EMEA Labour Market Outlook

July 2026

Linked in

JULY 2026

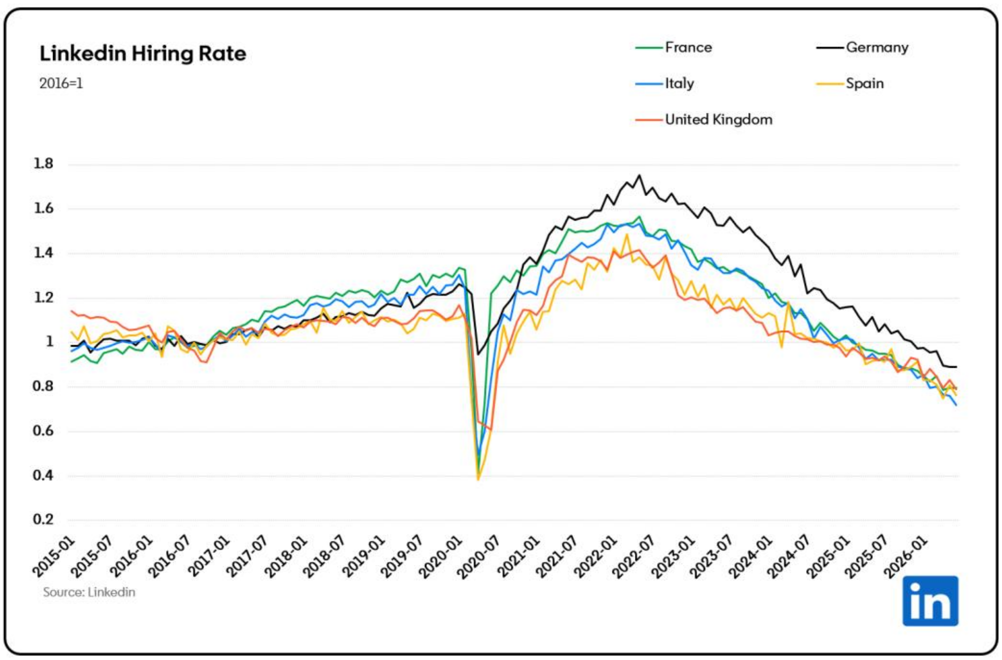
SUMMARY

June hiring across the region remained weak, reversing the tentative optimism seen in May. Germany continued to outperform most of its peers but still recorded subdued hiring, while labour markets across the Nordics, Southern Europe and Central Europe all remained under pressure. By contrast, the Middle East saw a modest improvement, although this followed two months of sharp hiring declines and represents only a slow return towards normal conditions.

The Middle East crisis again appears far from resolved, pushing the price of Brent crude, the key European benchmark, back above $80. This is likely to weigh on sentiment once again, just as it had started to stabilise in June, and could extend the uncertainty that has been weighing on hiring for more than a year.

The weakness in hiring is now feeding through into total employment, which is declining across many European economies - an unusual development outside a recession.

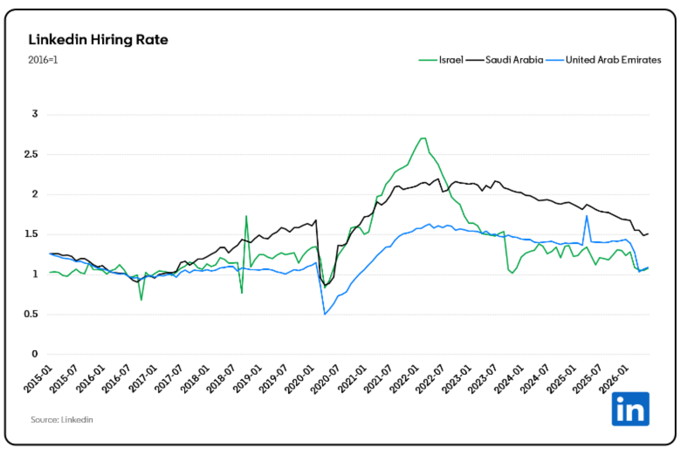
Job openings point to a shift in demand, with healthcare and education expanding while office-based roles such as IT, HR, marketing and administration continue to contract. Yet weak hiring does not appear to reflect underlying sector performance, suggesting uncertainty and structural changes, rather than business weakness alone, continue to weigh on white-collar recruitment. Without a turnaround in these sectors, a broader recovery in labour market dynamism is unlikely.



