.10	2.23	0.98

June did little to shift these longer-term dynamics. We expect strength in healthcare and energy hiring to persist through the second half of the year. Manufacturing, as well as retail, may be positioned for a modest recovery in the second part of the year.

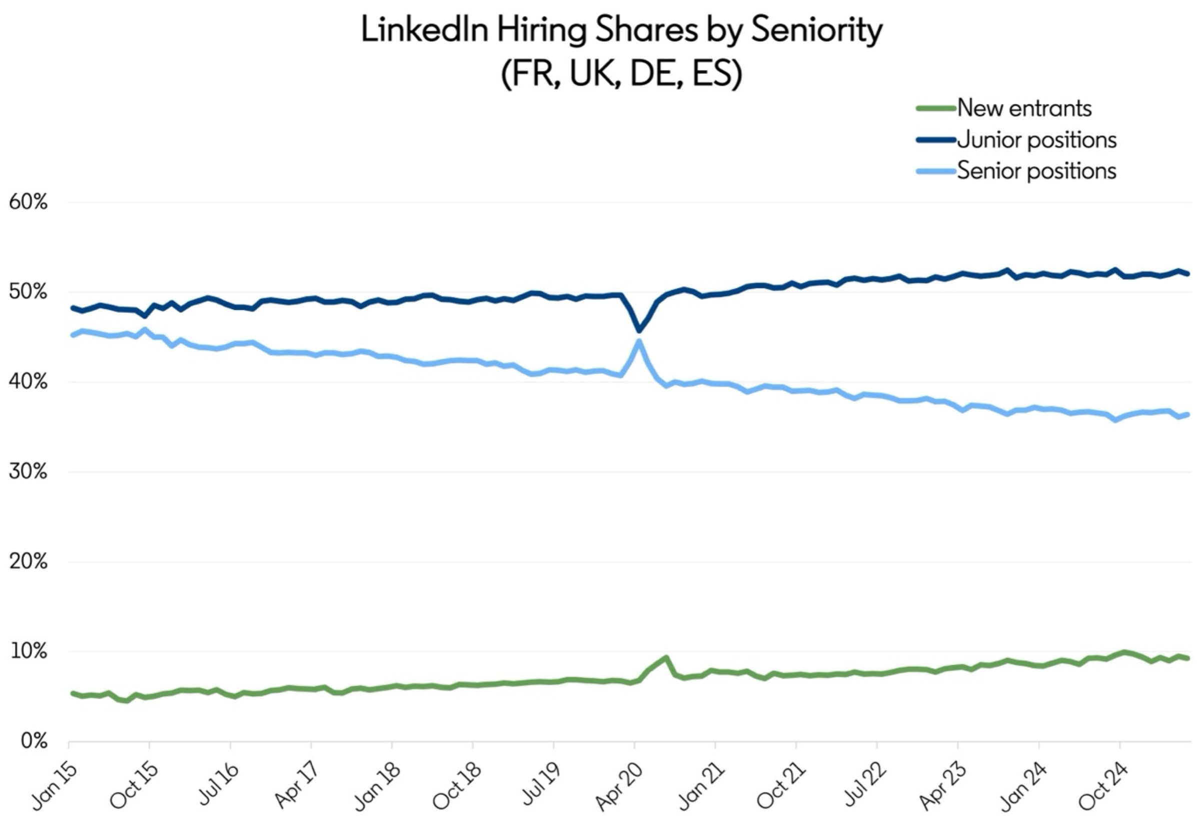
With major central banks across the region lowering policy rates, both businesses and households are now benefiting from significantly lower interest rates. Europe is experiencing strong nominal wage growth, averaging around 5% annually across major markets, while inflation remains well-controlled at approximately 2%. This combination provides a welcome boost to the balance sheets of both the business and household sectors. Energy prices this summer are also lower compared to previous years, when much of Europe's industry struggled with high energy costs. Additionally, the anticipated rollout of Germany's ambitious industrial and infrastructure spending plan—a staggering EUR 1 trillion over the next 10 years—will further support growth. To put this in perspective, the planned spending exceeds 2% of Germany's annual GDP, marking a significant investment by any standard.

Hiring of New Graduates Remains Resilient in Face of AI Fears

Recent headlines have highlighted concerns about AI threatening the careers of new graduates. From a technical standpoint, AI can perform many tasks traditionally assigned to entry-level employees, including passing qualification exams. However, this represents only part of the overall picture.

From a workforce management perspective, companies seeking to improve profitability typically reduce either the least productive employees or the most costly—often senior staff—and replace them with junior hires. This approach has been observed repeatedly in finance sectors, notably since the 2008 financial crisis.

Current youth unemployment levels may be influenced more by an increased number of graduates entering the labour market than by AI displacement. The market appears to be absorbing a larger volume of new entrants.



Source: LinkedIn Economic Graph

LinkedIn data from major European labour markets (UK, Germany, France, Spain) indicate the following trends over the last decade:

- New entrants as a proportion of hires increased from 5.3% to 9.3%
- Junior positions rose from 48.2% to 52.1%
- Senior positions declined from 45.2% to 36.4%
- Senior management doubled from 1.1% to 2.2%

These figures suggest that AI may not be excluding new entrants from the workforce but instead accelerating changes in workforce composition and expectations. New employees may be required to upskill more rapidly and contribute earlier, while remaining in junior roles longer.

Given that summer and early autumn are peak hiring seasons for new entrants, monitoring these trends will be important in the coming months. Current data provides a more nuanced view, challenging some of the more alarmist perspectives regarding AI's impact on entry-level employment.