Q1

# Key learnings from VocTech market activity

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Ufi Ventures and Tyton Partners are collaborating on an ongoing exploration of the opportunities for investors in the Future of Workforce Development. We are working together to both refine Ufi Ventures' focus over time and catalyse the broader field of vocational technology (VocTech) investing across the UK, drawing lessons and insights from continental Europe and North America.

In this report, Ufi Ventures and Tyton Partners offer their quarterly review of select current market developments and dynamics. For more information about the methodology we use in compiling this briefing, please refer to our annual report, The Jobs Frontier 2025.


*Students at Hull College using Virtual Reality (VR) simulations.*

# Five key developments and their potential implications

1. Inevitably, we need to talk about US tariffs. The disruption they may represent and the uncertainty of their introduction will weigh heavily on policy and investment decisions in the VocTech sector in the UK and Europe. Caution and delay are the most likely effects.
2. By contrast, Germany's loosening of governmental spending is likely to improve the outlook for the economic and investment environment and make Europe and the UK look like a reliable and interesting place to deploy capital, particularly relative to the US.
3. Big AI-related venture rounds in education and the Future of Work continue to be made, predominantly in the US but also – patchily – in Europe.
4. The UK Curriculum Review is progressing, but the interim report gave little away.
5. Some organisations are forcing a full-time return to the office to increase productivity. This may, in fact, make them less attractive employers.

# Part I: Context

## Macroeconomic context

The UK, European and US economies faced ongoing uncertainties in early 2025. In the UK, consumer and business sentiment weakened ahead of the Spring Statement, with expectations of a sharp downward revision to growth forecasts due to persistent inflation and alarming productivity figures that lag behind pre-pandemic levels. The Bank of England cut interest rates again to 4.5% in February to support economic recovery but held them steady in March, signalling caution as inflationary pressures mounted. Rising energy costs and supply chain disruptions caused inflation to climb to 3% in January, up from 2.5% in December 2024; core inflation was 3.7% at that same time. Renewed concerns about potential stagflation have surfaced in the UK and across the globe.

The Eurozone similarly faced downward pressure on growth; the European Central Bank revised its GDP projection for 2025 down to just 0.9%. This change reflects broader economic fragility amid global trade uncertainties and geopolitical fragmentation. Fiscal policy responses across member states have varied. Germany recently introduced a substantial €500B stimulus measure to support sectors like manufacturing and renewable energy; conversely, countries with higher debt burdens, such as Italy, have a more cautious approach to avoid fiscal slippage. Across European economies, slowing business investment and hiring freezes have signalled widespread concerns about long-term growth prospects.

In the US, inflation remained high at 2.9%, exacerbated by postelection policy uncertainty. Wide-ranging GDP estimates for 2025 reflect the unpredictability of the economy, and market sentiment deteriorated significantly due to anxieties over tariffs and inflation, all of which pushed major stock indices into correction territory by early March. Corporate investment also slowed as businesses adopted a wait-and-see approach in response to regulatory and trade policy uncertainties at the start of the quarter, particularly in sectors like manufacturing and technology that are directly impacted by tariffs.

At the start of Q2, the Trump administration announced its sweeping two-tier "reciprocal tariff" strategy; the initial 10% baseline tariffs on all imports went into effect on April 5, and the higher country-specific rates went into effect on April 9. The following day, the higher rates were put on pause until July 9 (for all countries except China, which will jump to 125%). An economic model from the University of Pennsylvania projects that in the long run, the tariffs will reduce US GDP by about 6% and wages by 5%, despite the shorter-term increase in revenue. The announcement has already had significant global repercussions, including a huge drop in the stock market, lawsuits from within the US and countermeasures from the EU. The situation is developing at an unmatched pace, and the long-term implications for global trade dynamics, international relations and individual nations' economies remain to be seen.

| Headline inflation | | | | |
|---|---|---|---|---|
| Region | Q3 2024 | Q4 2024 | Q1 2025 | Source |
| United States | 2.4% | 2.9% | 2.8% | Bureau of Labour Statistics |
| United Kingdom | 2.2% | 2.6% | 3.0% | Office for National Statistics |
| Eurozone | 1.8% | 2.2% | 2.3% | Eurostat |
| Germany | 1.8% | 2.4% | 2.6% | Eurostat |
| France | 1.5% | 1.7% | 0.9% | Eurostat |
| Spain | 1.7% | 2.4% | 2.9% | Eurostat |

| GDP / economic growth | | | | |
|---|---|---|---|---|
| Region | Q2 2024 | Q3 2024 | Q4 2024 | Source |
| United States | 3.0% | 3.1% | 2.3% | Bureau of Economic Analysis |
| United Kingdom | 0.6% | 0.1% | 0.1% | Office of National Statistics |
| Eurozone | 0.2% | 0.4% | 0.2% | Eurostat |
| Germany | -0.3% | 0.2% | -0.2% | Eurostat |
| France | 0.2% | 0.4% | -0.1% | Eurostat |
| Spain | 0.8% | 0.8% | 0.8% | Eurostat |

## Labour market conditions

Policymakers across the UK, Eurozone and US must navigate an increasingly complex labour market landscape as inflation, economic slowdown and geopolitical risks converge. The World Economic Forum's Future of Jobs Report 2025 highlights the rising cost of living and economic slowdown as key concerns shaping global labour market trends, underscoring the need for workforce resilience and adaptation.

