



THE STATE OF RECRUITMENT ANNUAL REPORT

2025 Performance and 2026 Outlook Survey



2026



Engineering, Manufacturing, Technical and Commercial Recruitment Specialists

For close to 50 years, Jonathan Lee Recruitment has been working in partnership with clients ranging from start-ups and SMEs to large corporates both in the UK and overseas.

Our mission is to deliver solutions that help people to succeed and organisations to flourish, contributing to a better future for everyone.

Our passionate, experienced team provides world-class permanent, contract, executive and interim recruitment solutions supporting a wide range of roles.

Should you wish to discuss the findings in this report further, request sector-specific insights, or talk about recruitment in general, please do not hesitate to contact our team at [01384 397555](tel:01384397555) or via website@jonlee.co.uk.

EXECUTIVE SUMMARY

After years of overheated hiring conditions, organisations are now operating in a more measured labour market — one defined by selective hiring, moderated budgets, and a renewed focus on long-term capability.

This whitepaper draws on responses from 50 hiring decision-makers across engineering, manufacturing, technology, and commercial sectors. It reveals a market that has cooled, but not stalled; one in which recruitment remains critical, yet increasingly strategic.

Key findings show that while competition for talent and salary pressures have eased, challenges have shifted toward leadership capability, digital expertise, and succession readiness. Permanent hiring has strengthened, contract hiring has declined, and organisations are increasingly choosing to develop skills internally rather than compete aggressively in the external market.

For employers, the message is clear: recruitment in 2026 is less about speed and scale, and more about intent, alignment, and resilience.



THE STATE OF RECRUITMENT: FROM ACCELERATION TO ALIGNMENT

2025 PERFORMANCE AND THE OUTLOOK FOR 2026

EXECUTIVE CONTEXT

The recruitment market entering 2026 is defined less by volatility and more by recalibration. After several years of accelerated hiring, wage inflation, and acute talent shortages, organisations are now operating in a cooler, but far more deliberate, labour market. This shift is not a retreat from recruitment activity, but a transition toward sharper prioritisation, stronger governance, and clearer alignment between workforce strategy and business need.

38% of organisations increased recruitment budgets in 2025, down from 47% the previous year, while those reducing budgets rose from 20% to 26%.

This moderation has fundamentally reshaped how organisations think about hiring — moving the conversation from how quickly can we recruit to where does recruitment create the most value.

A MARKET THAT HAS COOLED — BUT NOT FROZEN

Despite easing conditions, recruitment remains a challenge. Finding qualified candidates continues to be the most frequently cited issue, affecting 70% of respondents, though this represents a modest decline from 73% the previous year. This marginal improvement, while small, is significant — it signals the first signs of relief after a prolonged period of candidate scarcity.

Salary expectations, long a defining pressure point, have softened meaningfully. In 2025, 40% of organisations cited salary expectations as a challenge, down from 50% the year before. Combined with a fall in reported competition for talent (37% to 26%), the data suggests a partial rebalancing of power between employers and candidates.

**The market hasn't stopped hiring -
it's stopped overpaying for uncertainty**

Turnover and lengthy hiring processes also declined year-on-year, reinforcing the sense that organisations are experiencing greater workforce stability and improved hiring discipline.

