EMEA Labour Market Outlook

December 2025

DECEMBER 2025

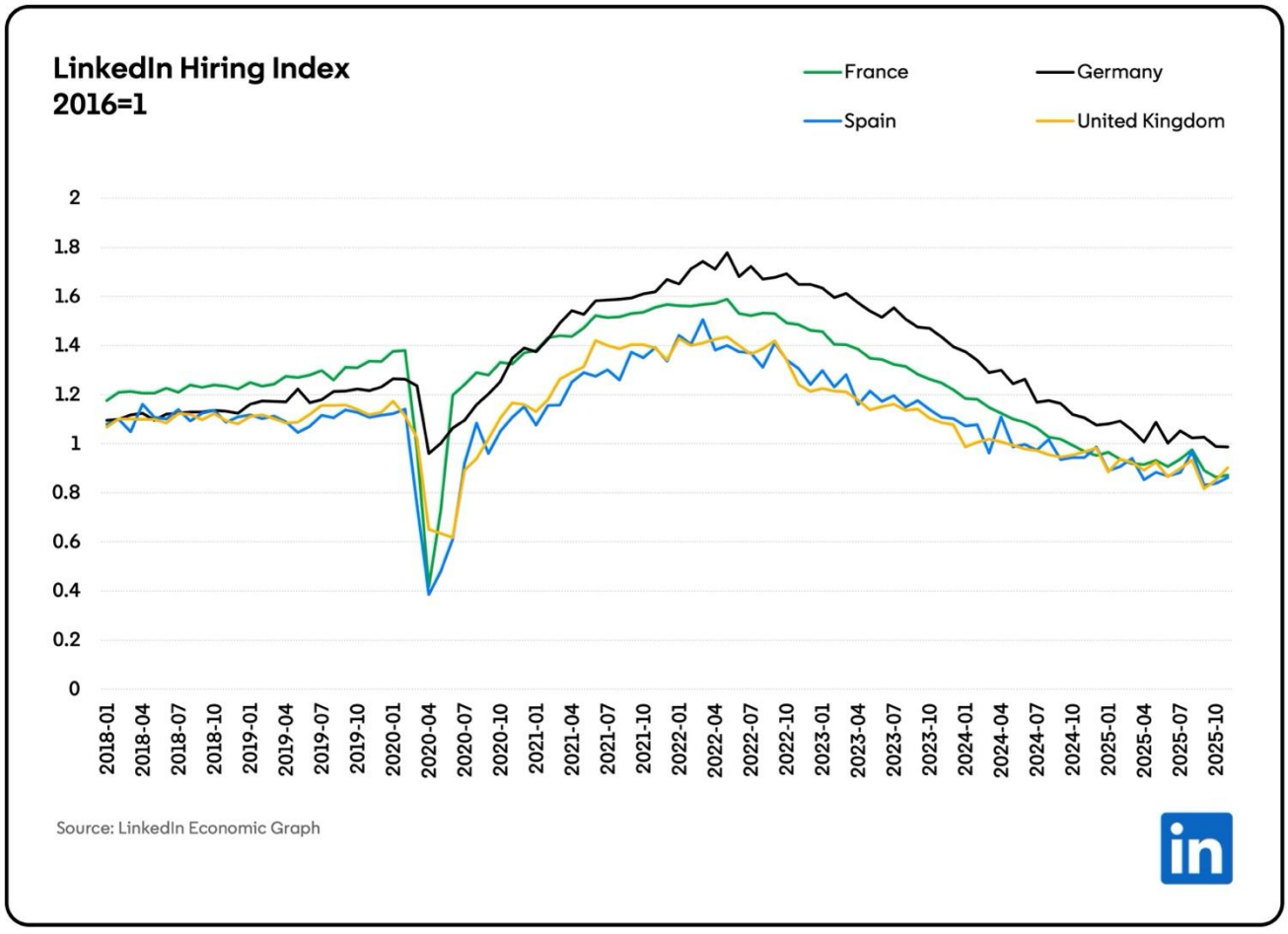
SUMMARY

November hiring in EMEA continued to recover from September's sharp decline, but the overall labour market outlook remains subdued. Even if hiring picks up further in December, it is now safe to say that we are ending 2025 with very poor labour market performance. Hiring has largely continued to decline despite relatively solid economic performance across most regional economies.