In the UK, labour market conditions weakened as job vacancies declined, while unemployment edged upward, reflecting businesses' cautious approach to hiring amid economic volatility and impending tax rises (notably, the rises in the minimum wage and employers' National Insurance, which take effect from April). The UK also faces a well-documented skills shortage. The share of young people not in education, employment or training (NEET) continues to rise, fuelled by shifting youth attitudes towards work as well as the growing mental health crisis; some have also noted the gender gap and barriers specific to young women. In response to this mounting issue, City & Guilds Foundation established a new commission and committed £500,000 in funding to target local challenges in economic inactivity, with a focus on supporting youth in accessing education or employment. Concerns over the UK's productivity persist, with bleak figures reported as of late. However, accurate labour market data on output, employment and hours worked remain difficult to obtain due to the discredited Labour Force Survey. Evolving employment laws in the UK, which have been described as "worker-friendly," are set to roll out in 2025 and will influence both business strategies and workforce responses. The UK Employment Rights Bill is expected to become law in the second half of the year, and employers are closely monitoring regulatory changes to assess potential impacts on hiring practices, worker rights and overall business operations. These trends, coupled with broader economic headwinds, highlight the need for strategic workforce planning and targeted policy responses to support labour market stability in the coming months.

The Eurozone faces similar labour market imbalances, with specific industries – such as healthcare, construction and information/communication technology – experiencing shortages of highly skilled workers despite a marginal decline in overall unemployment. As businesses adjust to automation and digital transformation, retraining and upskilling initiatives have become increasingly critical. Meanwhile, in the US, unemployment has remained relatively stable within the range of 4.0%-4.2% since May 2024. Though the substantial recent federal government layoffs will no doubt impact movement within the domestic labour market and service delivery, the overall impact on the unemployment rate is expected to be less than 0.04%.

Across all regions, businesses are adopting a more cautious stance on expansion, opting for a "wait-and-see" approach amid fluctuating economic conditions. The economic uncertainty, skills mismatches and shifting employment patterns continue to shape workforce dynamics.

| **Unemployment rate** | | | | |
|---|---|---|---|---|
| Region | Q2 2024 | Q3 2024 | Q4 2024 | Source |
| United States | 4.1% | 4.2% | 4.1% | Bureau of Labour Statistics |
| United Kingdom | 4.1% | 4.3% | 4.4% | Office for National Statistics |
| Eurozone | 6.4% | 6.3% | 6.2% | Eurostat |
| Germany | 3.4% | 3.5% | 3.4% | Eurostat |
| France | 7.4% | 7.5% | 7.3% | Eurostat |
| Spain | 11.7% | 11.4% | 10.8% | Eurostat |

| **Total number of vacancies** | | | | |
|---|---|---|---|---|
| Region | Q2 2024 | Q3 2024 | Q4 2024 | Source |
| United States | 7,400,000 | 7,100,000 | 7,500,000 | Bureau of Labour Statistics |
| United Kingdom | 875,000 | 837,000 | 818,000 | Office for National Statistics |
| Germany | 1,326,523 | 1,271,195 | 1,392,605 | Eurostat |
| France | 555,251 | 491,752 | 486,725 | Eurostat |
| Spain | 151,378 | 150,543 | 149,274 | Eurostat |

| **Number of youth out of employment and education (16 to 24year olds)** | | | | |
|---|---|---|---|---|
| Region | Q2 2024 | Q3 2024 | Q4 2024 | Source |
| United States | Similar stats are unavailable | | | |
| United Kingdom | 872,000 | 946,000 | 987,000 | Office for National Statistics |
| Eurozone | 3,417,000 | 3,372,000 | 3,409,000 | Eurostat |
| Germany | 599,000 | 616,000 | 627,000 | Eurostat |
| France | 858,000 | 815,000 | 873,000 | Eurostat |
| Spain | 542,000 | 522,000 | 527,000 | Eurostat |

(Note: Outside of the UK, the figure is reported for ages 15-24)

# Political developments

### The United Kingdom

Six months into the new Labour administration, the government continues to face public scepticism despite securing a large parliamentary majority; the effectiveness of its promised policy platform remains in question. The government's Spring Statement presented a £14B plan to address the UK's public finances, inclusive of a £4.8B cut to welfare payments and a £3.6B reduction in departmental spending, the latter of which may lead to the elimination of up to 10,000 civil service jobs, a decision that could drive up unemployment and strain service delivery. The speech also confirmed that growth forecasts for 2025 were halved from 2% to 1%. A decision on tax raises was deferred to the Autumn Statement, with the Office for Budget Responsibility signalling that the current measures may not be enough to address the UK's economic challenges.

Prime Minister Starmer has confirmed an increase in military spending to 2.5% of GDP by 2027, but this will come at the expense of the international aid budget, which is set to be cut from 0.5% to 0.3% of GDP. Voter pushback on spending priorities, particularly the balance between welfare and defence, is markedly different from the anticipated budgetary and policy decisions. Polling reveals that the UK public is most comfortable with the following four levers to accommodate an increased defence budget: reduced overseas aid, increased business taxes, reduced investment in renewable energy and reduced spend on public transport. The first two measures have already been taken, and the latter two stand in opposition to the chancellor's expressed priorities for economic revitalisation and addressing the climate crisis.

### The United States

The first three months of President Trump's second term have been marked by economic and geopolitical turbulence. The administration's swift imposition of tariffs on the EU, Canada and Mexico – combined with inconsistencies and reversals in implementation – has fuelled uncertainty in global markets. A shift toward a more protectionist foreign policy has led to stricter immigration and border controls and has broader implications for both labour markets and global trade relationships. Domestically, an executive order to dismantle the Department of Education has triggered significant layoffs and the termination of critical research and grant programmes. The administration has also stated that it will require K-12 state education officials to verify the removal of diversity, equity and inclusion programming or face reduced funding. The full impact remains uncertain but could prove damaging to student outcomes, particularly for students from marginalised backgrounds.

