The Jobs Frontier 2025

Catalysing the future of workforce development

A Tyton Partners report commissioned by Ufi Ventures

Ufi Ventures

Tyton PARTNERS

Executive summary

We have now been publishing this report for five years. Our coverage has included the COVID-19 pandemic, dramatic political shifts in the UK, and the war in Ukraine. In every edition, we have talked about uncertainty and change. Yet as we look towards the remainder of 2025, the range and speed of potential developments are more extreme and unprecedented than ever.

2024 saw the continuation of many established and challenging trends in workforce development. Rapid technological advancements, economic uncertainty and shifting labour market demands defined the landscape. Skills shortages remained a pressing concern, particularly in digital, green energy, healthcare and manufacturing sectors. While unemployment levels fluctuated, worker shortages in critical industries persisted, putting pressure on policymakers and businesses to find sustainable solutions.

National elections introduced policy shifts with significant economic implications. In the US, the new administration's foreign policy decisions, introduction of tariffs, and immigration enforcement, raised concerns about international relations and global trade dynamics. The unexpected unpredictability and extremity of the decisions and rhetoric from President Donald Trump and his team have started to make markets materially more volatile. In Europe, a right-leaning political shift across multiple national elections, notably in France and Germany, reflects the overall sentiment prioritising economic growth. The conversation around immigration and its role in filling labour shortages remained politically charged, influencing workforce planning at national and local levels. As we have moved into 2025, the abrupt and extraordinary change in the US approach to the war in Ukraine and European security introduced by the Trump administration is likely to herald major changes in spending priorities amongst European governments, with a much greater emphasis on rapidly building defence capabilities to meet the threat of Russia to the continent. A silver lining to Europe's cloud may be accelerated momentum towards co-operation between its governments, including the UK.

The just transition to a circular and regenerative 'green' economy is threatened in this political context. As the US discards Biden administration commitments related to the climate crisis, Europe faces multiple challenges: a slowing in consumer enthusiasm for and adoption of key technologies, including electric vehicles and heat pumps, and the need to prioritise immediate economic stability and security. Some major companies, notably German car manufacturers, have already pulled back on commitments to investment and change. However, the clear need for European self-sufficiency across energy, defence and advanced technologies may mean for renewed focus in this area.

Artificial intelligence and automation continued to dominate technology discussions, reshaping job roles and the skills required to remain competitive. AI-powered learning tools gained traction, and the debate around AI's impact on jobs and education intensified, with regulators working on frameworks for its responsible use – at least outside the USA. Clear risks to competitive markets and a healthy diversity of cultural approaches to AI remain, given the continuing dominance of a few, largely American, technology companies. Employers responded with a greater emphasis on upskilling and reskilling, attempting to address labour shortages from within their existing workforce. Investors in workforce development technologies remained cautious but selective; key areas such as corporate learning, AI-driven HR tools and immersive training technologies continued to attract interest.

The role of education in workforce preparedness was a key focus. Vocational education and apprenticeships gained renewed attention as viable pathways to employment, though investment in these areas remained inconsistent. Public-private collaborations expanded, with governments and businesses seeking scalable training models to address talent shortages. In the UK, local skills improvement plans (LSIPs) gathered momentum as one such initiative, aiming to align training with employer needs. Skills England was launched as the cornerstone of a new governmental approach to addressing key workforce challenges, although its precise roles and responsibilities remain unannounced. Uncertainty in Britain meant for delayed decisions about making use of and establishing apprenticeships.

The impact of hybrid and remote work remained a key theme. Businesses continued to evolve expectations around workplace flexibility, balancing operational needs, talent retention strategies and demographic preferences regarding the nature of work. Some notable employers adopted more robust requirements for employees to attend the office in person.

Despite ongoing challenges, 2024 laid some groundwork for a more resilient workforce ecosystem in the UK. The country is at a policy inflection point, with the potential to build a system that fosters innovation and long-term economic growth alongside security and sustainability (both economic and environmental). There are hard decisions to be made in an urgent, complex and unpredictable context. Government, investors and the third sector will all need to work together more closely. If corporate learning and development departments choose to adopt practices that ensure effective, measurable learning and can consequently demonstrate a return on investment, this will serve to accelerate the necessary shift. Thinking hard about data security and integration in this context will be vital. The coming years will be critical in determining whether these emerging possibilities translate into meaningful workforce transformation.

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Context and introduction

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 both to refine Ufi Ventures' focus over time and to catalyse the broader field of 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 annual review of the frameworks, trends and analyses they work with for investing in the Future of Workforce Development, including an overview of the current market landscape and an explanation of how it informs their investment thesis. It is a chance for the team to step back and offer reflections, prompts and questions as we look both backwards and forwards.

Content found in the report is informed from the following sources:

- Expert interviews and analysis
- Tyton and Ufi's proprietary market intelligence process
- Key reports from global think tanks, government bodies and private organisations
- Conversations with organisations of all types in the course of our work, including investors, foundations, nonprofits and small and large companies
- Our own joint programme of face-to-face and online roundtables

Given that this report draws on our regularly published quarterly reports, we do not provide links to sources, save for those related to our scenarios that are unique and proprietary to this report. For any other references, please do not hesitate to contact us, and we will provide them where possible.

Our thanks to Tyton Partners' Amy Henrie and Zoe Wright-Neill, plus Ufi Ventures' Alex Bishop, Toby Palmer and Thomas Heiser, who have worked so hard on the extensive research, analysis and production work behind this document. We are also most grateful to all those people who have taken the time to participate in our events and discuss the market and their ideas with us over the last year.

Helen Gironi
Director, Ufi Ventures

Nick Kind
Managing Director, Tyton Partners

Ufi VocTech Trust supports the development of digital technologies that help us all obtain the vocational skills we need to get more out of our working lives. Ufi's vision is a world where vocational skills are celebrated and valued as the engine upon which the UK economy is built. Ufi Ventures is Ufi's activity to invest equity in early-stage companies in pursuit of the same goal.

ufi.co.uk/ventures

Tyton Partners are a dynamic advisory firm focused exclusively on the education and human capital management industry, offering both strategy consulting and investment banking services. Based in the US and Europe, the Tyton Partners team have deep expertise in supporting and creating sustainable financial vehicles for those interested in the Future of Work.

