EMEA Labour Market Outlook

September 2025

Summary

August was a good month for hiring in the largest regional markets - including the UK, France, and Spain - while hiring in Germany stalled. The Middle East remains strong. This aligns with a moderate economic recovery in the region, supported by the ECB's decisive monetary easing (the ECB has halved its key policy rate over the last 12 months, from 4% to 2%).

We expect similar hiring performance through the rest of the year. While the year-over-year slowing in hiring appears to be behind us, a decisive recovery is not yet in sight.

A clearer picture is emerging around the impact of AI on labour markets. We still see no evidence of widespread AI-driven job displacement, but we do observe an interesting trend in software engineering. Demand for junior software engineers is weakening, while demand for AI engineers is running at roughly twice the available supply. Anecdotal evidence points to a mismatch: computer science curricula still emphasise traditional coding, while employers increasingly expect advanced use of AI tools - skills not yet taught in most schools.

The faster this mismatch is addressed, the sooner the industry can enter a new upswing powered by AI. And the lesson will likely extend beyond software engineering to other professional services as they, too, adapt to integrating AI into their workflows.

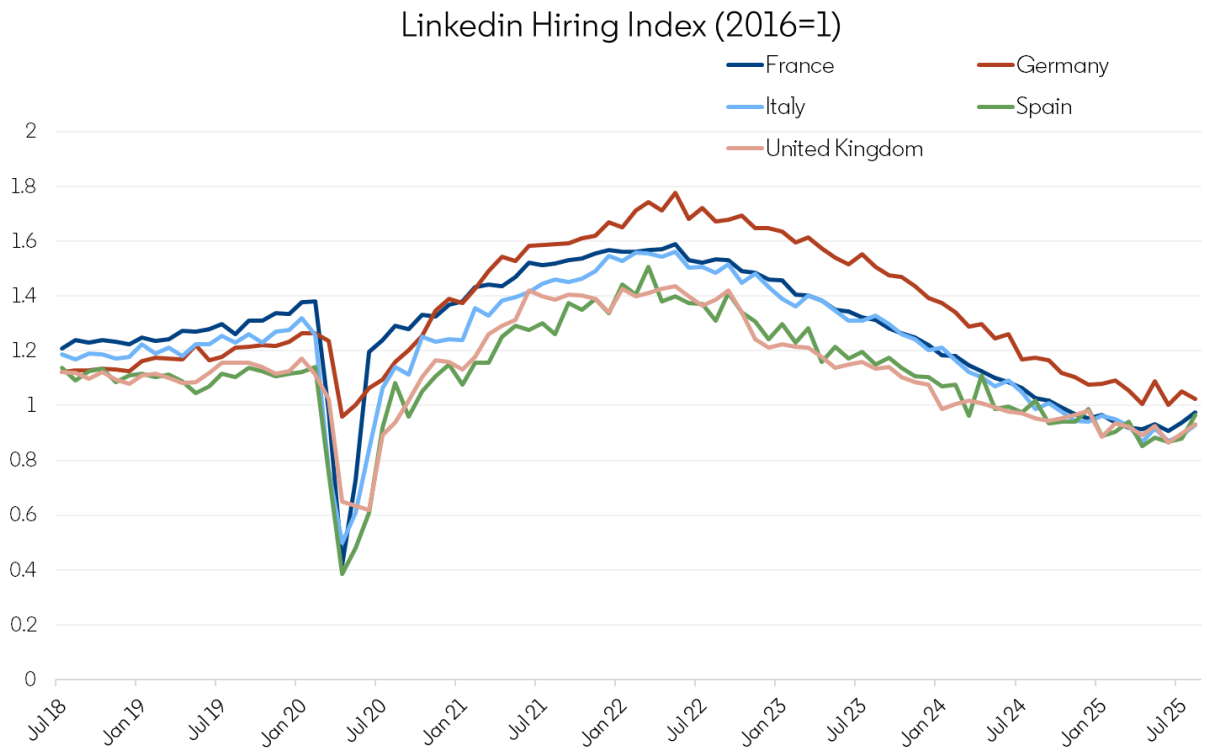
August hiring remains strong in key EMEA markets

August hiring data continues to support our view that 2025 will be a year of shallow recovery in hiring rather than a great comeback.

The UK, France, Spain, and Italy all recorded a second consecutive month of solid hiring numbers. In contrast, Germany saw hiring stall in August. Smaller countries showed mixed

trends: Belgium posted some recovery, but most Nordic countries reported weaker hiring compared to earlier in the summer. Overall, the pattern still reflects sideways movement rather than a decisive regional turnaround.

The Middle East remains a bright spot, with strong hiring driven by rapidly growing oil exporters such as the United Arab Emirates and Saudi Arabia. Israel also continues to see robust hiring, though momentum eased somewhat in August.



Source: LinkedIn Economic Graph

Summer was relatively quiet for economic data in Europe. Growth forecasts remain stable, with the eurozone now expected to expand by 1.3% in 2025, a welcome improvement from 0.8% in 2024. Much lower interest rates are certainly helping (the ECB deposit facility rate now stands at 2.0%, down from 4.0% in 2023), but that tailwind is beginning to run its course. At most, one more rate cut is expected this year, after which the boost from easier financial conditions will start to fade.

From there, the German fiscal package - €1 trillion over the next 10 years - should begin to take effect, providing a much-needed lift. The first beneficiaries are likely to be construction and manufacturing, with positive spillovers expected across the broader economy. But this is only likely to become visible from 2026.