In higher education, institutions are grappling with potential budget cuts and shifting policy demands, leaving university leaders to weigh whether to align their strategies with the administration's priorities to secure funding. In early March, the Trump administration cancelled $400M in grants to Columbia University, apparently over its handling of pro-Palestinian protests, and sent the university a list of demands to fulfil. University leadership agreed to the requests in an effort to reinstate federal funding, a decision that has faced growing backlash among the faculty, students and the public and raised debate about academic freedom as well as the role of the government in higher education. Since then, the administration has also suspended funds for other top universities in an attempt to influence via political pressure; targeted schools include the University of Pennsylvania, Princeton University, Brown University, Cornell, Northwestern and Harvard, the last of which had $2.2B in funding frozen by the Trump administration. Harvard became the first institution of the group to reject the

administration's demands, with swift support from Stanford and Yale Universities and leaders in the higher-education community. At the time of this publication, uncertainty prevails, and the situation evolves daily. Tensions are extraordinarily high as many grapple with the fact that the future of US higher education, along with its previously collaborative and productive relationship with government, feels challenged.

### The Eurozone

Key political developments in the Eurozone are set to reshape fiscal and economic policies. Germany's elections signalled a notable rightward shift. In March, the parliament passed a major fiscal package that would overhaul the longstanding debt rules, create a €500B infrastructure and climate fund and increase the net borrowing cap for federal states. The debt brake reform will allow for exemptions in defence and infrastructure expenditures, easing up the country's formerly stringent fiscal policy. The move has been viewed positively by the markets, indicating investor appreciation of Germany's commitment to economic growth. That being said, the move also introduces questions around how fiscal loosening can bring risk to the Euro area's overall economic outlook. Across the Eurozone, nations are reassessing and strengthening their security strategies in response to the White House's abrupt shift in foreign policy measures, particularly as they relate to European allyship and the conflict in Ukraine. Europe is also increasingly being viewed as a safer destination for investment, in part due to the Trump administration's protectionist stance, which has led investors to reassess the stability and predictability of the US market. These developments will influence European spending policies and investments and have implications for labour markets and workforce trends throughout 2025 that will be covered below in sector-specific portions of the report.

# Sector developments of note

We continue to focus on sectors relevant to VocTech investing, particularly those with significant skills gaps and/or job vacancies and where there have been notable developments over the quarter.

**Education**

Ofsted has proposed a new approach to education inspections, which would include a report card that provides detailed information to parents about their child's particular school setting. This would encompass early years, state-funded schools, independent schools, further education/skills providers and initial teacher education providers. This report card would include a thorough five-point grading scale and increase focus on support for vulnerable learners. Currently, Ofsted seeks feedback from parents and professionals (among others) on this proposal.

At the UK school level, the interim report from the Curriculum and Assessment Review highlights persistent attainment gaps, suggesting that the goal of "high and rising standards for all" is not yet fully realised. The government is revisiting the national curriculum, emphasising a "broad and balanced" approach while addressing concerns over content specificity, relevance, diversity and volume. Included in this review is ongoing consideration of how to best equip students with essential knowledge and skills in an AI-enabled world. The impact and volume of high-stakes assessments and the need for improved occupational and technical pathways are also being examined closely. The final conclusions of this review, which remain in the balance, will clearly have major implications.

For special education, a gap in services and unmet demand has led to the rapid expansion of private providers to serve that need. According to the National Audit Office, the number of children in English schools needing special education services has more than doubled over the past decade, and government-funded schools have not had the capacity to support these students. The private providers, often backed by private equity firms, have filled that gap. The Department for Education recently announced a £740M investment to improve mainstream schools' ability to support students with special-education needs.

UK higher-education institutions continue to face financial instability, driven by declining international student recruitment and reduced undergraduate enrolment. Last year's projections from the Office for Students indicated that 72% of institutions would face financial shortfalls by the 2025-26 academic year, with a total anticipated deficit of £1.6B. In response, tuition fee adjustments are set to begin in autumn 2025 in an attempt to increase revenue, alongside planned higher-education reforms, though specific details of these reforms have not been finalised. However, the perceived hostility of the US toward international students under Trump may mean an increase in applicants to UK universities.

Across all levels of education, AI is a growing source of both opportunity and concern. The UK's "first AI-enabled classroom" sparked debate, with teacher unions expressing fears over job security. While the National Education Union (NEU) supports training teachers in digital tools, pushback persists and centres on AI's efficacy, accessibility and the potential impact on the teaching profession.

## Technology

The technology sector is experiencing notable shifts in employment patterns, influenced by factors such as artificial intelligence integration, evolving skill requirements and international competition.

The UK has witnessed a significant decline in job advertisements for "core tech" roles over the past three years, particularly for software developers and programmers, according to the National Foundation for Education Research. This downturn has been more pronounced for entry-level positions, with companies increasingly focusing on mid to senior-level talent. Skills requirements for roles are also changing, with employers increasingly looking for candidates who possess advanced qualifications and specialised capabilities, as well as "soft" skills. "Tech-adjacent" jobs in areas such as engineering and natural sciences, though declining, have fared better than "core tech" occupations. Despite the documented decline in these roles, according to a report by HSBC, the UK technology sector has grown by 20% and is worth over $1 trillion. Top technology careers expected for 2025 include AI and machine learning engineers, data scientists and cybersecurity analysts.

With Chinese tech giants like Alibaba and Tencent ramping up hiring, the global talent pool may experience increased competition. If China's investment in AI, cloud computing and semiconductor development accelerates, it could challenge Western leadership in key tech sectors, particularly in AI-driven applications and advanced manufacturing. There is a possibility of talent migration as skilled professionals, particularly those facing hiring slowdowns in the UK and US, are recruited by Chinese tech firms.

## Defence

The UK and several European nations have announced significant increases in defence spending, marking the most substantial investment in military capabilities since the Cold War. The UK government has committed to raising defence expenditure to 2.5% of GDP by April 2027, with an ambition to reach 3% in the next parliament. This strategic move is

a response to escalating international security tensions and aligns with NATO's call for member states to bolster their defence budgets. Early developments in the UK's Defence Industrial Strategy have identified several subsectors with high growth potential, including artificial intelligence, autonomous systems, combat air, cyber, missiles, nuclear submarines, quantum technologies, shipbuilding design and space. Investments in these areas are anticipated to drive innovation and create a diverse array of employment opportunities, ranging from research and development roles to advanced manufacturing positions. The increased defence spending is already translating into tangible workforce impacts. For instance, the Ministry of Defence has awarded Babcock International a five-year contract extension valued at approximately £1B for the development and maintenance of tanks, armoured vehicles and other equipment for the British Army. This contract is expected to support over 1,600 jobs across the UK, many of which will be apprenticeship and early-career roles. Leading defence firm BAE Systems has similarly announced its intent to expand recruitment efforts to cultivate a skilled labour force capable of supporting the expected investments. BAE Systems plans to recruit over 2,400 apprentices, undergraduates and graduates in 2025, which will result in around 6,500 individuals in training, comprising approximately 15% of its UK workforce.