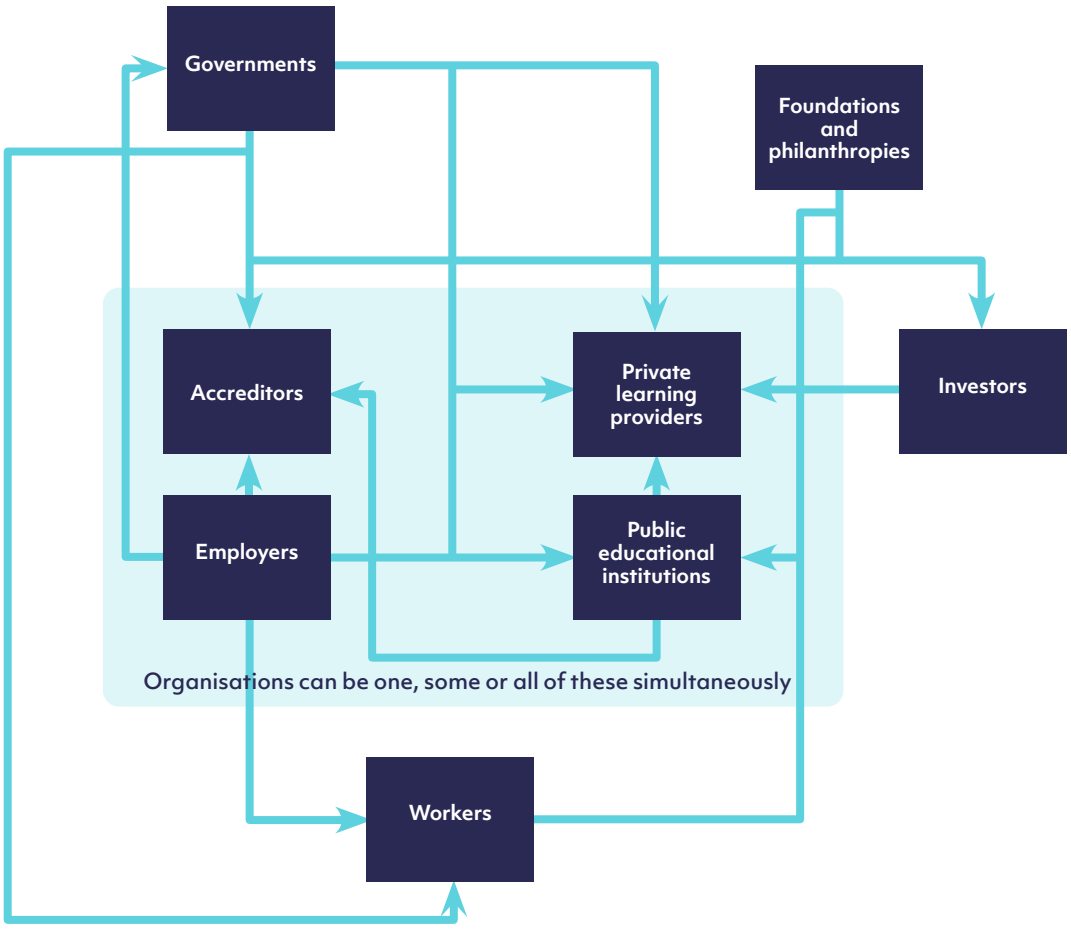
tytonpartners.com

Part I: The context

How we think about the VocTech ecosystem

We think of the stakeholders involved in vocational technology and the broader 'Future of Work' as an *ecosystem* – multiple types of organisations and individuals, connected in various ways. Flows of money, rules and regulations, and data exchange, are only some examples of these connections. Each connection is generally an assertion of some sort of need, or problem that needs to be solved. These problems often represent business opportunities of varying attractiveness and can inform the Ufi Ventures investment thesis.

Various stakeholders within our society catalyse the flow of resources and thus can help individuals get jobs or secure better jobs and ensure organisations have the right pools of talent and skills. This diagram represents the flow of money between generic types of stakeholders within the employment tech ecosystem:



The VocTech ecosystem

Some foundational statistics

$5 trillion

2024 TAM for HR VocTech[1] (payroll, benefits and employee programs)

$340 billion

2024 TAM Corporate learning and development [2]

$2.5 billion

US capital invested in HR tech in 2024, according to Pitchbook; 355 transactions made

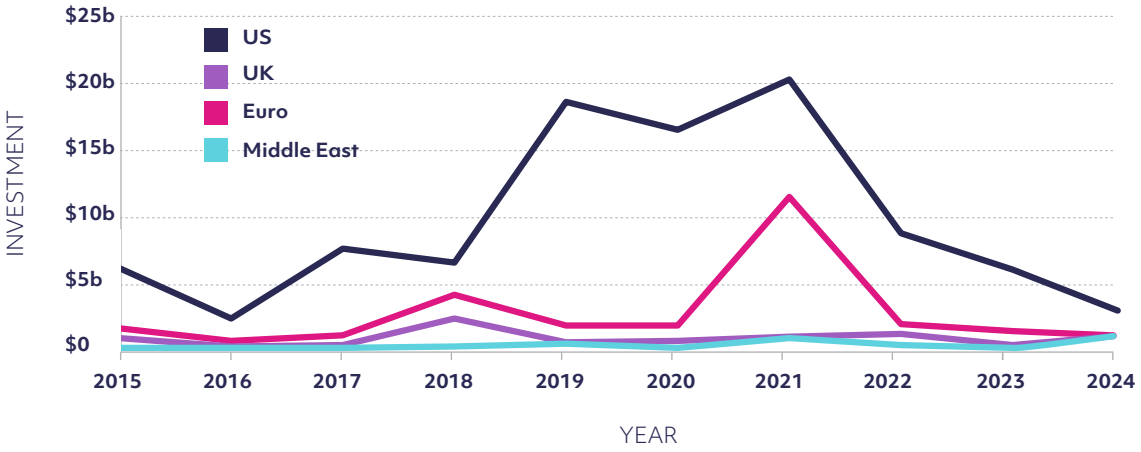
$510.1 million

UK capital invested in HR tech in 2024, according to Pitchbook; 81 transactions made

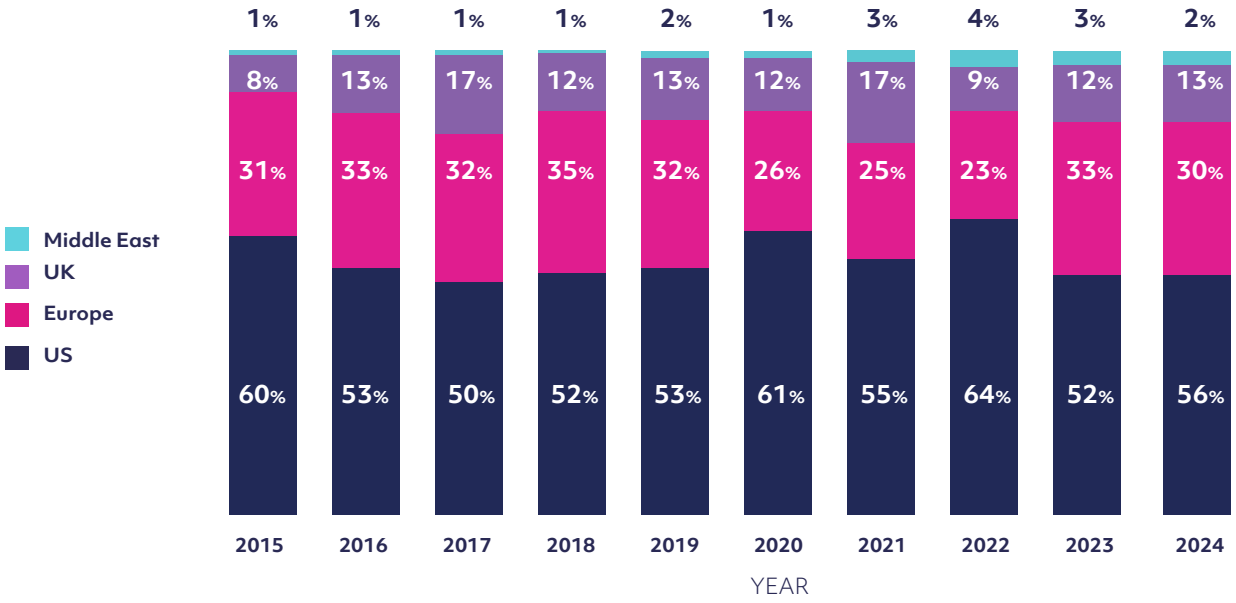
[1&2] Source: Josh Bersin: AI is Transforming Corporate Learning

Though the US and UK maintained consistent volume and relative share of deals in HR tech from 2023 to 2024, the level of capital investment shifted drastically. The UK saw an almost identical number of transactions with more than double the total amount of capital invested, though the top four deals (involving CloudPay, Perkbox, Zen Education and Sona Technologies) account for 80% of the UK's transaction volume. Conversely, the US had a similar amount of deals as the prior year, yet the total investment level was cut in half, and one deal alone (Workday's $530M purchase of HiredScore) accounted for approximately 20% of the total US figure. The continued decline in the US may be partially due to a standard market correction as companies stabilise investment activities after a spike in 2021, but also due to economic uncertainties and a more cautious investment climate. The uptick in the UK is notable against the global backdrop of reduced investments, though driven by a few select transactions. Overall, the investment environment was likely constrained by major political uncertainties across the US, the UK and continental Europe during 2024.