JUNE HIRING IN REGIONAL MARKETS CONTINUES ON A WEAK NOTE

After May brought some much-needed respite for regional labour markets, June is reaffirming the narrative of ever-slower hiring across the region. Germany remains somewhat more dynamic than its peers. Still, hiring is weak there, too. In fact, hiring is contracting across all major European markets, from the Nordics to the Mediterranean, despite what appears to be another record tourist season, and from Poland to Belgium. Overall, European labour markets remain extremely slow-moving.

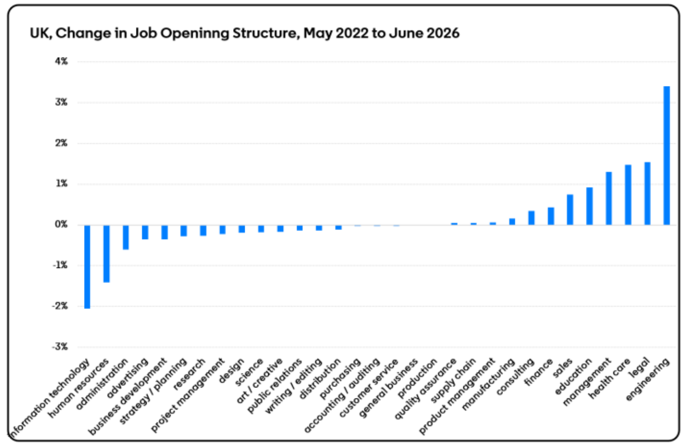
Middle Eastern labour markets, on the other hand, continued to improve mildly in June. After two months of very sharp contractions in hiring, especially in the United Arab Emirates, this barely constitutes even a very slow return to normal.



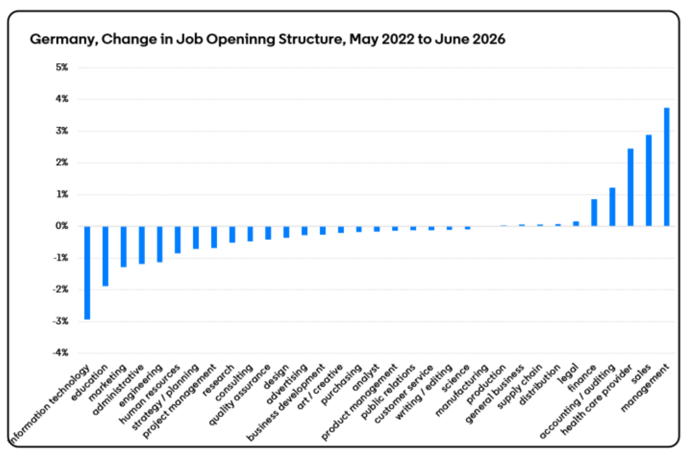
It does not help that the Middle East crisis again appears far from resolved, pushing the price of Brent crude, the key European benchmark, back above $80. This will likely weigh on sentiment once again, just as it had started to stabilise in June, and could extend the uncertainty that has been weighing on hiring for more than a year.

