EMEA Labour Market Outlook

March 2026

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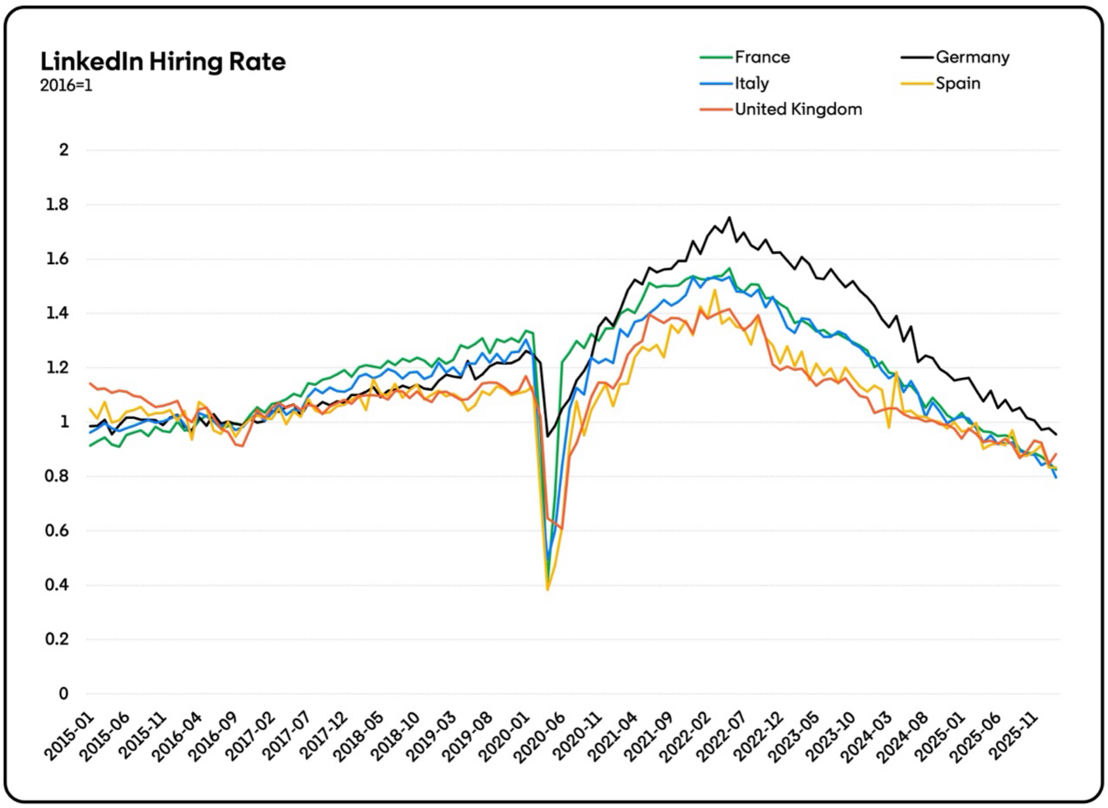
SUMMARY

February hiring across Europe remains weak with the UK being the only market where hiring inched up. Germany, France, Italy and Spain all saw further slowing in hiring and 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 have seen some drawbacks. Overall, hiring across the region remains strong, well above the pre-pandemic levels, which is 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.

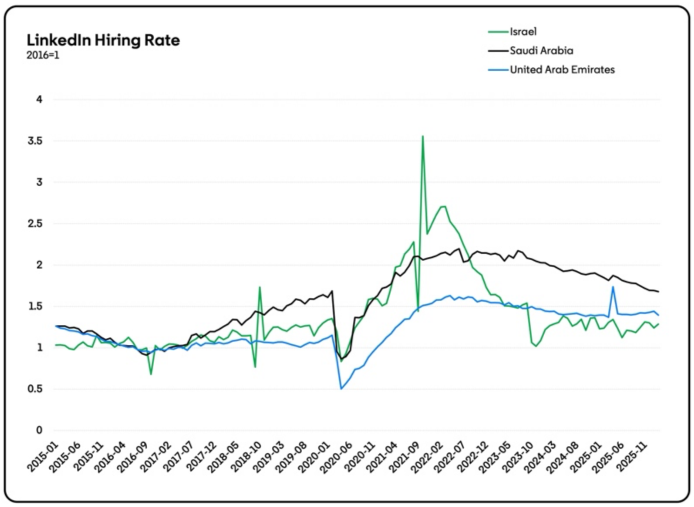
This month, we take a closer look at Germany and the UK: in Germany, hiring remains weak, but early evidence of economic recovery suggests improvement may be coming, while in the UK, the labour market shows renewed weakness after a few stronger months, though professional roles vulnerable to AI have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



FEBRUARY HIRING IN EMEA MARKETS BRINGS LITTLE NEWS

February data point to further weakening in European labour markets. The UK is the only major market to see gains in February, with all others trending downward. Nordic countries are extending their losses and are now, on average, around 30% below pre-pandemic hiring levels. A similar pattern is evident in Mediterranean and Eastern European countries, where hiring remains weak, though not as weak in the Mediterranean as in the Nordics.