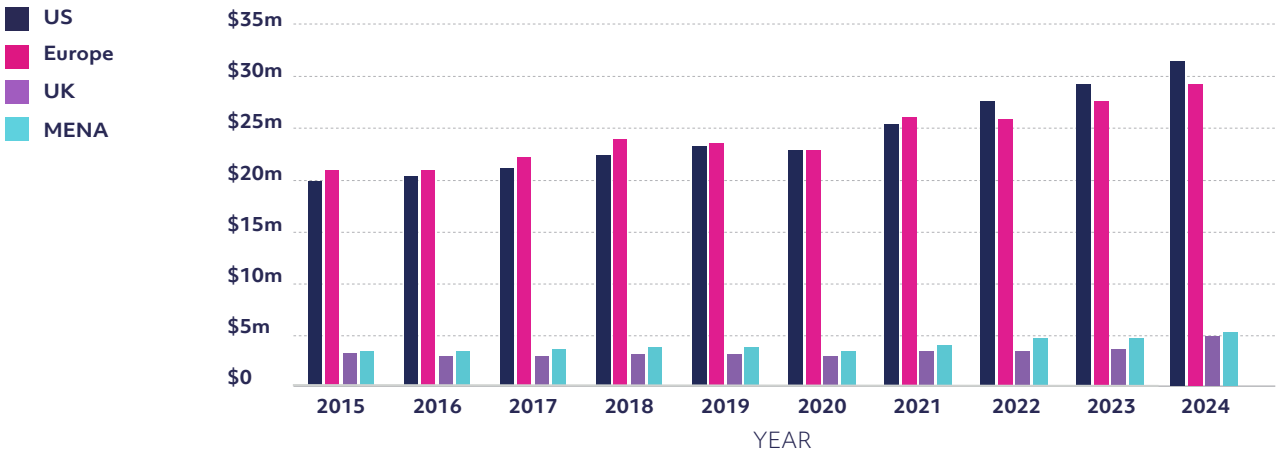
Capital Invested into HR Tech by Region



Number of HR Tech Deals by Region



Regional GDP



Note: GDP figures for 2024 are provisional

VocTech market segmentation

Each stakeholder group across the ecosystem includes various types of 'customers' – each with different needs and, thus, different solutions across the VocTech cycle of employment. As such, we have segmented the market in two ways: (1) *customer* and (2) *cycle of employment*. When combined, the result is a framework through which we can identify priority areas of investment and interpret and evaluate individual candidates.

Customer segments

The following table outlines the most high-stakes priorities for various VocTech customers:

Stakeholder role	Areas of high-stakes needs related to the future of workforce development
Corporate C-suite (employer)	• Hire, train and retain diverse people with competencies that fit in an increasingly tight and fast-moving market against a backdrop of skills shortages • Create pathways into jobs to fill skills gaps • Understand where investment in learning and development pays off
Worker	• Find stable, good-quality work and adapt skills to stay employed • Chart a rewarding career trajectory in a fast-changing world • Differentiate job applications with verifiable evidence of skills, attitudes and experience • Develop '21st-century' skills as automation spreads (e.g., communication skills in English and teamworking) • Core numeracy, data literacy, soft skills, literacy and finance skills
Government minister	• Get people into good and better jobs quickly to increase productivity, maintain competitiveness, ensure the stability of society and minimise reliance on the state • Focus on bringing industry to underserved regions
Education and training provider (including universities, colleges and commercial companies)	• Demonstrate the value of experiences to aspiring learners and employees who are increasingly requiring proof of employability and return on investment

In previous versions of this report, we distinguished between 'white collar' and 'blue collar' workers; last year, we revised this perspective, as the distinction is increasingly unhelpful for the following reasons:

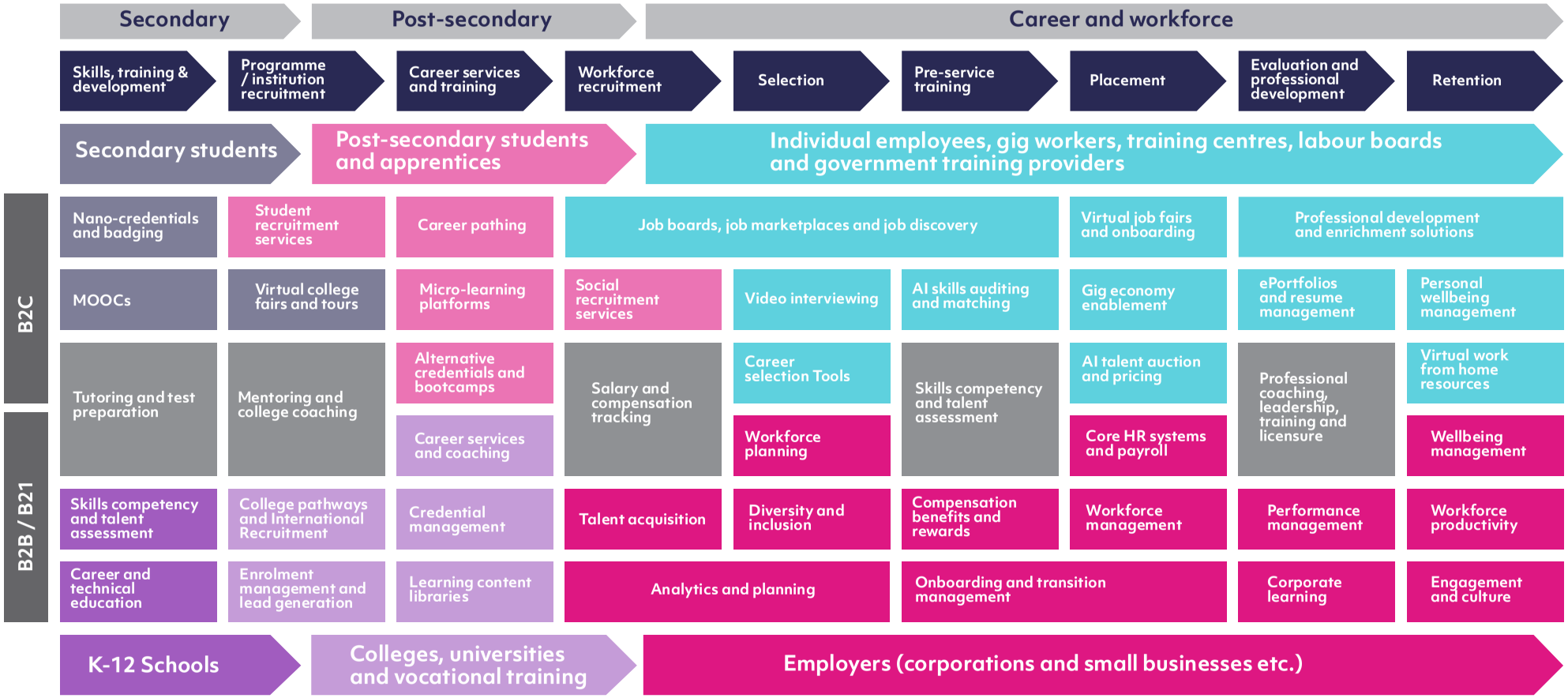
- The boundaries between traditional types of work are becoming increasingly blurred. Some are talking about collars in a rainbow of colours – and we are hearing of many jobs that were previously 'manual' where aptitude with digital technology is increasingly important (for example, signallers on railways).
- Previous predictions about which jobs would be replaced by technologies such as AIs and robotics have focused on the role of automating "simple" tasks, often those undertaken by the lower paid (e.g., taxi drivers). Contrary to these initial expectations, generative AI is also presenting immediate challenges to roles previously identified as less threatened (e.g., management consultants), whilst types of work that require exact, complex, highly variable physical activity (e.g., plumbing) seem to be at least relatively safer.

'Cycle of employment' segments

- **Understand** // Workers and employers understand how to identify and bridge gaps between aspirations and capabilities.
- **Learn** // Workers and employers bridge the gaps by gaining new capabilities geared towards an innovative 21st century workplace.
- **Record** // Workers can signal suitability for certain roles, with increasing demand for micro-credentials as technology allows for more granular validation and discovery of skills.
- **Place** // People find work, and companies find workers or employees.
- **Retain** // Organisations keep their workers, raising productivity and reducing cost, while workers feel valued and see their potential rise with continuous learning and progression.

A further, more detailed model of all the types of businesses that can be found in this ecosystem is described by the framework below, which we introduced into our market modelling in 2021:

Future of Work career development life-cycle



Sources: Tyton Partners proprietary analysis; HR Technology Market 2020

Part II: Ongoing market intelligence

Approach

In the winter of 2019-2020, Tyton Partners and Ufi commenced what has been an ongoing effort to monitor the VocTech market and continuously advance our point of view on the Future of Workforce Development. The concept of market intelligence is not new, but the unique process through which we have set out to gather and make use of it is. Below is a summary of a discrete set of activities performed by Tyton Partners, in concert with Ufi, that represent the full arc of our ongoing intelligence efforts.