The UK's increased expenditure is expected to invigorate regional economies, as approximately 68% of the defence budget is allocated to businesses outside London and the South East. The focus on regional investment underscores a government-led commitment to equitable economic development across the UK. Furthermore, the establishment of a new defence growth board, cochaired by key government officials, aims to oversee sector enhancements, streamline procurement processes and support smaller businesses. This initiative is projected to stimulate advanced manufacturing and create jobs in areas such as Glasgow, Derby and Newport.

Similar shifts are evident across Europe. The European Commission has proposed measures ("ReArm Europe") that would unlock €800B in defence spending, and estimates suggest that this increase in military spending could boost the EU's GDP by 0.9%-1.5% annually. Of note, Germany's debt brake amendment is expected to have substantial impacts on the region's economy and workforce. German defence companies are already pivoting to repurpose automotive facilities and absorbing workers from the car industry to meet the rising demand for military equipment. It is estimated that the increased defence spending in Germany could create approximately 245,000 jobs and generate nearly €42B in annual production. The effects will expand beyond Germany; Italian manufacturers are anticipating a revitalisation of the sector as its industrial ecosystem is well positioned to diversify into aerospace, shipbuilding and defence.

Overall, the increased defence spending across the UK and Europe is set to have a profound impact on the workforce, promoting job creation, regional economic development and advancements in critical defence capabilities.

### Green economy

According to the World Economic Forum's Future of Jobs Report 2025, climate change mitigation and adaptation are among the most influential macro trends shaping business transformation. Approximately 47% of employers are planning climate-related changes, which are expected to create substantial demand for jobs in renewable energy, sustainability consulting and environmental risk assessments. Nations are implementing various policy measures, including tax incentives for green investments and workforce training programmes, to support this shift. After a two-year delay, the UK government has launched the Energy Skills Passport to address skills shortages and facilitate the transition of oil and gas workers into offshore wind roles; later, the aim is to

expand the passport to facilitate entry into other areas of renewable energy. This initiative is part of a larger transition to net zero that is projected to create up to 725,000 new jobs in low-carbon sectors by 2030.

In the US, the green transition is in the balance. In January, President Trump ordered a 60-day halt on approvals for wind and solar projects, a move that was heavily criticised by renewable energy advocates. A federal judge has since blocked the funding freeze, but the final resolution remains to be seen. The administration also fully terminated $6.8M worth of grants for two clean energy projects that addressed energy efficiency in low-income housing and electric vehicle carsharing; roughly another 300 other projects funded by the Department of Energy are at risk. The administration's reprioritisation of fossil fuel development marks a clear departure from previous investments in clean energy technologies and creates uncertainties for the sectors supporting such work. De-investment risks backlash from Republican-led states, whose economies are more likely to rely on agriculture, manufacturing and rural infrastructure that has benefited from energy-related funding and improvements.

From a corporate standpoint, a notable development is the National Grid's significant financial commitment to integrating AI into energy systems. This investment underscores the increasing role of technology in optimising energy efficiency, grid management and renewable resource allocation. AI-driven solutions are expected to enhance predictive maintenance, streamline supply chains and reduce carbon emissions. As a result, the green workforce will need to develop expertise in both sustainable practices and advanced digital technologies.

## Dynamic workforce themes

### Where work happens: return to office versus flexible models

The debate over where work happens has continued as a critical point of discussion in 2025, as many large corporations pushed for a full return to the office. Companies such as Amazon, JPMorgan and Dell have led the charge with five-day requirements, taking the stance that in-person collaboration is essential for productivity and innovation. Some sceptics have voiced that rigid "return to office" policies may also serve as a strategy to encourage voluntary attrition, effectively reducing headcount without formal layoffs. A significant portion of the workforce – particularly women and Gen Z employees – continues to favour hybrid and flexible work arrangements, citing improved well-being, better work-life balance and, in some cases, increased productivity. As prominent corporations continue to call employees back to the office, organisations that maintain flexible policies may gain a competitive advantage in attracting and retaining top talent. Meanwhile, new work models are also gaining traction. As of January 2025, 200 UK companies officially opted to adopt a shortened workweek. Several countries are experimenting with similar initiatives, signalling a broader shift in labour market dynamics. Germany ran a pilot four-day programme last year and found substantial benefits for employees' mental and physical health without any apparent negative impact on productivity. In Japan, the Tokyo Metropolitan government will introduce a four-day workweek in April as a way of supporting parents and caregivers in the workforce. Additionally, the digital nomad visa is another innovative model that has gained traction. Spain's version has positioned the country as an attractive hub for remote workers, aiming to stimulate local economies and integrate global talent into business-centric regions. As the future of work continues to evolve, companies must balance operational needs with evolving workforce expectations and priorities to maintain a competitive edge.

*Games-based learning technology being used by Healthcare stuents at the University of Derby.*

### Nation-led skills investment

The World Economic Forum's 2025 Future of Jobs report highlights that by 2030, 59 out of 100 people will require training to meet evolving skill demands. The scale of workforce upskilling and reskilling needed is considerable, and governments seem to be increasingly taking action to address the widening gap.