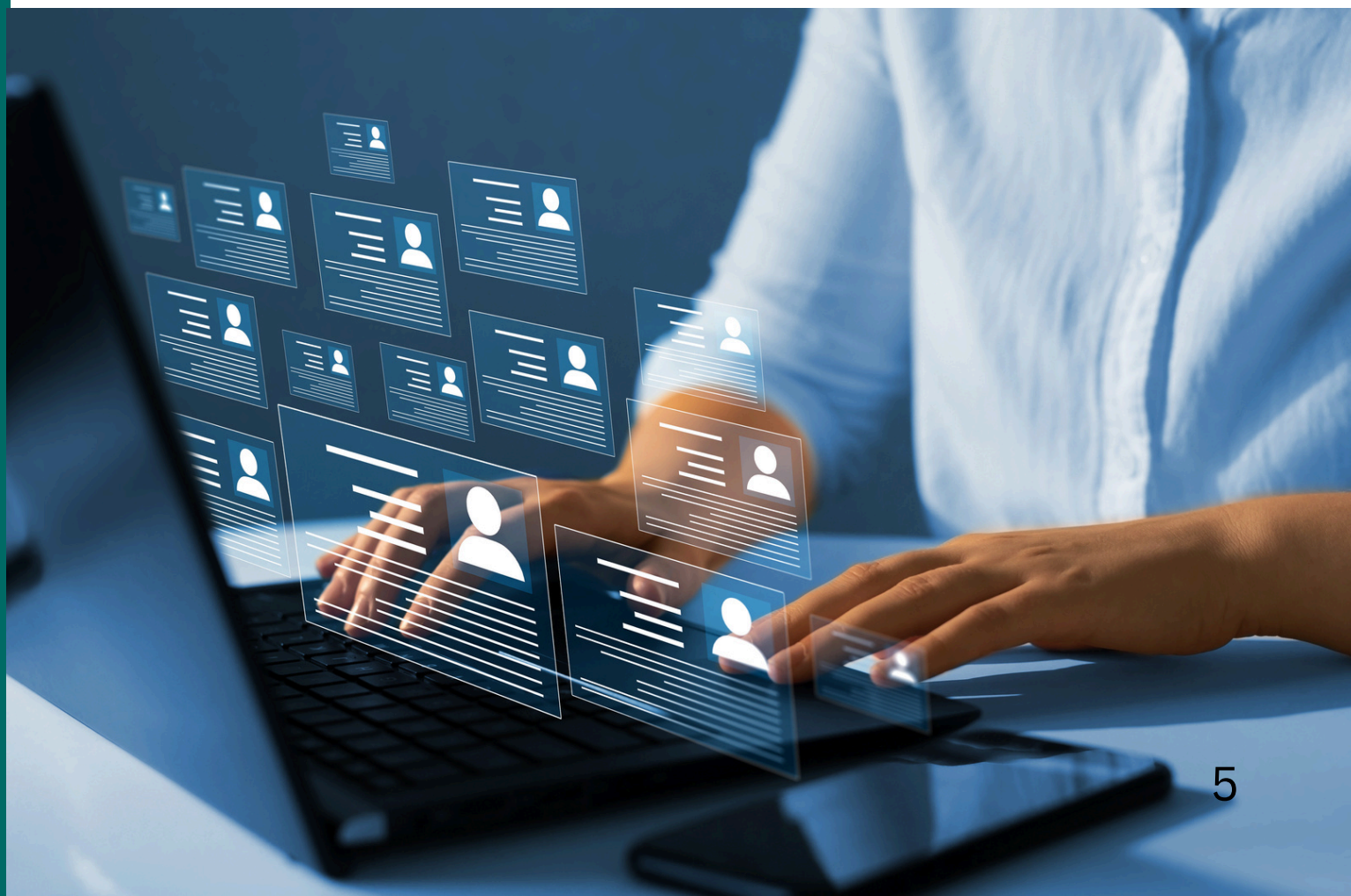
FROM GROWTH HIRING TO PRECISION HIRING

The cooling of the market has not translated into widespread contraction. Instead, most organisations expect hiring levels in 2026 to remain broadly consistent with 2025, with 40% anticipating growth and 52% expecting stability. However, downsizing has re-entered the conversation for the first time, with 8% of respondents indicating planned workforce reductions.

Recruitment priorities reflect this shift toward selectivity. While filling critical roles remains the dominant focus, its importance has declined from 58% to 48%, suggesting that many organisations have already addressed their most urgent gaps. Workforce expansion has also reduced in prominence, falling from 26% to 20%. (In a more selective market though, the cost of a mis-hire is often greater than the cost of hiring support.)

Perhaps most striking is the collapse in urgency around hiring speed. Reducing time-to-hire dropped from 17% to just 4%, highlighting a move away from reactive hiring toward considered decision-making.

Permanent hiring now dominates recruitment plans, cited by 78% of respondents, up from 73% last year - while contract hiring fell sharply from 32% to 20%.



SKILLS PRESSURE ISN'T GONE — IT'S CONCENTRATED

Skills shortages remain a defining feature of the recruitment landscape, but they are narrower and more targeted than in previous years. Electrical and mechanical engineering shortages persist at 30% each, reinforcing their role as foundational capabilities across manufacturing, energy, and advanced engineering sectors.

By contrast, shortages in skilled trades declined significantly from 24% to 14%, while software engineering shortages more than halved from 14% to 6%. These reductions align with broader market trends, including slower digital hiring and improved training pipelines.