In addition to monitoring key data sources, news outlets and commentary, Ufi and Tyton Partners have mapped the universe of organisations across the ecosystem, from companies and investors to NGOs, think tanks and thought leaders. By tagging each with location and alignment to mission and market segments using our frameworks detailed in Part I, this database is a way to quickly draw connections across the universe. There are currently >500 organisations in the database, each mapped to the career development life-cycle above. We have reviewed these organisations and people and curated an ever-growing list of entities that we watch more closely than others – known as the 'watchlist'. Entities are placed on the watchlist if they are (1) emerging companies with a high level of alignment with our thesis, (2) established companies with great levels of influence over the market, and/or (3) organisations or government bodies whose activity indicates where the future is headed. By setting up alerts, we are able to monitor significant market activity that will further inform strategy.

Key learnings from quarterly analyses

Facilitated by our watchlist alerts and wider market reports, Tyton Partners was able to identify key ecosystem activity and analyse implications, noting standout examples. Below, we offer the selected highlights and key trends from 2024.

The broad context

To understand the broad context of the VocTech market, Tyton Partners monitored trends shaping the market. We did this using the PESTLE framework, monitoring political, economic, social, technological, legal and environmental developments influencing the education and VocTech space throughout the year.

Political and Economic

- **Economic growth held back by high cost of living:** UK inflation was at 2.5% by the end of 2024, continuing its retreat from the spike in 2022 but still hovering above the targeted 2%. Wage growth accelerated and outpaced inflation, resulting in real wage growth of 3.4%. However, according to the ONS, consumer prices increased by a total of 20.8% from May 2021 to May 2024. Thus, despite inflation being down from its peak in previous years, cumulative price increases mean that household costs remain significantly elevated. Cost of living remains a top issue across the UK, and limited consumer spend (due to a lack of discretionary income and overall apprehensiveness about personal finance and the broader economy) continues to constrain economic growth. Business sentiment became more pessimistic across the latter half of 2024 as companies grappled with concerns over rising operational costs and decreased profitability that may come with proposed tax measures in the Autumn budget. A cautious outlook from both consumers and businesses has persisted into early 2025.
- **Interest rate cuts signal policy shifts:** The Bank of England cut interest rates from 5.25% to 5% in August 2024, marking the first reduction since the pandemic began in March 2020. In November 2024, it lowered the rate further to 4.75%. After an extended period of high inflation, these cuts aim to provide relief to businesses and consumers by reducing borrowing costs, with the end goal of stimulating spending and investment. The Bank of England again cut rates to 4.5% in February 2025, and has signalled that it will take a "gradual and careful" approach to further cuts this year; there is lingering uncertainty around the direction of inflation, productivity and global trade dynamics.
- **Labour market faced with unemployment and skills shortages:** Unemployment rates rose slightly across the UK from 4% in 2023 to 4.4% in 2024, whereas job vacancies dropped across all sectors, according to the ONS. The two indicators together may suggest that skills shortages exist for adults seeking to enter the workforce, that businesses are hesitant to hire due to uncertain economic conditions and/or that certain roles are being automated. Data from multiple data sources point to the skills gaps that persist across sectors, including the green economy, education, health and social care, and technology. According to an article published by the World Economic Forum in December 2024, we continue to face a "green skills crisis" - although it is worth noting that the increased uncertainty around the green transition which has emerged in early 2025 due to the Trump administration's policies and a consequent need to spend money on defense in Europe were not part of this thinking. In healthcare,

the NHS is experiencing a significant workforce crisis, reporting over 100,000 unfilled positions in England alone at the end of 2024. The National Foundation for Educational Research reported that secondary teacher training recruitment for the 2023-24 school year only reached half its target and that pay rates, a lack of work flexibility and burnout have severely impacted retention. The new government has pledged to recruit 6,500 new teachers and invest funds to increase pay.

- **Increased spending on defence:** The UK allocated £56.9 billion to defence in 2024, reflecting a commitment to bolster its military capabilities amid evolving global threats. This expenditure represented approximately 2.3% of the nation's gross domestic product (GDP). Prime Minister Keir Starmer announced plans to increase defence spending to 2.5% of GDP by 2027, with the subsequent goal of reaching 3% in the following years. This increased investment in defence underscores the UK's response to international security challenges and aligns with calls for greater defence spending among NATO allies. In order to account for additional spending on security measures, the UK will scale back foreign development aid from 0.5% to 0.3% of the budget, mirroring recent decisions by the new administration in the US.
- **New apprenticeship laws:** Gaps in apprenticeships and vocational training have contributed to the skills shortage in the labour market. According to data from the OECD, the UK has a higher share of adults without basic qualifications compared to peer countries. Simultaneously, research from the Resolution Foundation indicated that in recent years, youth applications for apprenticeships exceeded supply at a rate of 3:1, meaning that a significant number of young people in Britain were left without a straightforward avenue into workforce training. In 2024, the UK government started to implement significant reforms to the apprenticeship system to enhance workforce development. The Growth and Skills Levy is to be introduced as a replacement for the Apprenticeship Levy, with several changes that aim to make programs more accessible and responsive to the evolving demands of the market.

Social

- **Continued rise of young people out of work:** The number of people aged 16-24 not in education, employment or training (NEET) is climbing at an increasing rate - there were 831,000 reported at the end of 2022 and 851,000 in 2023, and that number jumped to 964,000 at the end of 2024. Research indicates that the post-pandemic mental health crisis is a significant underlying factor impacting this demographic; 20% of those classified as NEET reported a mental health condition.
- **Shifting career preferences:** While 50% of youth leaving school are not attending university, those who do are pursuing more technical degrees such as engineering. Recent data from UCAS reports a significant increase in applications to engineering and technology courses (up 14% from the previous year, and the second consecutive year of double-digit growth). This is an encouraging sign for businesses looking to close the skills gap in industries such as manufacturing. Conversely, demand for teaching and nursing courses fell 11% and 2% respectively, a trend that has persisted for the past four years. This is particularly concerning as the shortage of qualified professionals in each of those roles is well documented. Gen Z employees have also signalled a shift in workplace culture and career preferences. A survey from recruitment firm Robert

Walters reports that Gen Z workers are vocal about prioritising work-life balance and autonomy over their career growth, and less interested in 'climbing the corporate ladder'.

- **Mixed perspectives on remote work:** The global sentiment on remote work continued to evolve in 2024, as the world moves further away from the pandemic. A significant portion of the workforce has expressed a preference for hybrid/flexible work arrangements; these preferences tend to be distinct across gender and generations, with women and millennials most strongly desiring an element of remote work. Many companies remain open to hybrid schedules; however, in 2024, we witnessed a return-to-office mandate from some of the largest global companies. Notably, Amazon and JPMorganChase announced a full return to the in-office work week. Such policies have attracted much attention as the global workforce navigates the establishment of post-pandemic working norms. One study found that S&P 500 companies enforcing in-person work weeks saw quit rates jump 14%, and a report from McKinsey underscores the disproportional impact that such mandates can have on women and racial minorities.

Technological

- **Continued widespread adoption of AI:** Generative AI continues to permeate discussions about the economy, with varying perspectives on impact and threat. Businesses are moving beyond the experimental into more intentional application, with a particular focus on the opportunity to improve productivity and efficiency. The US leads the way in the adoption of AI, but a report from McKinsey indicates that AI has the potential to boost European productivity by 3% annually through 2030. Contrary to initial hypotheses, the incorporation of AI is proving to be a threat to job security across both high- and low-paying jobs – roles such as marketing, sales, customer service, and administrative support positions all face increased levels of exposure.

- **Focus on AI upskilling:** There has been a collective realisation of the need for more intentional training on AI tool usage and skill development to achieve the intended efficiencies and productivity gains. The UK government introduced a £7.4 million AI Upskilling fund pilot scheme, offering small and medium-sized enterprises (SMEs) in the professional business services sector subsidies covering up to 50% of AI training costs. This initiative aims to incentivise AI adoption and productivity by reducing financial barriers to upskilling. Concerted efforts reflect a strategic commitment by UK businesses and government to integrate AI competencies within their workforce, thereby enhancing innovation and maintaining a competitive edge in the evolving digital landscape. The UK released its AI Opportunities Action Plan and governmental response in January 2025, outlining recommendations and foundational next steps to position itself as a global leader in artificial intelligence.
- **AI in education:** Educational institutions are moving to incorporate AI-driven tools to personalise learning experiences and improve administrative efficiencies. The National Literacy Trust reports that in 2024, approximately 48% of UK teachers reported using generative AI tools, a significant rise from 31% in 2023. This adoption is more prevalent among secondary educators (57%) compared to their primary counterparts (31%). The World Economic Forum emphasises the upside of successfully integrating AI, both in terms of benefits to the learner and on the teaching workforce. The UK government has supported this integration by investing £4 million in projects designed to improve teachers' incorporation of AI, including in lesson planning and grading. In Higher Education, AI is even more prevalent. According to the Digital Education Council (DEC) Global AI Student Survey 2024, 86% of students regularly use AI in their studies and over half use it at least weekly. Yet, only 5% of students are aware of their university's regulations and policies around AI usage and feel they are comprehensive. There is an urgent need for policies in higher education to ensure equitable and ethical AI usage while also promoting AI literacy among students.