The launch of new government body Skills England is underway, with its leadership introduced in February. The government also announced new rules regarding apprenticeships; they have reduced bureaucratic processes that will subsequently allow up to 10,000 additional apprentices to qualify per year. Under the new rules, more learners will be able to qualify for roles in high-need sectors such as healthcare and construction, and the minimum duration of apprenticeships will drop to eight months from 12. The intended result of these changes is a boost in economic growth, a targeted attempt to address the skills gap and a good-faith effort to listen to the concerns and needs of employers.

France's 2030 skill investment plan is a €54B initiative focused on upper secondary schools, higher education and adult education in order to enhance workforce capabilities in key strategic sectors. €2.5B has been allocated specifically for digital skills training under the Skills and Jobs of the Future Initiative and the broader Digital Decade roadmap. The plan prioritises the development of expertise in critical fields such as digital technology, green energy and advanced manufacturing, with the aim of ensuring that France remains competitive in emerging industries. Nations also look to partnerships to enhance skill development; in February, France and India strengthened their cooperation in skill development by signing a memorandum of understanding (MoU) focused on vocational education and training, reinforcing international collaboration in workforce development.

Germany's Skilled Immigration Act enabled 200,000 foreign workers to come to the country in 2024 (a 10% increase from the year prior) in an attempt to address its labour shortages. Part of this initiative includes the Opportunity Card, a resident permit that specifically allows non-EU skilled workers to live in the country prior to securing a job. Coupled with the upcoming launch of the European Travel Information and Authorisation System (ETIAS), which will streamline entry into the Schengen Area, Germany aims to position itself as an attractive locale for global talent.

### Corporate apprenticeships

In addition to government-led upskilling initiatives, European and US corporations have accelerated apprenticeship programmes and employee development programmes as key strategies for cultivating a skilled and adaptable workforce. These programmes are particularly prominent in technology, automotive and green energy industries, where the demand for specialised skills is rapidly growing. The fast-paced evolution in these industries – driven by innovation in automation, data analytics and sustainability – has prompted organisations to focus on tailored training programmes. Leading companies like Aon, Accenture and Boeing have established and then worked to grow apprenticeship opportunities in an effort to equip the next generation of employees or reskill current employees with the necessary digital and data-driven capabilities. GE Aerospace recently announced an expansion of its apprenticeship programme at a key manufacturing plant, focusing on technical and customer support talent development. British Gas announced 400 new apprenticeship roles in 2025 and has expressed a commitment to offering 3,500 apprenticeship roles by 2030, 50% of which will be filled by women.

In the UK, many recognise the potential of apprenticeships as part of the solution to economic growth. As mentioned, the government's Skills England and Growth and Skills Levy are components of this effort; however, it is worth noting that employers must provide the places. Eighty-nine per cent of UK employers support the idea of an apprenticeship guarantee, but there are many logistical barriers to full implementation that must be addressed. Another piece to the puzzle is independent training providers, who have been instrumental in supporting employers in their capacity to deliver apprenticeships.

### Artificial intelligence

Artificial intelligence is rapidly reshaping the global workforce, prompting strategic adaptation by businesses and governments along with regulatory scrutiny. The intensified focus on laws governing AI centres on transparency, ethical deployment and antibias measures. In January, the UK government launched the AI Opportunities Action Plan, signalling a shift toward a more structured legislative agenda for AI. The plan articulates the intent to accelerate AI adoption and boost economic efficiency and growth. Part of the initiative includes AI Growth Zones, which are intended as focus areas to jumpstart investment into AI, including the necessary infrastructure and ecosystems. In March, the Artificial Intelligence Regulation Bill was reintroduced in the House of Lords. The bill aims to formalise regulatory principles and establish statutory oversight and, if passed, would require the secretary of state to create a regulatory body to monitor AI usage. Similarly, Germany's National AI Strategy is focused on a tactical path to fast-track the country's ability to stay competitive on a global scale via AI. A component of this strategy emphasises ethical AI development and deployment and is aligned with the EU AI Act.

Currently in the US, there is an absence of federal legislation governing artificial intelligence. The Trump administration has adopted a light regulatory approach with the aim of fully fostering innovation and subsequent economic growth. The government has, however, implemented stringent export controls to prevent other countries from accessing AI technologies. Despite the US's rollback of AI safety measures and the resulting pressure to align with their policies, UK officials maintain their commitment to developing and enforcing a tighter regulatory stance. The topic has sparked much debate, as some perceive the slowed timeline of AI-related legislation as indicative of a shift in the previously articulated pledges. The UK government's AI playbook is, nevertheless, thoughtful and interesting.

A review of Stanford's 2025 AI Index Report underscores the rapid pace of AI development over the past year and details how the dramatic increase in quality, capability and affordability is poised to revolutionise the future of work, education and healthcare sectors, among others. The level of private investment in AI in the US has far surpassed that of other countries (approximately 11.7 times more than China and 24.1 times more than the UK in 2024), but the economic and societal impacts have been staggering across the globe.