In the Middle East, hiring in the United Arab Emirates and Saudi Arabia remains strong, and has even picked up in Israel. However, given the March conflict in Iran, this pocket of strength is likely to wane in the coming months.



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

In the UK, hiring strengthened most in consumer services, administrative and support services, and manufacturing. These are not the usual drivers, which points more to data volatility than to a broad-based recovery. In France, the weakening is fairly broad-based, with no single sector standing out.

Germany's construction sector is continuing to pick up, not enough to turn the overall market around, but still showing significant growth at a full 128% above the pre-pandemic average. Furthermore, health care, real estate, education, government, and energy are all performing strongly in the market, but weak performance in professional services, and especially in the tech sector, more than compensates for these gains, resulting in an overall weaker picture for Germany in February.

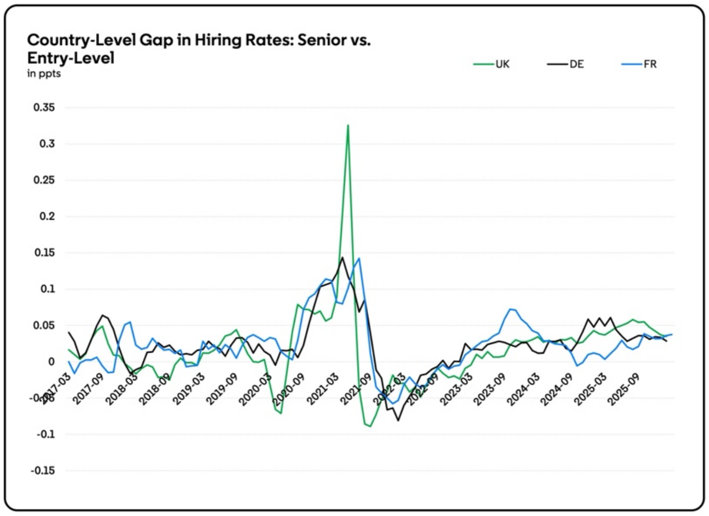
ENTRY LEVEL HIRING IN FOCUS

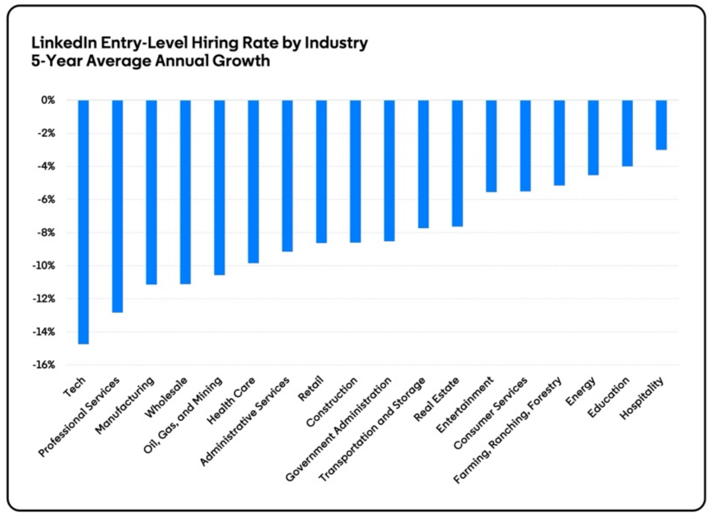
Entry-level hiring has been in focus since last year, when unemployment rates began rising across advanced economies, making the issue particularly pronounced for the youngest workers.

We analysed our data last year and concluded that youth unemployment was not dramatically higher than overall unemployment, and that hiring for entry-level roles remained broadly in line with the wider market. Revisiting the data now suggests that this is still the case.

Youth unemployment is typically both higher and more volatile than overall unemployment. There are several reasons for this, not least that entry-level workers, whether university or high school graduates, enter the workforce in larger numbers than any other age group. This naturally leads to higher unemployment rates, especially when labour markets are slack.