Legal

- **Increased attention on regulating AI:** As AI-powered workplace and learning tools become more prevalent, governments are implementing stricter oversight to ensure ethical deployment, data transparency and fairness in automated decision-making. The EU AI Act was passed by the European Parliament in March 2024, making it the first comprehensive legal framework on AI. It emphasises risk assessment in AI applications and imposes varying levels of restrictions and accountability measures accordingly. Globally, UNESCO has called for international cooperation on the ethical implementation of AI, and by summer 2024, over 60 countries had aligned their institutional and legal frameworks to the guidelines put forth by the Recommendation on Ethics of Artificial Intelligence adopted in 2021. Most recently, however, the UK and US abstained from signing an international declaration at the AI Action Summit in Paris. The UK cited a lack of practical clarity on global governance as the underlying reason behind the decision, and the Trump administration has made explicit the desire to promote policies oriented towards AI growth at the expense of other priorities.

- **Tightening immigration policies:** Stricter immigration policies in the UK post-Brexit have led to a reduced number of migrant workers in sectors that rely on foreign labour and a reduced influx of international students who often join the local workforce after graduation. The higher salary thresholds and tightening policies for skilled worker visas, which may increase yet again, limit employers' access to workers in sectors such as engineering and health care that already face talent shortages. Similarly, the new administration in the US brings a more stringent approach to immigration policy, which has included increased enforcement actions, the termination of Temporary Protected Status and reduced border crossings. Undocumented immigrants in the US make up about 4.6% of the employer labour force, including 14% of construction workers, 13% of agricultural workers and 7% of hospitality; the crackdown on immigration introduced by the Trump administration has a strong potential to disrupt industries that rely on foreign-born workers.
- **Overhaul of UK workers' rights:** The UK published its Employment Rights Bill 2024, which contains 28 new measures that may transform the employment law landscape. It provides individual workers with greater rights and security and restricts employer flexibility. Key reforms touch on areas of employment law such as unfair dismissal, family leave, zero-hours contracts, statutory sick pay, fire and rehire and trade union law. The bill is progressing through Parliament and undergoing amendments but could have a significant impact on businesses and workers if it goes into effect in 2026.

Environmental

- **Green transition is slower than expected:** The highly anticipated move to a green economy continues to underwhelm in terms of the pace of realised change. Though momentum is building via corporate commitments, technological breakthroughs and governmental regulations, there are key barriers. Immature consumer demand for green products, such as electric vehicles and heat pumps, means the adoption rate has been slower. Potential buyers are put off by perceived gaps in infrastructure (such as EV charging) and expertise in implementation (such as heat pump installation). Additionally, in the current economy, the high cost of living and lack of discretionary income make affordability of such products a difficult hurdle for buyers. Companies are also scaling back on investments – British energy company BP recently announced its plans to cut annual spending on net-zero transition businesses from $5 billion per year to $1.5-$2 billion while boosting oil and gas investments by 20% to $10 billion. Meanwhile, BMW halted production plans in Oxford for its electric Mini models, a £600 million investment, citing industry uncertainties. Furthermore, the green transition has slowed due to bottlenecks caused by the shortage of appropriately skilled workers. The demand for workers has outpaced education systems' ability to introduce the appropriate technical skillset; similarly, current workers in fossil fuel industries are finding it difficult to understand the possibilities and are unable to convert their current expertise without additional training. A more robust approach to reskilling the workforce is needed to close this skills gap. Looking forward to 2025, the political landscape will continue to complicate the green transition. The transition depends on global coordination, and trade disruptions are at a critical inflection point across the US, Europe and China. The Trump administration views the climate crisis as a distraction at best, if not a fiction. The overall lack of international cooperation from a policy

standpoint, coupled with the likely burden of tariffs, will impede progress towards a green economy and the development of the associated skills and jobs.

- **Public and private partnerships:** The UK Minister for Development announced a partnership with the financial sector to deliver on climate change goals as part of the Plan for Change. The aim is to generate new investments in businesses across nascent markets, thereby supporting economic growth, sustainable development and climate action in local markets. The approach of harnessing private sector expertise and funding to tackle public sector challenges is increasingly leveraged in climate projects, including renewable energy, sustainable infrastructure and zero-carbon electricity initiatives.

How stakeholders are responding across the cycle of employment

Getting a job and hiring the right talent ('understand'/'learn'/'record'/'place')

- **Restructuring assessment/skills-based hiring:** As reported last year, labour and skill shortages continue to push organisations to adopt skills-based hiring policies in efforts to increase and diversify their talent pool, as well as reduce hiring biases. According to LinkedIn, more than 45% of employers on the site have explicitly used skills data to fill their roles, 12% higher than the previous year. In the US, about a fifth of job postings no longer require degrees; numerous states have adopted skills-based hiring methods and dropped the minimum four-year degree requirement from jobs. Private organisations have also followed suit. From 2014 to 2023, the annual number of US jobs for which employers have removed degree requirements rose four times, according to The Burning Glass Institute's skills-based hiring report. However, the report also highlights the lack of evidence that employers are hiring (rather than just advertising) based on skills. It found that there were fewer than one in 700 hires who reflected filling positions based on skills rather than the four-year degree; while many companies have announced the removal of degree requirements, sustained hiring changes remain elusive for most.
- **Offshore hiring and immigration policy:** The UK implemented meaningful changes to its immigration policies in 2024, directly impacting offshore hiring and business operations. The increased minimum salary threshold for sponsoring skilled workers, coupled with the limits on employers passing on sponsorship costs, has impacted the feasibility and attractiveness of offshore recruitment. These policy shifts led to a 37% decline in work visas granted in 2024 compared to the previous year and notably, an 81% reduction in visas for health and social care workers. In the US, the new administration's tightening of immigration enforcement and evolving policies have created an environment of uncertainty for companies relying on offshore talent, prompting them to closely monitor regulatory changes and prepare to adapt their hiring strategies.
- **Public and private partnerships:** As reported last year, varying combinations of governments, private companies and educational institutions are forming partnerships aimed at training and equipping new pools of talent with necessary skills to bolster the workforce. The English Department for Education introduced

funding for local skills improvement plans (LSIPs) in autumn of 2022, which were created to help employers, education providers and other stakeholders in all 38 areas of the country to place employers 'at the heart' of local skills systems and help learners gain skills to get good jobs. Plans were published in 2023 and set to run until March 2025 under the initial investment, and efficacy reviews are currently in place; it is unclear what will happen moving forward with the introduction of Skills England. The National Wealth Fund (formerly the UK Infrastructure Bank) was launched in October 2024 as a government policy bank to stimulate private sector investment, particularly in the green economy and transition to net zero. In the first few months, the NWF reports unlocking £1.6 billion of private investment and estimates creating approximately 8,600 jobs across various sectors, including green energy and digital infrastructure.

Retaining Employment/Employees

- **Childcare as a benefit:** The importance of supporting reliable, affordable childcare for workers continues to gain traction. In 2023 the UK government introduced a stair-stepped initiative that will gradually expand working parents' access to free childcare; the intent is that by September 2025, working parents of children nine months to school age will get 30 hours of childcare. The Spring 2024 budget included additional funding to support childcare providers in England in meeting the increased demand. Despite this, many remain sceptical about the implementation — particularly the September 2025 phase — citing staffing shortages and long-term underfunding as barriers to effective rollout. The importance of childcare has also attracted national attention in the US as one of the issues with bipartisan support in an otherwise divisive political climate. The White House Counsel of Economic Advisers released a report with evidence showing how investing in universal Pre-K (UPK) has positive outcomes for businesses and the overall economy: Each 10% increase in pre-K enrolment is associated with a 1.6% increase in the average employment of mothers with young children. A separate paper from the National Bureau of Economic Research found that enrolling a child in a UPK program raised parent earnings by 21.7% per year of Pre-K and that the gain in earnings persists for at least six years. Despite the mounting evidence, both the government and businesses have been slow to introduce policies that support families in accessing childcare.
- **Internal mobility:** A shrinking labour force and skill shortages across various sectors are pushing organisations to consider current workers for progression within the organisation. This usually requires the organisation to adopt a skills-based approach to its operations as well as be open to upskilling individuals who show potential or have acquired relevant skills through non-traditional means.
- **AI upskilling:** Employers are increasingly leveraging AI upskilling as a strategic tool for workforce retention. By offering personalised AI-driven training, companies help workers stay relevant in an evolving job market, clear career progression pathways and reduce internal turnover. These initiatives also ensure organisations remain competitive as companies turn to AI to gain an edge on productivity and efficiency. In industries where AI adoption is reshaping roles, proactive upskilling mitigates fears of job displacement, strengthens workforce stability and boosts retention.

