

# EMEA Labour Market Outlook

February 2026



FEBRUARY 2026

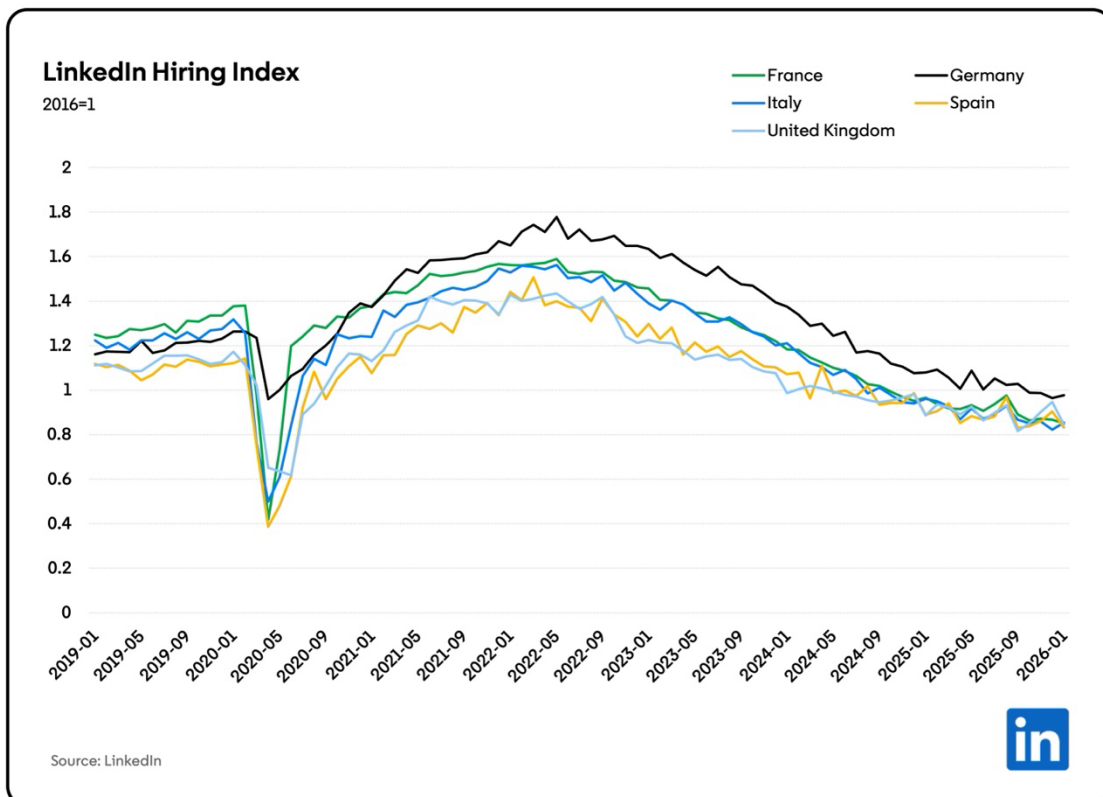
## SUMMARY

January hiring across EMEA remains uneven – Germany and Italy are seeing a slight pick-up, while UK, Spain and France have erased some of the gains seen at the end of 2025. Similar is true of other major European economies, while there are countries where hiring remains more robust (like in Ireland) multi month gains are often partly given up and temporary weaknesses give way to temporary recoveries, but the movement remains still in the direction of more weakening (if not as pronounced as in 2023 and 2024).

In the Middle East, hiring remains firm in the UAE, while Israel and Saudi Arabia see some drawbacks, but the region remains one of strong hiring trends, well above the pre-pandemic levels – a rarity for an advanced economy in the last few years.

Looking ahead, European outlook remains unusually hard to gauge. Trade tensions, geopolitical upheaval, shifting defence priorities, and rapid AI adoption make traditional labour-market forecasting unreliable. Relatively easy financial conditions and stable (if not strong) growth should have provided for solid hiring, alas, it remains subdued even as unemployment stays low, with ageing populations and tighter migration constraining labour supply.

This month, we take a closer look at Germany and the UK: in Germany, hiring remains weak, but early evidence of economic recovery suggests improvement may be coming, while in the UK, the labour market shows renewed weakness after a few stronger months, though professional roles vulnerable to AI have remained resilient, indicating AI is not driving the slowdown.



## JANUARY HIRING IN EMEA MARKETS BRINGS LITTLE NEWS

January brought a mixed picture for labour market health. While hiring rebounded in Germany and Italy, the UK, Spain, and France lost most of the gains they had made in late 2025. A similar pattern was seen in other major economies in the region: Sweden and the Netherlands continued to experience weakening hiring, whereas Ireland and Denmark recorded gains.

