

EMEA Labour Market Outlook

August 2026



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SUMMARY

July extended a hiring slowdown that has now persisted for more than four years. The largest European economies – Germany, the UK and France – all saw hiring weaken further, alongside the core eurozone and Central European markets.

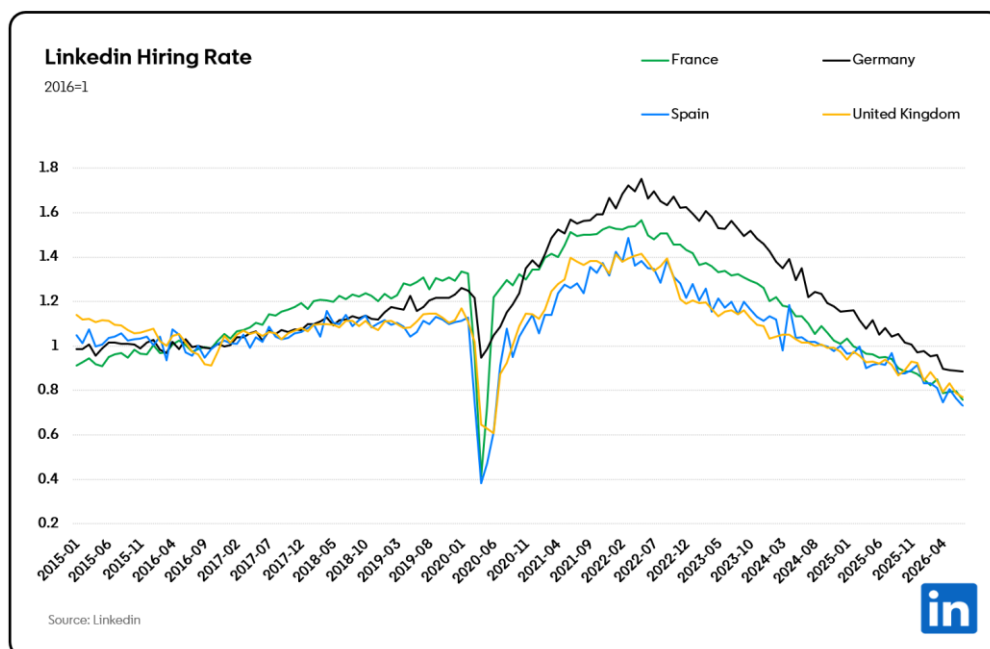
The Nordics were the main exception in July, with hiring picking up across several markets, notably Sweden, Finland and Norway. This is, however, a recovery from a very low starting point. Norway stands out as a rare European economy where both hiring and total employment have been rising in recent months.

In the Middle East, July brought another month of weak hiring, but without renewed significant deterioration. It will take more stabilization and a return of positive sentiment to reach anything close to pre-war levels of activity and hiring. For now, however, regional

employment appears to have stabilized, albeit at a lower level than before the outbreak of the Iran war.

Weak hiring is translating into a shrinking workforce across major European labour markets, but not into a correspondingly sharp rise in unemployment. Instead, some workers appear to be leaving the labour force altogether. Participation is falling across several group including older workers across markets, younger workers in the UK and France, and prime-age workers in Germany, absorbing some of the deterioration that might otherwise have shown up as higher unemployment.

Demographic trends – with more people retiring than entering working age – were already expected to shrink Europe's workforce, but not until the 2030s. Persistently weak hiring, however, appears to be bringing this contraction forward by several years.

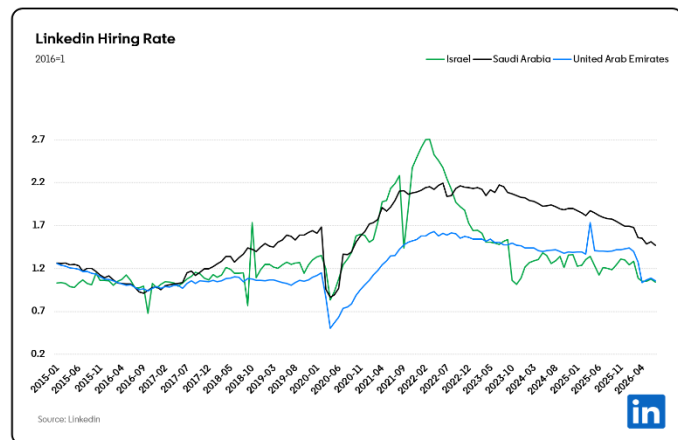


JULY HIRING IN REGIONAL MARKETS CONTINUES ON A WEAK NOTE

Hiring weakened further across regional labour markets in July, once again reaffirming the narrative of ever-slower hiring across the region. Germany (-18% y/o/y but no change since last month) remains somewhat more resilient than its peers, but it too is clearly slowing, while the UK (-18% y/o/y), France (-20% y/o/y) and Spain (-20% y/o/y) are seeing hiring weaken further.

The Nordics were the main partial exception this month, with several markets – notably Sweden, Finland and Norway – seeing a bounce in hiring. It is worth noting, however, that all three are coming off exceptionally weak levels, with hiring in some cases as low as 60% of pre-pandemic averages. Norway is the only market where hiring has been picking up for several consecutive months and where this is now translating into revival in the labour market, with total employment rising again.

Middle Eastern labour markets also saw weak hiring in July but at least appear to be stabilizing after the sharp contraction prompted by the outbreak of the Iran war. A more substantial recovery, however, is likely to take longer.



While tensions have eased, a lasting resolution remains uncertain, leaving oil prices roughly 20% above their pre-war level and sentiment still too weak to prompt a renewed hiring recovery. It is worth noting, though, that

some of the region's markets – most notably the United Arab Emirates and Saudi Arabia – were among the world's most dynamic, alongside India, in terms of both growth and hiring. An eventual resolution to the Middle East conflict could therefore reopen the path towards the strong employment and hiring growth these economies had been showing before the crisis.