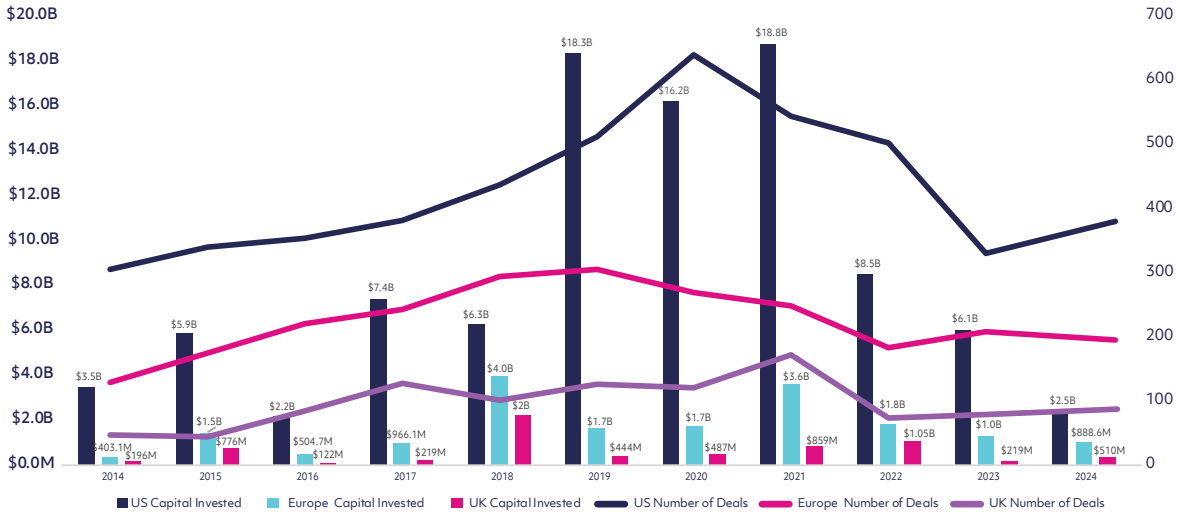
- **Negotiating hybrid work:** As shared last year, hybrid work continues to be a significant perk for retaining workers. Managers from a survey of 2,500 firms in the UK predict that working-from-home levels will remain around the same even by 2028. Research and analysis from the Centre for Economic Policy Research also points to a link between productivity and working from home, which claims that productivity rises by £15,000 a year for every extra day an employee works per week outside the office. A Forbes Advisor poll in the UK reinforced that employees value the improved work-life balance, reduced distractions and improved efficiency that comes along with remote work; 63% of respondents reported working from home some or all of the time. In the US, research from Robert Half's Demand for Skilled Talent report showed hybrid job postings increased from 9% in Q1 2023 to nearly a quarter (23%) of new jobs by the end of 2024.

The commercial, investment and philanthropic landscape: deals and developments

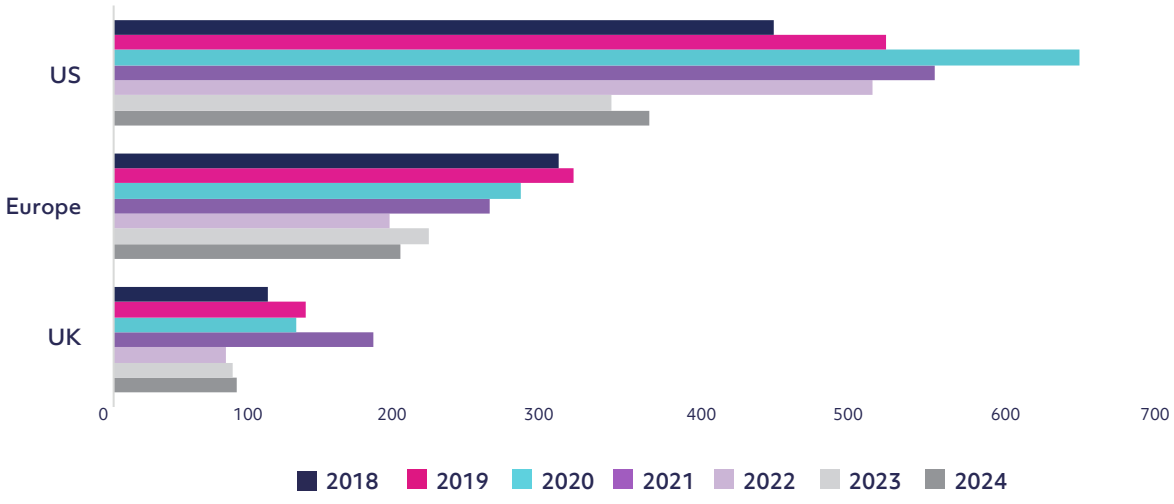
Investment activity in VocTech in 2024 varied across continents. In the UK, the total capital invested in HR Tech more than doubled from $219M to $510M, despite the number of deals remaining relatively similar. This rebound of investment levels was not felt in the US, where total investment continued to drop in 2024, down to $2.5bn from $6.1bn and $8.5bn the two years prior. Similar to the UK, the number of deals in the US and Europe overall remained level from the prior year.

The charts below illustrate the trends:

Capital invested in HR Tech



Number of Deals in HR Tech



Overall, deal activity in 2024 remained stagnant from the prior year, and is notably down from the five years prior. Despite that, capital is still being invested in HR tech, with a focus on AI-driven HR solutions, particularly recruitment automation, skills-based hiring and workforce analytics, as well as upskilling and reskilling the workforce. As examples, Learn to Win, a California-based microlearning platform that transforms training material into an interactive learning experience, raised $30m in a Series A round; AceUp, a platform that provides one-on-one leadership coaching and AI-powered talent analytics to corporates, raised $22.5m in a Series A round; and Colossyan, a London-based AI video creator for workplace learning, raised $22m in a funding round. Companies are prioritising efficiencies and cost reduction — thus, demand for AI-powered talent acquisition platforms and employee experience tools has surged. A key trend in the sector has been the shift to skills-based hiring over traditional credential-focused recruitment, so investors have looked to HR tech startups integrating AI and big-data analytics to assess worker competencies. Key deals in the workforce management and staffing spaces include Sona, a London-based AI-powered workforce management platform, raising $27.5m in a Series A funding round and CloudPay, a UK-based provider of payroll services to global organisations and remote workforces, announcing a $120m funding round.

2024 saw significant activity in mergers and acquisitions for both the future of work and education sectors. This wave of M&A activity underscores the shift towards a skills-based economy, where technology-driven solutions are reshaping how people work and learn. Enterprises are acquiring HR tech startups specialising in AI-driven talent management, workforce analytics and automation to enhance productivity and reduce hiring costs. In the education sector, M&A activity has centred on digital learning, corporate training and skills development as businesses and academic institutions prioritise scalable digital learning solutions. EdTech firms have continued consolidating smaller startups offering AI-powered personalised learning, adaptive assessment, and micro-credentialing. The UK has seen growing investor interest in lifelong learning and vocational training platforms, particularly as employers emphasise continuous workforce development.

A comprehensive overview of notable deals and transactions last year can be found in Tyton Partners' and Ufi Ventures' Key Learnings from VocTech Market Activity 2024 Quarterly Reports.

Part III: Looking ahead

From extensive research into workforce trends in 2019 and 2020, Ufi and Tyton Partners considered and developed four scenarios that painted bold pictures of how the ecosystem may develop.