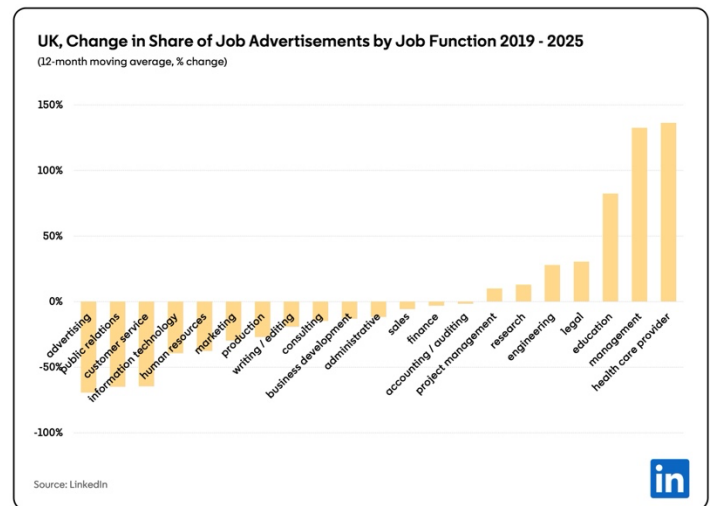
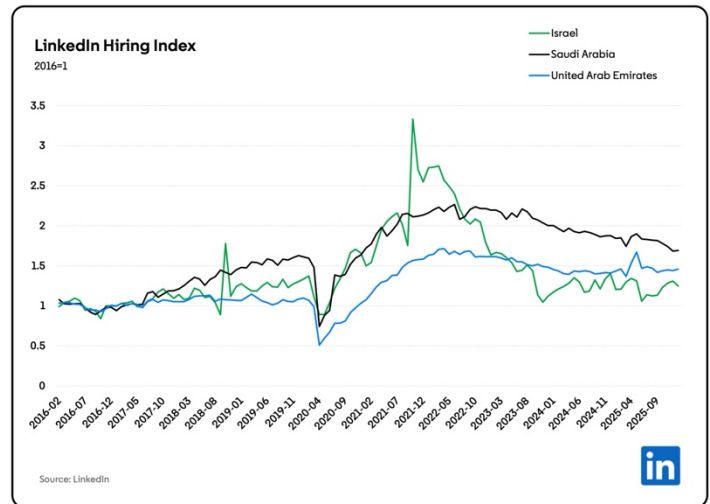
As for the Middle East, hiring in the United Arab Emirates continues to hold firm while Saudi Arabia and Israel see some weakening. Still, compared to their European counterparts Middle East economies are still seeing high levels of hiring, a globally rare example where hiring remains well above the pre-pandemic levels.

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

In the UK tech sector continues to improve for the fourth consecutive month but is still hiring much less than in the pre-pandemic era (now at 76% of the 2016 level). Hiring in financial services and professional services more broadly remains relatively weak Europe-wide.

Hospitality hiring is holding up (perhaps surprisingly) well. It is now above the pre-pandemic levels in the UK and France and just below it in the rest of the large European economies. Surprising perhaps given the UK's increase in minimum wages and income tax increases in 2025 that were expected to hit the hospitality sector particularly hard.

Before reading into these sectoral trends consider that some of the changes are a part of at least a decade-long trend of moving away from manufacturing and into services, and also moving away from occupations like advertising and customer support and into health care and education. Yes, AI is likely to produce more changes in this respect but change was already happening before AI stepped onto the scene. The next chart shows the change in job openings' occupational structure since pre-pandemic era. Most European economies resemble the UK in this respect very closely.

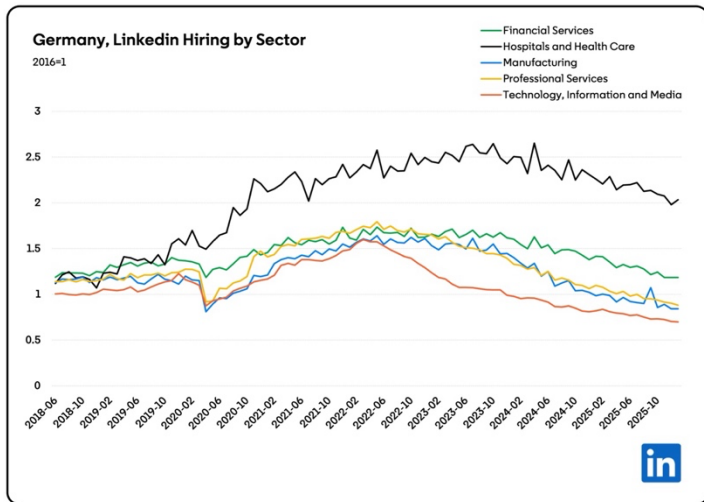


## GERMANY IN FOCUS

Despite what now looks like a definitive sign of an economic turnaround, Germany has yet to produce a palpable improvement in hiring. We want to inspect the situation more closely to be able to tell where and when a turn in hiring trends in Germany might be coming too.