We examined the difference in hiring rates between entry-level and senior roles over the past ten years, and the gap appears fairly stable. There was a period just after the Covid lockdowns when entry-level hiring rose well above that for senior roles, but this can be explained by increased hiring in the hospitality sector, which tends to employ younger workers. Aside from that, the difference has remained relatively steady and does not indicate a structural problem with entry-level hiring.





Still, concerns persist, especially as the UK has seen another wave of rising youth unemployment. The official unemployment rate for 16- to 24-year-olds in London reached 24.6% in December, up from around 15% in mid-2025. How reliable is that figure, and how concerned should we be?

Complacency is not the right response, but the London case is somewhat unusual.

First, the problem looks quite London-specific. Youth unemployment elsewhere in the UK is much lower: 5.9% in Northern Ireland, 8.9% in Wales, and 10.4% in Scotland. These are relatively low for youth unemployment.

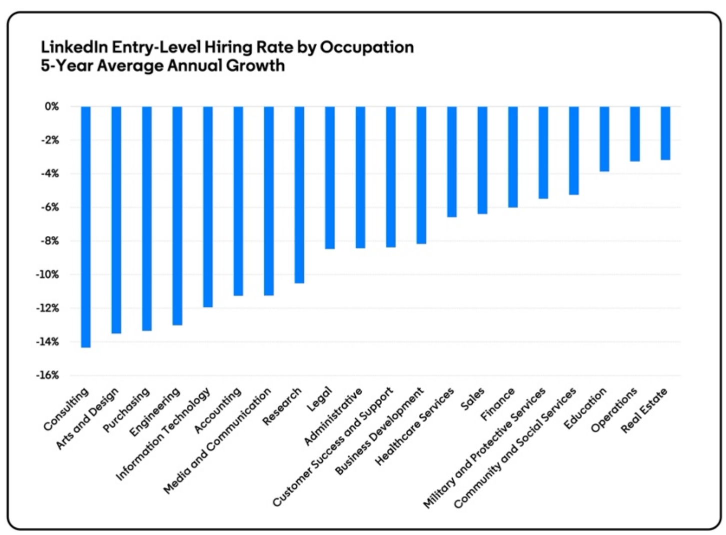
Second, the international picture does not point in the same direction. In the United States, youth unemployment has fallen from the levels that raised alarm in 2024 and stands at 9.5% in February (high but not unusual).

In recent years, entry-level hiring has been weakest in tech, professional services, manufacturing, and healthcare, and relatively stronger in hospitality, education, government, and energy. This largely mirrors broader hiring patterns. Tech and professional services expanded rapidly during the 2022 post-pandemic rebound and have since been adjusting headcount. Manufacturing has been in a longer-term structural decline.

Healthcare stands out. It remains one of the strongest sectors for prime-age hiring. The recent weakness in entry-level healthcare hiring in the UK is not driven by a lack of vacancies, but by a shortage of candidates for entry-level nursing roles.

Over a longer horizon, healthcare is still one of the stronger sectors for entry-level hiring, alongside education, hospitality, and government. Tech, manufacturing, and professional services remain weaker over that period.

Looking at occupations rather than industries in the UK tells a similar story. Hiring in consulting, tech, and engineering is under more pressure. Education, sales, operations, and finance are holding up better. This points to sectoral shifts rather than the feared AI driven displacement. Were it AI driving the change you would expect to see similar effect in finance and consulting, and also similar in operations and engineering. Instead, changes are still uneven.



So, what should we take from this?

Youth unemployment is always higher and more volatile than the overall rate. A rise to nearly 25% in London is not a good sign, but it is not clear evidence of AI-driven displacement. If it were, we would expect to see it more broadly across countries, not concentrated in one city, and more clearly concentrated in AI-exposed sectors. For example, if consulting weakness were AI-driven, we would expect similar pressure in adjacent sectors like finance, and that is not the case.

For young people looking for work in London, the reality is that it is harder now than two or three years ago, but still easier than it was historically. The application process has become more of a numbers game, as applying for roles has become both easier and more automated. Jobs are still available, but success now requires more persistence.

Beyond London's challenges, entry-level hiring is following the same pattern as the broader market. It remains weak, and competition for job openings is much higher. However, the data do not point to any systemic weakness in hiring for the youngest workers, nor to any AI-driven displacement of the roles they typically apply for.