In 2021, we re-examined these scenarios in the light of the pandemic, the war in Ukraine and the rapid acceleration in the development and use of artificial intelligence. To date, using scenarios has helped us identify the quantitative indicators of change and qualitative 'canaries in the mine' that we will monitor on a quarterly and/or annual basis to better understand where the market – and society – is trending. Whilst only a limited part of the overall picture that we draw from our wider qualitative monitoring is detailed elsewhere in this report, the quantitative indicators are included in our commentary below. Note that our scenarios are *not* intended to be fully accurate depictions of the future, but thought-provoking narratives that help us all know what to look out for and analyse what the future might hold. We share them in the spirit of discussion.

Scenario 1: Bigger, Stronger, Faster

Technology companies witness unparalleled and unabated growth, generating immense wealth that is increasingly concentrated in large US and Chinese firms.

Evidence of this trend accelerating would include rising automation, unions struggling to adapt to a changing labour market dynamic, and a growing number of mega-corporations headquartered in the US and China that all contribute to a tech-oriented, bifocal, global power structure. Such a trend has the potential to alter the Future of Work. As millions of jobs — agnostic to worker class — disappear due to automation, unions will lose significant bargaining power and be left unable to protect worker rights. This leaves individuals vulnerable and in need of affordable, accessible opportunities to upskill and/or reskill on their own.

Key quantitative indicators

Directional trend	Indicator	December 2021	December 2022	December 2023	December 2024
↗	⇒ UK unemployment rate	4.1%	3.7%	4.2%	4.4%
↓	⇒ UK cost/inflation index	4.8%	10.5%	4%	2.5%
↑	⇒ Global investment in AI (from Pitchbook)	$189bn	$143bn	$109.5bn	$287.8bn
→	⇒ Workers' rights index – percent of EU countries violating collective bargaining	54%	54%	54%	54%
	⇒ Number of UK trade union members	6.44m	6.25m	6.4m	Data not yet available
↓	⇒ Number of working days lost to strike activity	N/a	2.51m	2.53m	741,000
↗	⇒ Percentage of global GDP resting in the US and China	42%	42%	42.40%	43.2%
↓	⇒ Output per hour worked	134.4	134.5	133.5 (Q3 2023)	132.7 (Q3 2024
	⇒ Job quality index	81.7%	82%	Data discontinued	Data discontinued
→	⇒ Range between highest unemployment area to average	1.6%	1.1%	1.1%	1.7%

Our view

This scenario is plausible and aligns with current trends in global geopolitics and labour markets. Several indicators point to the acceleration of tech dominance and its concentration in US and Chinese firms as a realistic possibility. Global investment in artificial intelligence more than doubled in 2024 compared to the prior year; approximately 70% of that investment come from the US. The prominence of US and Chinese tech firms is already a reality, and AI advancements continue to push automation across industries, further increasing global dependencies. The growing market capitalisation and skewed distribution of AI investment will likely widen the tech gap, and the US and China's push for self-sufficiency via increased tariffs will accelerate the duopoly of technological leadership. Moreover, automation is already reshaping the global workforce, with AI-driven tools reducing the need for both white-collar and blue-collar labour. The growth of tech companies and automation-driven job losses will likely accelerate, and while governments and private firms recognise the need for upskilling and reskilling, to date it has been reactive rather than proactive. For now, employees and unions have preserved bargaining power and are using strike action to make their demands and protect worker rights, but it remains unclear if labour will be able to sustain these options long term.

Scenario 2 and 3: The Great Upskilling or The Divide Grows?

As covered in detail above, labour shortages and skills mismatches are the key issues in the VocTech ecosystem. These are currently accompanied by some economic growth, but also a cost-of-living crisis, at least in the UK. Our two related scenarios assume that shortages are systemic rather than cyclical. We make this judgement on the basis that whilst there may well be wage increases that fill some of the gaps and bring a proportion of workers back into jobs, we feel that the following trends will remain:

- In a tight job market, people will obviously choose better-paid positions with prospects and decent conditions, and companies will widen hiring pools. This will mean that the 'worst' jobs (whether in terms of pay, status, conditions or all three) will continue not to be filled. Traditionally, one solution to this problem has been immigration; but, in the post-Brexit UK at least, this is politically challenging.
- Those who can will continue to exercise wider choice (particularly in work that can be done remotely) across the world. This likely creates even more polarisation between those who are skilled and/or can afford credibly to upskill in certain sectors and those who are not/cannot. ICT is an obvious sector here. But even in ICT, given the rapidly changing and growing market, pre-existing skills gaps, the current failures in existing education systems and the unproven nature of post-secondary upskilling solutions, shortages of qualified staff are still very likely to remain.
- Driven by a shortage of reliable and affordable care support (whether for the young, old, infirm or otherwise needy), care responsibilities will take other workers out of the labour market.
- In some countries (notably, Germany), the ageing population will continue to reduce the available pool of human capital.
- Additionally, automation, digitisation and the drive towards 'green' jobs will continue to play out and change the available vacancies, creating new types of jobs that cannot be filled with unskilled applicants.
- The role artificial intelligence might play in addressing and creating skills gaps has increased significantly over the year. Major questions, therefore, surround whether employers will look to mitigate shortages with the use of AI, if the market will work to ensure that AI enables a more productive and effective workforce, if AI causes rapid short-term job losses or some combination of all three.

We therefore see two scenarios that are driven by the choices that stakeholders make around training up those who do not have in-demand capabilities. They are deliberately extreme to inspire debate.

The Great Upskilling is characterised by commitment. All stakeholders (whether out of public service ethos or self-interest) work to give people the capabilities they need for an increasingly volatile and unpredictable world transitioning from carbon to circular/ regenerative, and moving into the later stages of the Fourth Industrial Revolution, as well as rapid adoption of artificial intelligence. Governments spend on long-term, effective programmes to provide the right skills from growing industries in the right places to people who would not otherwise be able to access them. Companies broaden their hiring funnels to capture potential employees from diverse talent, which is often geographically spread, perhaps using new assessment technologies rather than old-fashioned interviewing and CVs. They train their new people into their jobs and use both technology and human input to offer them pathways towards even more skilled positions. Company culture becomes a differentiator in a highly competitive market for talent. Nevertheless, shortages continue or even accelerate, in the jobs that people don't want to do – from logistics to night shifts – as workers' options increase. Automation and remote solutions in these areas grow. Some European countries choose to mitigate this by allowing further immigration, but the UK does not, given the political legacy of Brexit.

The Divide Grows is, unfortunately, self-explanatory. Since upskilling has been left to the individual, those who can't afford it or don't have the capabilities or support to access training are left behind. Organisations begin to leverage AI in their operations, and individuals without the resources are left out of upskilling opportunities that help with the use of the technology. This has the potential to negatively impact skilled low-level workers such as junior lawyers and coders, while senior-level workers focused on human relationships and skills that AI cannont replace gain from the productivity and efficiency of the technology, further growing the divide and potentially putting a number of younger and less experienced individuals out of work. Short courses and private options grow for those who can pay. A rift broadens between the 'nomadic' knowledge workers and those without skills who are stuck in lower-paid jobs with few prospects. Companies increase their use of automation and look to other geographies to get many types of jobs done rather than focussing on spending on their human capital. Employment voids persist: places where people find it very difficult to find work due to the constraints of their local context, from public transport to industrial specialisation. Again, some countries increase immigration to fill some gaps, but not the UK. As the cost-of living increases, resentment grows amongst those 'left behind'.

Key quantitative indicators

Directional trend	Indicator	December 2021	December 2022	December 2023	December 2024	Commentary
↘	⇒ Ratio of capital raised in HR tech relative to all verticals	0.46%	0.24%	0.28%	0.19%	Since the burst of the pandemic bubble, investment in HR tech and education has come mostly from sector specialists.
→	⇒ Major data privacy laws passed.	0	0	1	2	The EU Artificial Intelligence Act began its six year implementation in August 2024; the UK's Online Safety Act began its rollout in December 2024.
↗	⇒ Unemployment rate in UK	4.1%	3.7%	4.2%	4.4%	More people are out of work than last year due to the difficult macroeconomic environment.
↗	⇒ Annual UK GDP growth index	7.6%	5.5% YOY	0.2% YOY	1% YOY	
↘	⇒ Growth in real gross weekly earnings for professionals relative to all other occupations	2.1%	2.4%	3.2%	5.0%	
↗	⇒ London Stock Exchange value	7384	7451	7721	8287	
→	⇒ UK employment rate	75.5%	75.6%	75.8%	74.8%	The number of people employed has remained mostly consistent.
↘	⇒ Investments in ICT market	$2.2tn	$1.7tn	$779.66b	$1.1tn	Investments picked up again, though global political and economic uncertainties are still limitations on the spending environment.
↗	⇒ Amount spent on schools funding in the UK	£104b	£116b	£116b	£116b	An additional £2.3bn has been included in the budget for schools next year (specifically flagged for teacher pay and students with higher needs) and an additional £1.8bn for early years.