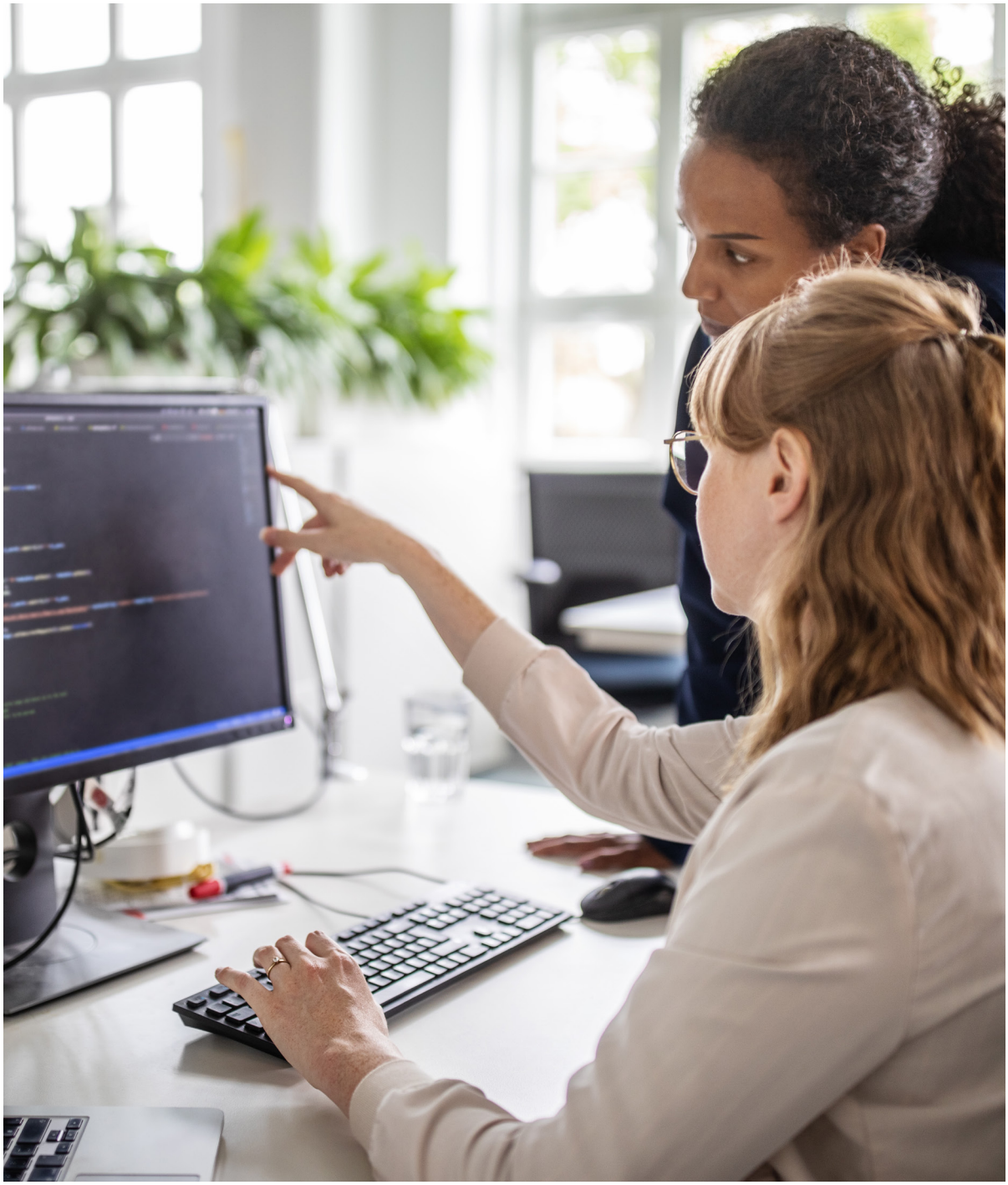
### AI upskilling

AI upskilling in organisations can be thought of in two ways. First, companies have increasingly recognised the need to equip their employees with AI-related skills to stay competitive in a quickly evolving digital world. The transformative potential of AI technologies on workplace efficiency and productivity will be fully unlocked only if employees have the appropriate skills to enable their success. Business leaders are also recognising that employees must learn how to use AI responsibly, and upskilling must go beyond technical proficiency to incorporate a critical evaluation of outputs. Importantly, a recent study by Randstad found a critical gender gap in AI skills; the majority of workers who say they are skilled in AI are men (71%), and women were less likely to say they are offered AI training or to be confident in the training they'd received. The same research showed that the AI skills gender gap may be closing among the next generation of workers; nevertheless, equitable access to AI upskilling needs to be at the forefront of workforce development plans moving forward.

Second, companies have focused not only on teaching AI-related skills but also on leveraging AI to teach these and other necessary skills and improve business operations. AI-powered learning platforms are pitching their potential to redefine corporate training by offering personalised and efficient skill development solutions. A new program from Harvard Business School, "Future Proof with AI," is an AI-enabled training platform that offers modules in marketing, finance, strategy, human resources, data science, research and development and agentic AI. Moreover, reports from KPMG and McKinsey detail how generative AI can improve the agility of a company's strategic workforce and talent management planning. These reports claim that companies that leverage generative AI can better predict future skill needs, optimise resource allocation and make dynamic, data-driven decisions related to employee development; studies show that those that can maximise their return on talent via strategic workforce planning stand to generate 300% more return on revenue per employee.