Our latest hiring data speaks of a slow start to the year for Germany, with hiring recording only an imperceptible improvement compared to December 2025 and a 15% fall compared to a year ago. But we expect that better days lie ahead.

German fiscal plans (€1 trillion to be allocated across defence and infrastructure spending in the next 10 years – an equivalent of approximately 2% of GDP per year) are finally showing some effect.



Industrial new orders rose sharply and are now back to pre-pandemic levels and industrial production is finally rising (even if still at low levels compared to pre-pandemic volumes). Retail sales are recording a solid growth (3.1% for 2025, after adjusting for inflation) although a slowdown in real income could subdue that growth going forward.

Business sentiment has improved markedly, with S&P Purchasing Manager Index lying at the solid 52.1 in January.

So what does all this mean for hiring and job markets? When do we see a palpable improvement? We still expect cautious hiring. The sector benefiting most from fiscal spending - particularly defence manufacturing - is relatively labour non intensive. As a result, any more noticeable improvement in overall hiring would need to come from spillover effects into adjacent sectors linked to manufacturing.

Similar to other European economies, hiring is still weak in most sectors, and only holding up strongly in the health care, education and government. Some of the sectors (tech being a prime example) are below 70% of their pre-pandemic levels of hiring. On the upside financial sector hiring in Germany is relatively strong compared to other developed economies and above the pre-pandemic trend.

And sectoral changes in hiring in Germany are similar to global trends – jobs in the customer service and advertising sectors are down more than 170% compared to pre-pandemic while health care jobs are up more

than 180%. Manufacturing too has been shedding jobs and job opportunities in recent years. Looking ahead, as the recovery strengthens, we expect labour shortages to emerge in parts of the industrial sector—particularly in defence and capital machinery.

For now, while job openings are slowly rising hiring is yet to pick up pace.

### UK in Focus

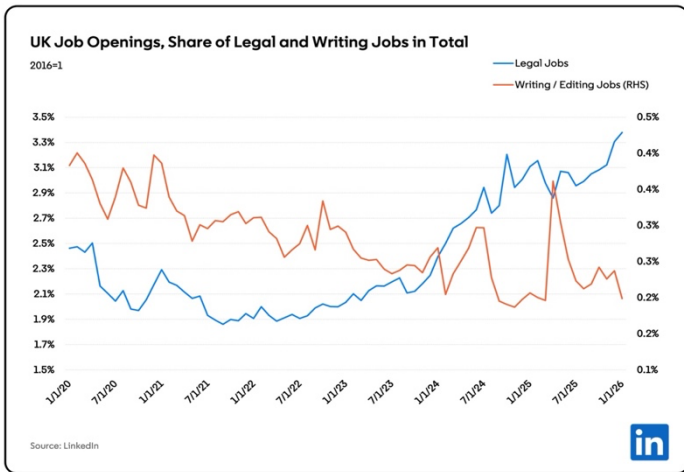
In the UK, the Office for National Statistics (ONS) has reported an unemployment rate of 5.2% in January – just 0.1 percentage points below the peak recorded during the pandemic in 2020. At face value, this is an uncomfortable signal. Yet interpretation is complicated by the exceptionally low response rate currently affecting the Labour Force Survey, raising legitimate questions about how much weight should be placed on the headline figure alone.

To assess the underlying signal more robustly, it is useful to consider alternative indicators. Our LinkedIn Hiring Rate points to renewed weakness in January, following several months that had suggested the UK labour market might be turning a corner. Official ONS payroll data also warrants attention: the number of people on payroll has been trending down over the past eighteen months.

That said, payroll declines may not tell the whole story. Part of the weakness could reflect a shift toward self-employment. This would be consistent with the marked increase we have observed in members registering as founders on our platform over the past two years. A rise in self-employment would not fully pass through the PAYE system and therefore would not be captured in payroll data.

Looking more closely at the structure of hiring offers additional perspective. Occupations widely expected to be vulnerable to AI-driven displacement are, for now, holding up relatively well. Hiring and job postings for legal roles and writer/editor positions remain resilient, with legal hiring in particular still increasing. This suggests that AI is unlikely to be the primary driver of the recent rise in unemployment.

So where does this leave us? It is safe to say that unemployment is rising in the UK. However, the



magnitude of the increase appears somewhat surprising given the solid broader macroeconomic backdrop. With growth running at around 1.5% and financial conditions still easing, a firmer labour market outcome might have been expected.

The current labour market weakness looks less like a structural shock – such as widespread AI displacement – and more like a cyclical response to elevated business uncertainty. Hiring caution may be deeper than conventional sentiment surveys capture. At the same time, compositional shifts toward self-employment may be dampening payroll measures without necessarily reflecting a comparable deterioration in underlying labour demand.

In short, official statistics are sending somewhat worrying signals, but they likely do not tell the full story. The UK labour market merits close monitoring in the months ahead, with particular attention to alternative data sources and structural shifts beneath the headline figures.