With the year drawing to a close, we take stock of developments in regional labour markets and summarize them in five key trends:

1. Hiring in EMEA during 2025 was not just weak, but significantly weaker than expected. This outcome is particularly striking given stronger-than-anticipated economic growth, easier financial conditions, and already weak hiring in the previous two years.

2. Weaker hiring went hand in hand with more vigorous job-seeking activity. The number of applications, intensity of job search, and willingness to change not only jobs but also industries all increased markedly in 2025. While unsurprising, this points to the potential for more dynamic labour markets in the coming years.



3. Entrepreneurial activity also increased. People were not only more active in applying for jobs, but also more likely to start their own businesses. We observed a sharp rise in members on our platform registering as founders.

4. Wage growth across Europe remained strong in 2025 but is now easing and is likely to return to more moderate levels in 2026. Despite robust wage growth and relatively low unemployment, workforce confidence (our proprietary measure of workforce sentiment) remained weak. While this may appear surprising, it is consistent with an environment characterised by elevated uncertainty.

5. 2025 was characterized by an unusually high level of uncertainty. Geopolitical tensions, policy changes, and the challenges posed by AI all contributed to this environment, pushing many businesses into a "wait-and-see" mode. Uncertainty is likely to persist into 2026.

2026 is still likely to be a year of solid economic performance. Europe is likely approaching the end of the interest rate-cutting cycle, with the ECB's key policy rate already at the low 2%. Fiscal support, however, should provide a meaningful boost to growth, especially from the second half of 2026. Will this be enough for a hiring revival? We believe it could, though probably not before the latter part of the year.

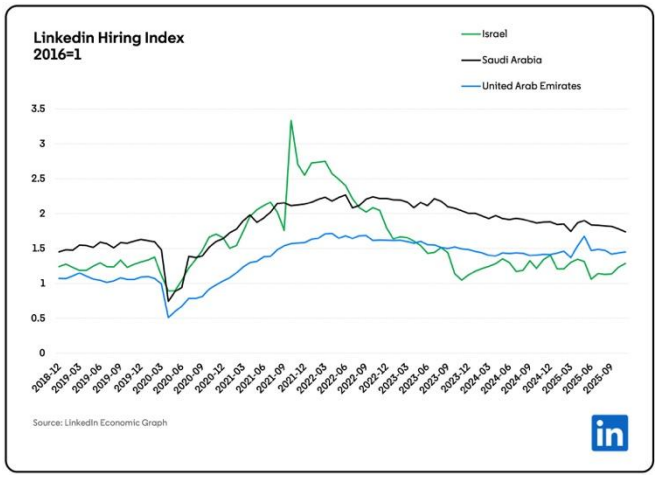
NOVEMBER HIRING IN EMEA MARKETS PICKS UP MODERATELY

November brought another month of mildly improving hiring data across Europe, though hiring remains weak and most labour markets have yet to recover the losses recorded in September.

In the Middle East, hiring remains strong - around 50% above pre-pandemic levels - even if there too it is gradually slowing.

The sectoral picture has not changed significantly. Health, education, energy, and government continue to perform well, while manufacturing and professional services lag behind.

Construction and real estate activity is now picking up strongly in Germany, potentially signalling early signs that the government's turnaround strategy is gaining traction. The recovery appears more broad-based in France and the UK, where a wider range of professional services is improving, although overall hiring levels remain disappointing.



TAKING STOCK OF 2025

Now that 2025 is almost over, let's look at how labour markets in the region have evolved since the beginning of the year.

Hiring has, as noted earlier, largely stagnated across European markets and softened somewhat, though it has remained strong in the Middle East. While it is easy to point to idiosyncratic explanations for individual European countries - political gridlock in France, budget uncertainty in the UK, or an industrial recession in Germany - what stands out is how uniform the hiring slowdown has been across Europe, regardless of domestic economic conditions. This suggests that larger forces are likely at play.