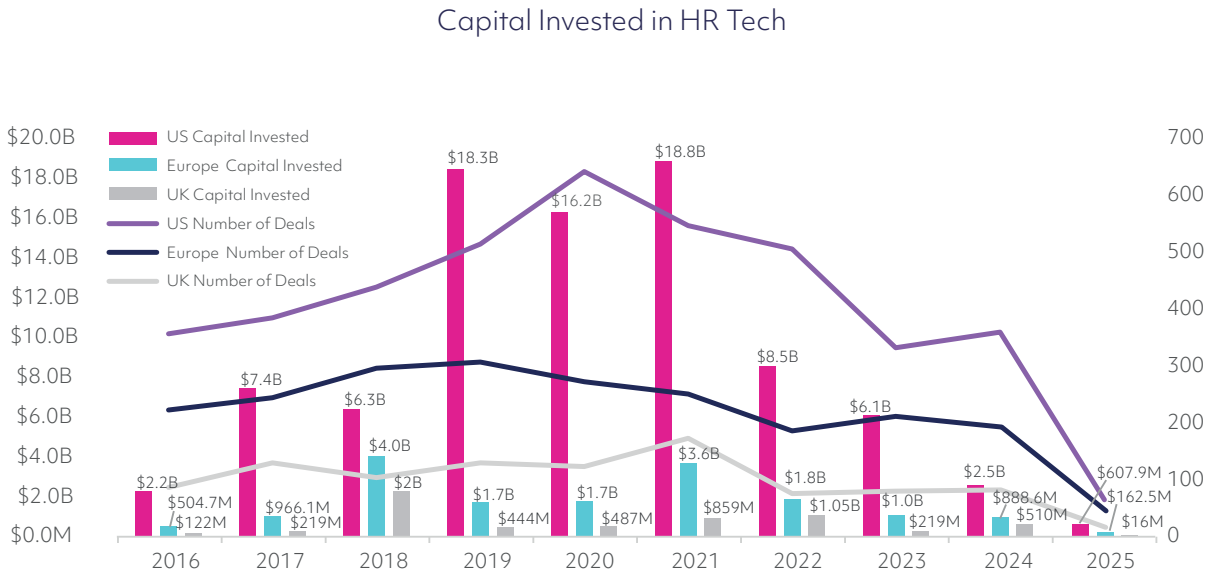
### AI displacing

Simultaneously, concerns about AI-driven job displacement continue to grow. Mass layoffs continue to disrupt the labour market, and some of the major companies recently implementing these layoffs have cited the integration of AI technologies – which have allowed them to streamline operations and reduce costs – as a contributing factor. The UK government has also announced plans to cut at least 10,000 civil service jobs, replacing many administrative functions – such as communications, human resources, procurement and office management – with AI-driven automation. A recent study surveyed 2,000 business leaders and found that 38% felt millennial careers faced the highest risk of AI-driven job displacement, given their propensity to be in mid-level roles in marketing, finance and administration. The intersection of their job type with career stage makes them the most susceptible to the threat of AI automation, according to the respondents. These are not the only sectors at risk; some industry leaders predict that AI could soon handle up to 90% of software coding tasks. Despite these concerns, the World Economic Forum's Future of Jobs Report 2025 suggests that while AI will lead to workforce reductions in 41% of companies worldwide, it is also projected to create 78 million more jobs than it eliminates by 2030 . This dichotomy highlights the complexity of AI's impact on the workforce – as both a disruptor and a driver of new employment opportunities.



The reality about AI and its impact on the workforce – the extent to which it will automate, enhance and displace – is that it will be an intricate mix of all three. Generative AI is redefining how expertise is valued, and the degree of severity of this shift is highly industry – and occupation – specific. As a generalisation, career pathways with steeper learning curves may see the productivity of experienced workers increase exponentially with the addition of generative AI capabilities, and the need for newer employees may be diminished. On the other hand, occupations with flatter learning curves may see GenAI as a critical tool for gaining knowledge that can reduce barriers to entry or improve career mobility.

# Part II: VocTech market activity




*Source: Pitchbook*

HR tech investments in the beginning of 2025 have generally increased over the previous quarter when compared to the first quarter of 2024. In the US, total dollars invested in Q1 2025 stood at $607.9M compared to $417.2M in Q4 2024 and $318.8M one year ago in Q1 2024. In Europe, the uptick was significant: $162M in Q1 2025, $40M in the prior quarter and $47M a year ago. Included in these numbers are some comparatively large funding rounds for the European venture capital scene, perhaps an early indicator of the favourable policy landscape for European investments. In the UK, however, we have seen the opposite trend – $16M in Q1 2025, $22M the quarter prior and $28M at the beginning of 2024. Investments in education technology across the US, Europe and the UK held steady heading into the new year, with $683.2M in capital invested (up from $626.8M in Q4 2024 ).

Lists of selected deals are organised by subsector:

### Education

- Pathify, a digital engagement hub for higher-education institutions based in Denver, CO, raised $25M in a growth equity investment from Five Elms Capital.
- MagicSchool, an AI-driven platform for K-12 educators and students based in Denver, CO, raised $45M in a Series B round led by Valor Equity Partners.
- Generation Genius, an online platform for educational science videos based in California, was acquired by Newsela for $100M.

- Amboss, a medical education company in Germany and the US, raised $260M of venture funding from KIRKBI, Lightrock, M&G, Burda Principal Investments and other undisclosed investors.
- Brisk Teaching, developer of an AI-powered teaching assistant based in California, raised $15M in a Series A round led by Bessemer Venture Partners, with participation from South Park Commons, Owl Ventures, Springbank Collective and other undisclosed investors.
- Rize Education, a New York City EdTech company aimed at reducing the cost of higher education, raised $12M in a Series B round led by Strada Education.
- Brains & Motion, an education-enrichment provider based in Virginia, raised $11.22M in a Series B round from undisclosed investors.

### Upskilling and corporate training

- HowNow, a digital learning platform for employee education based in London, raised $9.28M in a Series A round led by Pearson Ventures and Mercia Asset Management.
- Doinstruct, a video-based digital platform for employee onboarding and training based in Germany, raised $17.52M in a Series A round led by HV Capital, with participation from Creandum, D11Z. Ventures and High-Tech Gründerfonds.

### AI upskilling

- Turing, a coding provider for OpenAI and other large language models based in Palo Alto, California, secured $111M in a Series E round led by Khazanah Nasional Berhad, with participation from WestBridge Capital, Sozo Ventures, UpHonest Capital, AltaIR Capital, Amino Capital, Plug and Play, MVP Ventures, Fortius Ventures, Gaingels and Mastodon Capital Management.