For now, the European recovery appears laboured but steady. While France is still grappling with its political crisis, most of Europe is performing better, with notable pockets of strength in Southern Europe (especially Spain), Eastern Europe (e.g. Poland), and the Middle East, which is on track to achieve its 5% annual GDP growth target.

First signs of AI effects on labour market start to emerge

At the same time, first signs of AI working its way through labour market begin to emerge.

Signs of slowing demand from employers and increased job-seeking are evident for junior SWEs, with anecdotal evidence pointing to mismatches in hiring. Perhaps it's no surprise that the tech sector would be the first mover in implementing its own prodigy – AI.

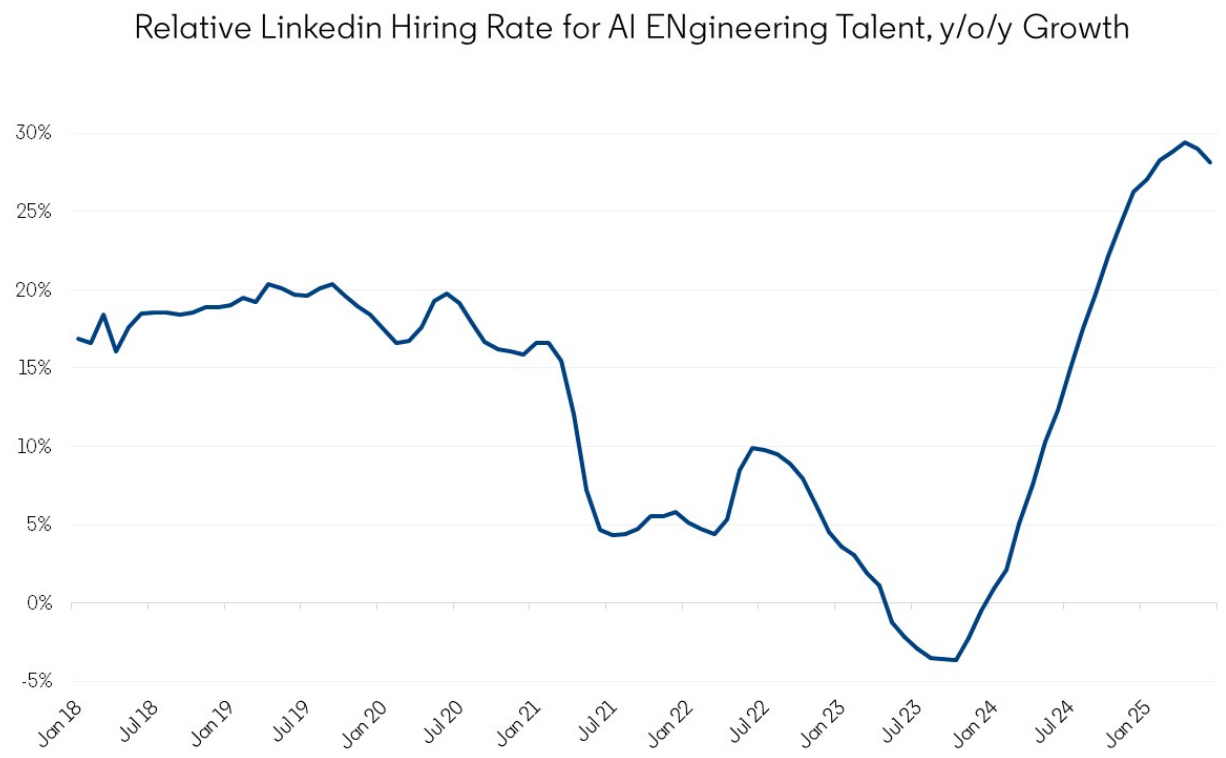
Importantly, junior SWEs face diminished demand not because AI is replacing them, but because AI has shifted job requirements in ways that most academic curricula have not yet adapted to. This is underscored by the fact that demand for AI-proficient developers is surging and far outstripping supply - showing that the issue is a skills mismatch rather than AI-driven displacement.

Over time, as education and training catch up, the sector is expected to stabilise and overall opportunities should recover.

In the meantime, AI talent demand is accelerating, with hiring of AI engineers in the U.S. growing more than 25% in 2025[i], driven by competition among big tech firms and startups. AI engineering roles now represent nearly 7% of all technical job postings on LinkedIn - a 63% year-over-year increase - despite AI professionals making up less than 1% of LinkedIn members.

While technology companies have tripled their AI workforce since 2017, adoption is spreading quickly across education, finance, professional services, and utilities. Startups

specializing in foundational models are expanding fastest, doubling employment in the past year and outpacing growth in hardware and application-focused AI ventures.



Source: LinkedIn Economic Graph

At the same time, demand for AI skills is broadening: Knowing how to work with AI agents is the fastest-growing skill in 2025, and AI literacy capabilities such as prompt engineering have surged more than 70% in postings across fields like marketing and design. Yet AI engineering talent remains scarce - comprising under 1% of LinkedIn members but nearly 2% of all job postings.

It is important to remember that the retreat in hiring since 2022 is macro-driven and 2025 marks a return to normal. We believe the pandemic-induced hiring boom bottomed out in December 2024, and markets are now normalizing. Full effect of AI implementation on labour markets is yet to come but if software engineering is to provide guidance bridging the skills mismatch is likely to be the key.

[i] *Read more on labour market and AI in our quarterly update*.