SECTORAL JOB OPENINGS REVEAL THE WINNERS AND LOSERS

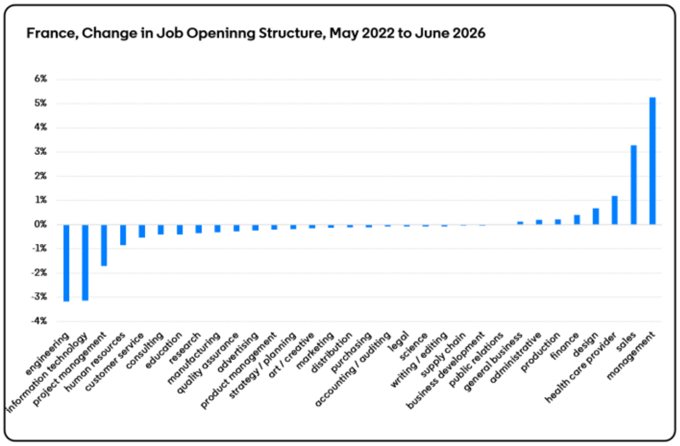
With hiring as weak as it has been over the past couple of years, total employment is now falling in major European markets. This is rare outside of a recession and, although uncertainty is unusually high and growth remains weaker than desired, an outright fall in total employment is not what we would normally expect to see.



We therefore look not only at the sectoral hiring but also at job openings. Low hiring doesn't necessarily signal a weak labour market. It can reflect lower job-switching activity (i.e. churn) rather than a lack of available jobs.



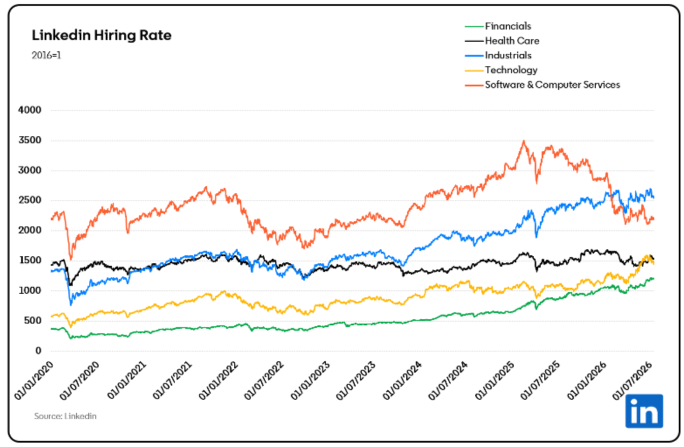
Looking at job openings across Europe's three largest economies - the UK, Germany and France - a common pattern emerges. Traditional office-based roles are becoming scarcer, while health care and education are gaining ground. The IT sector jobs are among the biggest losers across all three markets. This may be a specific case: the sector remains strong by profitability and stock-price measures but is likely hiring less after the very large surge in recruitment in 2022. Human resources is also among the biggest losers, which is hardly surprising given how weak hiring is now. Marketing and administrative roles are also shrinking, as are, to a lesser extent, typical back-office roles such as business development, project management and general management.



It is tempting to conclude that these are simply AI-exposed jobs being squeezed, but the picture is not that simple. Legal and finance, both widely viewed as highly exposed to AI, are seeing larger share in total job openings in 2026 than in 2022.

Profitability and stock-price performance across sectors also suggest that fewer job openings — and weak hiring more broadly — are not necessarily linked to sectoral business viability. If anything, health care, one of the fastest-growing sectors for hiring, tends to perform relatively modestly in stock-market terms. The only sector that has recently underperformed on the stock market is software and computer services, partly reflecting the perceived threat from AI. But the wider technology sector is outperforming the market, so this does not explain low hiring across the sector as a whole.

Overall, hiring underperformance still cannot be easily explained, by AI or otherwise. But it would be unwise to expect a significant hiring turnaround before it appears in the sectors where hiring has fallen furthest behind — mostly back-office white-collar roles. A resolution of the Middle East crisis, and a broader reduction in uncertainty, would help, but that alone seems unlikely to reverse the longer-running weakness in hiring across core white-collar sectors.



To read more about the global labour markets and the AI go to:

[State of the Labor Market]
[AI Labour Market Update]