At the same time, labour market competitiveness has increased everywhere: more applicants per job opening and more application activity per applicant – there are now on average about twice as many applicants per job opening in Europe compared to two years ago. Part of this is clearly technology-enabled - AI-assisted CV and cover-letter writing allows candidates to submit tailored applications in minutes. But part of it reflects a genuine behavioural shift. Jobseekers in the AI era are simply more active, not only in the number of applications they send but also in the breadth of their search, which is no longer confined to their original industry.

Another trend has become apparent for the average worker in the region: a growing openness to starting their own business. As documented in our previous report, the number of people registering as founders on our platform has risen steadily throughout 2025 and has surged in the UK (and the US). AI might be playing a role here too, possibly enabling quick and

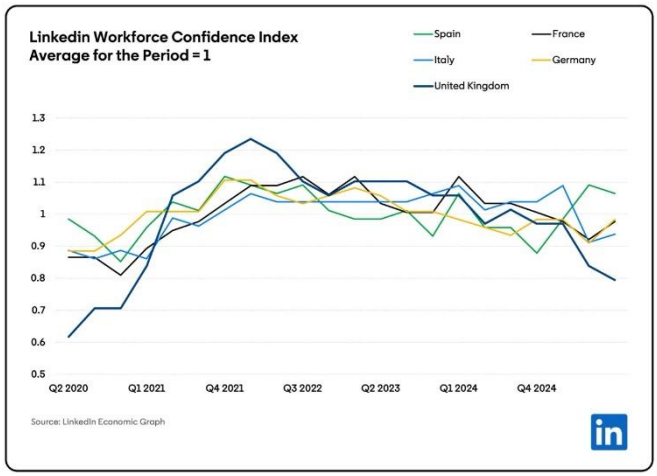
cheap access to all sorts of advice from tax to accounting and market research that would have been difficult and costly to procure a few years ago.

While labour markets keep getting slacker (even if unemployment is still relatively low in historical terms) wage increases remain strong across major European markets, averaging close to 5% in nominal terms. With inflation hovering between 2% and 3%, this represents surprisingly robust growth. Much of this increase can be traced to policy decisions - such as minimum wage hikes in the UK - or to union-negotiated pay rises, particularly in Germany and the UK. Both factors are likely to fade in 2026, when Europe is expected to see more moderate wage growth. Importantly, healthy wage growth should not be interpreted as a signal that labour markets are stronger than hiring volumes or job openings suggest.

That said, it is worth noting that European workers have, on average, enjoyed wage increases that more than compensated for inflation - not only during the recent period of post-pandemic inflation but also over the past few decades. This has not necessarily been the case in the US, for example. This makes the next major trend particularly striking: persistently weak sentiment.

Through our Workforce Confidence Surveys, we ask members about their confidence in their jobs, finances, and career progression. The results closely mirror broader consumer sentiment surveys: individuals report significant pessimism despite relatively healthy labour markets, strong wage growth, and solid consumer spending.

One possible explanation is the greater availability of news highlighting risks and uncertainties, though other theories also exist (ranging from financial scarring of the cost-of-living crisis to housing affordability challenges facing younger generations).



What is clear though is that 2025 was a year marked by elevated uncertainty - and 2026 appears likely to bring similar levels of it. Geopolitical tensions look set to persist for years to come (not least because of the increased defence spending in Europe). Trade wars are also unlikely to abate in 2026 while the adoption of AI remains a multi-year process that many businesses expect to unfold over a three- to five-year horizon.

Some policy tailwinds will help. Europe appears close to the end of the interest-rate-cutting cycle, with the ECB's key policy rate already near 2%, but should see growing support from fiscal stimulus, particularly in the second half of 2026. A lot of it will go towards increase defence spending but broader infrastructure spending will see fiscal support to and both should in time spillover to the whole economy.

Will this translate into stronger hiring? We believe it could, though likely not before the latter part of the year.