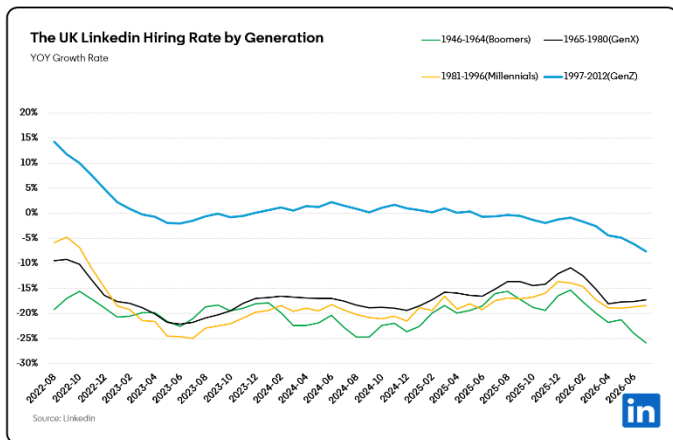
WEAK HIRING IS SHRINKING THE WORKFORCE WITHOUT A CORRESPONDING RISE IN UNEMPLOYMENT

[Last month](#) we highlighted how weak hiring was beginning to translate into a shrinking workforce across major European countries, including Germany, the UK and France. Given current levels of economic activity and demographic trends, this is not what we would normally expect at this stage.

An ageing society, without significant immigration, will inevitably result in a decline in the workforce. But for most European economies this was not expected to happen until the 2030s. We therefore wanted to look more closely at which parts of the labour force are being squeezed out of the job market the most. As always, the picture is uneven across geographies.

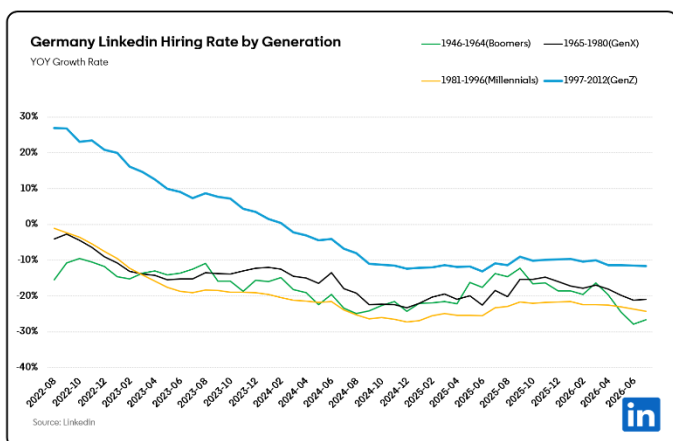
Boomers are among the groups most affected across geographies, which perhaps should not be surprising: when markets are slow to hire and competition for a reduced number of roles increases, hiring outcomes may become less favourable for workers who are closer to retirement age. And more specifically in the UK, beyond baby boomers Gen Z has also been amongst the hardest hit by the hiring slowdown.

However, an interesting trend to note is that those close to retirement age have been among the groups consistently increasing their participation in the workforce by retiring later. This has been true across European labour economies. The fact that hiring for these workers is now weakening therefore suggests that at least some of the decline in participation may not be voluntary.



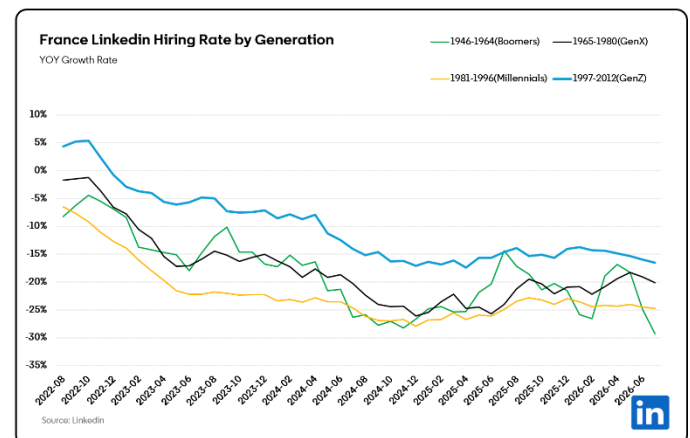
Germany tells a slightly different story: hiring has slowed for Gen Z workers over the past two years, but the sharpest declines are among older and prime-age workers, particularly Gen X and millennials. This is consistent with the significant layoffs seen in the German industrial sector, which have affected prime-age workers in particular.

In France, on the other hand, the slowdown in hiring is more evenly spread across generations. There has been a relatively sharp drop-off in hiring for the boomer generation, but this follows a temporary earlier bump in hiring, meaning that the overall weakening is broadly similar across generations.



This pattern is consistent with national statistics on labour-market participation. After several years of recovery from the pandemic-related decline, progress has stalled, with participation now falling again across key European markets. In the UK, the decline is more

persistent among men and younger workers aged 18 to 24. In Germany, it is again more pronounced among men, particularly those of prime working age. In France, it is concentrated among older workers aged over 50 and, as in the UK, among young people aged 15 to 29 who are not in employment, education or training (NEET).



Overall, weak hiring is translating into weaker job creation, but not into a similarly sharp increase in unemployment. Instead, some of the workers most affected by the slowdown appear to be leaving the labour force altogether. Declining participation is therefore absorbing part of the deterioration that would otherwise be reflected in higher unemployment.

The big question now isn't just whether hiring picks up, but whether Europe can keep people engaged in the workforce before today's hiring slowdown turns into a lasting reduction in workforce.

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