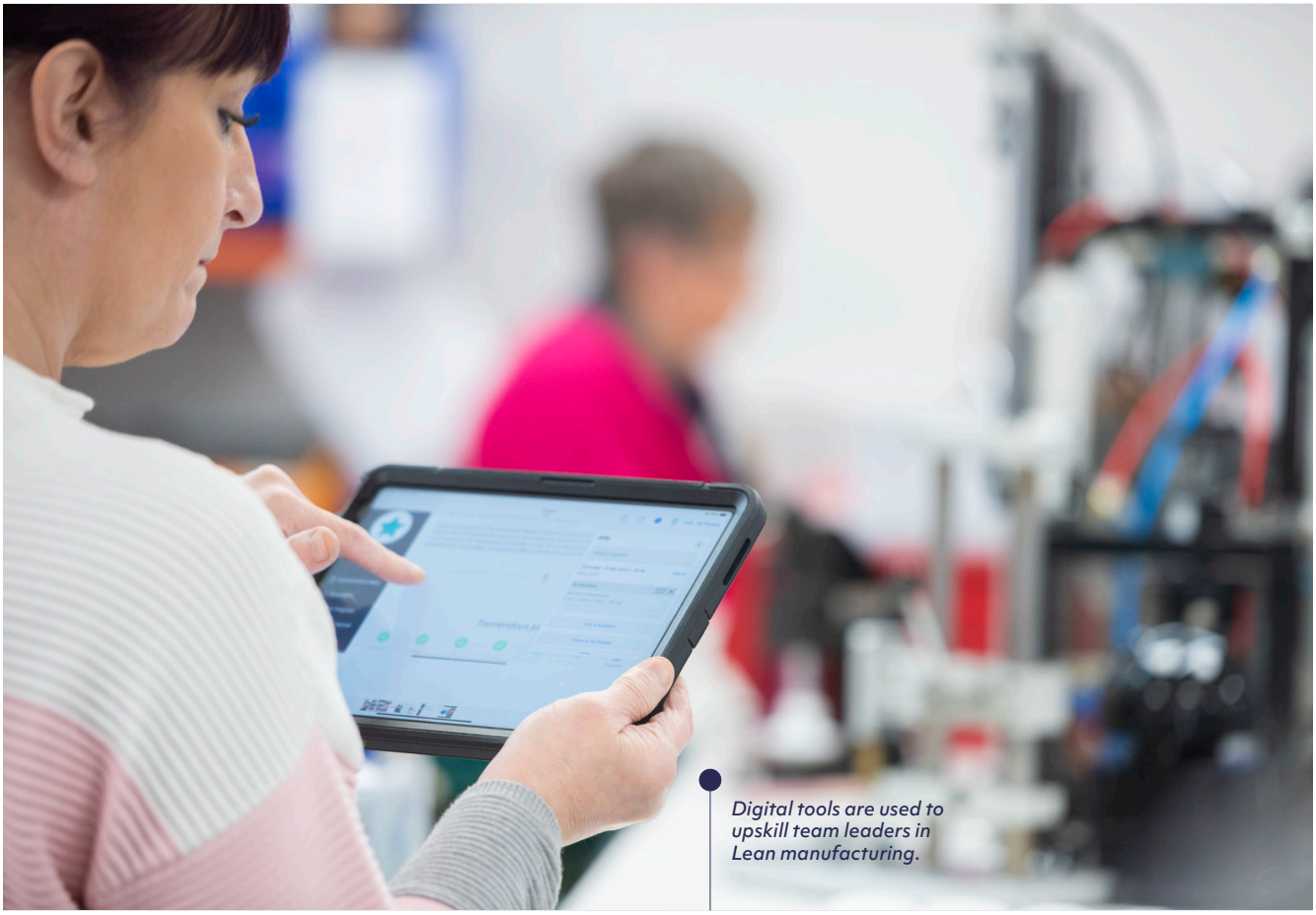
### Talent acquisition and staffing

- Loxo, a talent intelligence platform based in Austin, Texas, secured a $115M growth investment led by Tritium Partners.
- Mercor, an AI recruiting startup based in San Francisco, raised $100M in a Series B round led by Felicis with participation from Benchmark, General Catalyst, DST Global and Menlo Ventures.
- Thalamus, a cloud-based interview management platform for graduate medical education training programmes based in Silicon Valley, raised $30.7M in a Series B round led by the Association of American Medical Colleges, with participation from Fresco Capital, Kapor Capital, START EQUITY VENTURES, Wahed Ventures, LAUNCH Fund, Lubos Menus and other undisclosed investors.
- Maki, a Paris-based skills assessment platform aimed at reducing time to hire, raised $29.17M in a Series A round led by Blossom Capital .

- Comet, a job-matching platform for product development and big data freelancers based in New York City, raised $10.43M of venture funding from Maddyness, Tomcat Capital and Kima Ventures, with participation from Daphni, FJ Labs, Founders Future, Xavier Niel and Otium Capital.
- Shift Group, provider of training services aimed at job placement for former athletes and military veterans based in Boston, MA, raised $10M in an early-stage VC round from undisclosed investors.
- ConverzaAI, an AI-powered virtual recruiting platform based in Seattle, raised $1.75M in a later-stage VC round led by Afore Capital.
- Final Round AI, an AI-driven interview prep platform based in San Francisco, CA, raised $6.88M in a seed round led by Uncork Capital.
- Extracadabra, a Paris-based digital recruitment platform for the service industry, raised $15.99M in a later-stage VC round led by Actual Group.

### Workforce management

- Elevate, an AI-powered corporate benefits administration platform based in Denver, CO, raised $20M in venture funding led by Fin Capital, with participation from SaaS Ventures and Anthemis.
- Helios Global Payment Solutions, an AI-driven workforce management platform based in Chicago, raised $15.5M in a seed round led by Aracan Energía.



*Digital tools are used to upskill team leaders in Lean manufacturing.*

- HRBench, an advanced people analytics software based in Massachusetts, raised $7.72M in a Series A round with undisclosed investors.
- Deel, an all-in-one HR platform based in San Francisco, CA, sold $300M in secondary shares to General Catalyst and an unnamed investor.
- BuildOps, a company based in Santa Monica, CA, that develops AI-driven software for commercial services contractors, raised $127M in a Series C round led by Meritech Capital.
- Tomorro, a legal contract management platform based in Paris, raised €25M of Series B venture funding in a deal led by XAnge, Acton Capital and Adelie, with participation from enQ, Resonance VC, Founders Future, Motier Ventures and Financière Saint James.
- Naboo, a corporate event planning platform based in Paris, raised $20.7M in a Series A round led by Notion Capital.

## Final remarks

These very fast-moving and uncertain times are forcing all of us to look at what we do afresh. This includes us and our approach to this report. If you have any comments on what you would and would not like to see in what we produce for you, please contact:

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