Notably, the proportion of organisations reporting no skills shortages at all increased from 11% to 18%, underscoring the extent to which pressure has eased for many employers.



**The skills crisis hasn't disappeared -
it's become more selective.**

THE LEADERSHIP GAP EMERGING BENEATH THE SURFACE

While operational hiring pressures have softened, leadership recruitment is becoming more complex. Roles at senior and leadership level are now cited as difficult to fill by 9% of respondents, almost double the 5% reported the previous year.

This shift reflects a convergence of challenges: limited succession pipelines, rising expectations of executive, capability, and increasing emphasis on people leadership, strategic vision, and transformation leadership.

Although relatively few organisations plan to expand leadership teams in 2026, this does not reflect reduced importance. Rather, it signals caution. Many employers are opting to stabilise existing leadership structures rather than risk costly misalignment at senior levels.



**38% of organisations cite limited succession
pipelines as their biggest executive talent challenge.**



HOW ORGANISATIONS ARE RESPONDING

Faced with evolving skill and leadership challenges, Organisations are increasingly balancing internal development with targeted external hiring for roles where impact and risk are highest. Internal training and development is now the primary strategy for addressing capability gaps, cited by 74% of respondents — up from 70% last year.

At the same time, reliance on external levers has declined. Offering higher salaries fell from 45% to 30%, while partnering with recruitment agencies as a gap-filling strategy dropped from 45% to 26%. This reflects a broader philosophical shift: from buying skills at a premium to building them sustainably.

Recruitment agencies nevertheless remain central to hiring strategies, with 48% of organisations citing them as a primary source of candidates. Internal referrals also surged in effectiveness, increasing from 23% to 38%, highlighting the growing importance of trust-based recruitment channels.

RECRUITMENT AS STRATEGIC ALIGNMENT

As organisations look toward 2026, recruitment is no longer driven by urgency alone. The emphasis has shifted toward alignment — aligning hiring with business strategy, leadership capability, and long-term workforce resilience.

The data points to a market that rewards clarity over speed, focus over expansion, and development over dependency. Organisations that succeed in this environment will be those that view recruitment not as a transactional function, but as a strategic capability.

The organisations winning in 2026 won't be the ones that hire fastest — but the ones that hire with intent.



WHAT THIS MEANS FOR HIRING LEADERS IN 2026

For those responsible for hiring, the implications of this shift are significant. Recruitment strategies built for scarcity and urgency are giving way to models that prioritise selectivity, leadership quality, and internal capability.

Hiring leaders should expect:

- Fewer, but more business-critical roles to receive approval
- Greater scrutiny on senior and specialist hires
- Increased expectation that recruitment partners add strategic value, not just candidates
- Stronger emphasis on retention, development, and succession planning.

Those who adapt early will be better positioned to attract talent in areas where competition remains intense — particularly leadership, advanced engineering, and digital capability.

FINAL THOUGHTS

The recruitment market entering 2026 is calmer, but not simpler. While some pressures have eased, the stakes of hiring decisions have increased. Each hire now carries greater strategic weight.

For employers, success will come from resisting reactive hiring behaviours and embracing a more deliberate approach — one that balances immediate needs with future capability.

In this environment, recruitment is no longer just about filling roles. It is about shaping organisations that can adapt, lead, and grow with confidence.



CONTINUING THE CONVERSATION

The insights in this whitepaper highlight a recruitment market that has become more selective, more strategic, and more closely aligned to business outcomes. For hiring leaders, this creates both opportunity and responsibility: the opportunity to hire with greater intent, and the responsibility to ensure today's decisions support tomorrow's capability.

Every organisation's challenge is different. Some are navigating critical engineering shortages, others are reassessing leadership succession, while many are seeking clarity on how best to balance internal development with external hiring.

If you would value a confidential conversation about how these trends apply to your organisation — whether that's pressure-testing your hiring plans, exploring talent availability in your market, or thinking through future workforce risks — we'd be happy to share our perspective.

There is no obligation, and no expectation of immediate action. Sometimes the most valuable step is simply comparing insight.



In a calmer market, the advantage belongs to those who plan — not just those who react

To continue the conversation, speak to your usual contact or connect with our team at **01384 397555** or via website@jonlee.co.uk to explore how today's recruitment decisions can support long-term performance.

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