The Weekly Brief

Economics, markets, and policy across six European cities

CW 10: European Labour Markets in 2026

Who is hiring, who is not, and what it means for you

A note on methodology: *Unless otherwise stated, all unemployment rates cited below refer to the harmonised Eurostat definition, which ensures cross-country comparability. National definitions published by bodies such as Germany's Bundesagentur für Arbeit or the UK's ONS use different methodologies and will produce different figures. Where we draw on national sources for sectoral or wage data, this is noted in the text.*

Each week, the ESCP Economics Society picks one economic story worth understanding in depth: something emergent, contested, or simply underreported. We write it for students, not experts. This week we look at the diverging states of European labour markets in early 2026, and what the discrepancies between countries mean for anyone preparing to enter them.

If you have searched for a job or internship in Europe recently, you already know something feels different. Some markets are tighter than they have been in a decade; others are shedding the jobs that once defined them. The labour market you are entering in 2026 is not the one your professors graduated into. Understanding them, country by country, is a more practical guide to your next move than most things taught in a classroom.

United Kingdom: cooling faster than expected

The UK's unemployment rate stood at around 5.2% in late 2025 on a three-month average basis, its highest level in five years, while the wage growth that briefly made UK roles the most financially attractive in Europe has moderated considerably (ONS, February 2026). Workers aged 18 to 24 face a joblessness rate in the high single digits to low double digits, well above the national average. Hiring in financial services has slowed relative to the 2022–23 peak, and hospitality remains under pressure; healthcare, technology, and professional services continue to recruit with genuine intent. London remains one of Europe's most dynamic graduate cities, but competition for entry-level roles has intensified sharply. The advantage now goes to candidates who have already focused their search on sectors that are actually growing. AI adoption is already reshaping hiring in financial services and legal — though the pace of change means the shape of those roles in three years is genuinely unclear. What is clear is that candidates who can demonstrate relevant technical fluency are finding more doors open now, and are better placed regardless of how the landscape settles.

Germany: record vacancies alongside significant industrial contraction

Germany's harmonised unemployment rate (Eurostat definition) sits at around ~3.0%, with youth unemployment at a contained ~5%, the lowest figures in this edition. Alongside those numbers, manufacturing employment has contracted by roughly 120,000 over the past year according to industry-level reports, concentrated almost entirely in automotive production — the largest single-year contraction in German industrial employment in over a decade as the sector navigates the electric transition and intensifying competition from abroad. The contradiction resolves when you look at where demand actually sits: Germany simultaneously reports record unfilled vacancies in engineering, IT, renewables, and skilled trades. The economy is both weak and restructuring - and the distinction matters. Aggregate demand is soft, output has contracted, yet labour shortages persist in precisely the sectors that are growing.

France: structurally above average, youth unemployment the persistent concern

France's harmonised unemployment rate of around 7.9% (Eurostat, Q3 2025) sits above the eurozone average, but the figure that matters most is the youth rate: approximately 19%, the highest of any country covered in this edition (INSEE, 2024). Nominal wage growth has remained moderate and has not fully offset the inflationary pressures of the past two years, leaving real purchasing power constrained for many workers. The public sector and construction continue to hire; private industry, particularly in automotive, has seen employment contracts. Breaking into the French labour market at the junior level remains structurally difficult without established networks or strong institutional credentials, a dynamic that successive governments have recognised but not yet meaningfully changed.

Spain: comparatively strong employment growth, with important caveats

Spain has been the eurozone's most dynamic major economy over the past two years, outpacing France, Italy, and Germany on growth. Its labour market reflects that momentum: overall unemployment has fallen to around 9.8%, a level not reached since 2008 (INE, Q3 2025). Several hundred thousand net jobs were created during 2025, driven by services, construction, and the expanding renewable energy sector. The caveats matter, however: youth unemployment remains at around 28%, the highest in this edition, and a high proportion of new contracts are fixed-term or seasonal, which limits the stability of employment gains. Students with relevant skills and striving to enter a dynamic market will find genuine momentum in Madrid and Barcelona, particularly in digital services, sustainable infrastructure, and international finance.

Italy: stable in aggregate, uneven in structure

Italy's harmonised unemployment rate of around 7.4% (Eurostat / Istat, Q4 2025) sits close to the EU average and has been broadly stable. Beneath the headline, youth unemployment stands at approximately 24% nationally, considerably worse in southern regions. This structural divide has produced one of western Europe's most persistent brain drain dynamics: younger and better-qualified workers leave the south — and, in growing numbers, the country — for Milan, Germany, and the UK. Wage growth has remained relatively subdued compared to some northern European economies, constraining real living standards for those in employment. For graduates targeting Italy, the realistic strategy is to

concentrate the search on luxury, renewables, and advanced manufacturing in Milan and Turin: the sectors where an international profile constitutes a genuine advantage.

Poland: the underrated market, with the strongest wage growth in the EU

Poland's harmonised unemployment rate sits at a low ~3.3%, with youth unemployment at around 11%, well below the EU average. Nominal wages have been growing in the high single digits annually, driven by acute labour scarcity in a fast-growing economy that continues to attract significant foreign direct investment (GUS/Eurostat, December 2025). IT services, electric vehicle manufacturing, and professional services are all expanding. Warsaw is developing into a serious hub for finance and consulting. For students willing to look beyond ESCP's most prominent cities, the overall package — tight market, rising wages, genuine career momentum — makes a compelling case that few other markets in this edition can currently match.

The bottom line

The picture that emerges across these six countries is one of deep divergence. Poland and Germany sit near full employment, yet both face structural pressures: demographic aging in Poland, and a manufacturing base in Germany that is shedding jobs faster than new sectors can absorb them. Spain is creating employment at a pace not seen in fifteen years, while its youth unemployment rate remains among the highest in the developed world. France and Italy share a common challenge: aggregate figures that look manageable alongside youth and long-term unemployment rates that point to something more entrenched.

Governments across Europe are responding, with varying degrees of ambition. Germany is debating industrial policy to support the green transition and ease the burden on displaced manufacturing workers. France has introduced apprenticeship reforms aimed at reducing the gap between education and employment. Spain is investing in renewable energy infrastructure, which is generating jobs but not yet at the skilled graduate level at scale. Italy's government has proposed measures to address the north-south divide, though structural reform has moved slowly. Poland is focused on retaining skilled workers as demographic pressures intensify, including through wage policy and foreign investment incentives.

None of these responses is sufficient on its own, and the timelines for structural change are long. What the data does suggest is that European labour markets are in motion rather than in stasis. The divergence between countries is likely to narrow over the next decade, but only if governments follow through on reforms that are, for now, more announced than implemented.

Sources: Eurostat LFS Q3–Q4 2025 · ONS February 2026 · Bundesagentur für Arbeit / Destatis November 2025 · INSEE Q3 2025 · INE EPA Q3 2025 · Eurostat / Istat Q4 2025 · GUS / Eurostat December 2025 · EC ESDE Annual Review 2025. Unless stated otherwise, all unemployment rates use the Eurostat harmonised definition. Some youth rates draw on 2024 national reports where 2025 harmonised figures were unavailable at time of publication.

Next week: *Have a topic you think deserves coverage? Reach out to the Economics Society via your campus student portal.*