Directional trend	Indicator	December 2021	December 2022	December 2023	December 2024	Commentary
↗	⇒ Employees on zero-hour contracts	1,034,000	1,164,000	1,152,000	1,134,000 (Q3 2024)	
↗	⇒ Number of young people not in education, employment or training	694,000	831,000	851,000		Young people in the UK are not very optimistic about their opportunities in the job market or the impact education can have on their career outcomes relative to the cost; mental health is also cited as a barrier to education and employment.
↗	⇒ Young people not in education, employment or training (%)	10.2.%	11.8%	12%	13.2% (Q3 2024)	

Our view

In both the UK and the US, 'The Divide Grows' seems like the more likely scenario of the two. While upskilling efforts exist, they may not be fast or accessible enough for all workers, leading to major inequality risks. In the UK, AI adoption promises to accelerate workplace productivity yet deepen existing inequalities, with senior professionals and those who can afford private upskilling courses reaping the benefits, while younger and lower-income workers struggle to compete. Restrictive immigration policies leave labour shortages unfilled, and the cost of living crisis exacerbates the gap between those who do and do not have the resources to pursue training programs, further widening the skills and employment gap. Post-election, there seems to be a renewed focus on upskilling and reskilling the workforce, but it remains to be seen whether the level of investment will be substantial enough to make a material difference. In the US, similar trends emerge, but with a greater emphasis on corporate-led AI adoption that benefits high-skilled professionals while displacing junior workers across industries. Rather than investing in employees, many companies have further relied on automation. The Trump administration has signalled a priority focus on accelerated AI development that would likely exacerbate the polarisation of the labour market.

2025 – Looking ahead

Europe shifts right

The 2025 European elections signal a wide sweeping rightward trend, with far-right and populist parties gaining traction across several EU member states. The recent snap elections in Germany were won by Friedrich Merz and the conservative Christian Democrats, but perhaps more telling was that the Alternative for Germany (AfD) party doubled its support, reflecting growing public dissatisfaction over issues like immigration. The mainstream conservative CDU/CSU party has endorsed political prioritisation of migration, economic recovery, and unification of Europe in the face of threats from Russia and the US. Moreover, the Greek presidential election was recently won by Konstantinos Tasoulas and the centre-right New Democracy party, bringing in nearly 40% of the vote. Prime Minister Kyriakos Mistotakis went against tradition by backing someone from his own party, a signal that pressure from the right is mounting.

In other countries, Austria's Freedom Party previously secured a victor in the September 2024 general election, and upcoming national elections in Poland and Romania and local election in Italy may further entrench this rightward trend. Poland's presidential elections in May features two main parties, and opinion polls suggest that the centre-right conservative Civic Platform, led by Rafal Trzaskowski, is likely to emerge as the winner. Romania's elections take place after the Constitutional Court annulled the first round of voting after suspected Russian interference in the election in support of the far-right candidate. Italy will hold six local elections, the outcomes of which will be indicative of how the country is feeling toward Prime Minister Meloni and the national-conservative and right-wing populist political party currently leading Italy.

This political shift signalling the electorate's turn towards right-wing ideologies is anticipated to influence EU policies in areas such as migration, environmental regulations and security. While the centre-right European People's Party remains the largest bloc, the increased presence of far-right parties and potential formation of a populist right coalition within the European Parliament could challenge the EU's stance on immigration and climate change initiatives and is likely to influence relations with Russia and the US. This shifting momentum is likely to have economic and workforce implications. Stricter immigration policies would lead to additional labour shortages, which may drive up wages in certain sectors but also further slow economic growth and increase inflationary pressures. Additionally, business-centric policies favoured by conservative governments may reduce labour protections and weaken unions, something that is already threatened by automation. Employers may appreciate the increased flexibility and favourable policies, but it may heighten job insecurity for workers.

The Trump administration: purpose *and* chaos?

Before his inauguration, there was some debate about whether President Trump's new term of office would herald a disciplined adherence to campaign promises and policy goals or a series of incoherent and fast-changing initiatives. The reality seems to be a combination of both. Since assuming office, his administration has swiftly enacted significant policy changes, with a distinct focus on global trade, foreign affairs and immigration. Trump signed an executive order titled 'America

First Trade Policy' that reflects a protectionist approach to trade, imposing significant tariffs on imports from China, Mexico and Canada. The administration has also articulated the intent to cut 90% of USAID foreign aid contracts, effectively eliminating the majority of its humanitarian help abroad. Most recently, the Trump administration's contentious and mercurial relationship with Zelenskyy has put a spotlight on the US's policy shift on key geopolitical issues. Collectively, Trump's initial actions reflect a narrowed focus on reasserting US power in foreign policy decisions and the restructuring of international trade relationships to prioritise what he and his associates see as American economic and national security interests (clearly, many commentators are arguing that his actions are deeply harmful to US long-term security and prosperity). On the global front, the scenario 'Trump Purposeful' seems to be taking shape. In response, European nations are increasing defence spending and infrastructure investments to bolster economic growth and reduce reliance on US support. The impact is twofold: increased spending on defence may come at the expense of other priority areas such as healthcare or the green transition. However, it will also facilitate investment in necessary technologies and the manufacturing sector, creating new job and new upskilling opportunities.

Domestically, Trump has also enacted several policies that are significantly impacting the US workforce, and may have implications for the global workforce as well. The administration has initiated substantial cuts to federal employment, aiming to streamline government operations and reduce expenditures. An executive order issued in January 2025 directed federal agencies to eliminate positions, with a focus on limiting hiring to essential roles, and thousands of layoffs have ensued. Simultaneously, the administration has reinforced its stance on immigration with measures such as termination of catch-and-release policies, enforcement of deportation efforts and designation of English as the official language. There has been a substantial backlash to the federal employment cuts and immigration enforcement, with numerous legal challenges arising and (at the time of writing) Trump starting to distance himself from the activities of Elon Musk and his leadership of the Department of Government Efficiency (DOGE). It is expected that these legal disputes will continue to define the domestic landscape, signalling a potential 'Trump Chaos' environment on American soil. The administration's initial actions may reshape the American workforce in a meaningful way. The elimination of government jobs and simultaneous strict immigration enforcement will exacerbate labour supply issues; the uncertainty of legal battles and mounting public backlash could disrupt both employment stability and business operations in the near future.

Artificial intelligence's transformative impact

By many accounts, it seems likely that artificial intelligence's impact on the job market will accelerate significantly in 2025. Investments in AI have reached an all-time high, both the private and public sectors have started to incorporate AI in a meaningful way and public sentiment is far more comfortable and open to AI as a part of daily life. The pace of technological advancements, corporate adoption and government intervention will all play a key role in how the job market evolves over the next year.

Workforce dynamics are shifting as employers increasingly look to AI to improve productivity and efficiency, resulting in a duality of job displacement and creation. Some employers may choose to invest in human-AI collaboration, while others will prioritise automation to cut costs. AI-driven automation reshapes job trends across

industries, eliminating many entry and mid-level roles while increasing demand for highly skilled professionals who can develop, manage and integrate these technologies. The advent of 'agentic' AI accelerates this trend. In fields like software development, customer service and financial analysis, AI is able to manage routine workflows, reducing the need for entry-level positions. Meanwhile, robotics and AI-powered systems in logistics, manufacturing and even healthcare automate physical tasks, further reducing demand for human labour in traditionally stable vocational sectors. Concurrently, new AI-centric jobs are emerging in areas such as AI development, prompt engineering, cybersecurity, and AI auditing, but these will require specialised skills.

In response to all of the above, the demand for relevant vocational technology training will continue to surge, but access will remain uneven - high-cost, specialised AI and robotics programs benefit those who can afford them, leaving many workers struggling to transition into new careers. The resulting polarisation will likely continue to shrink the middle class and reinforce a divide between those who can work alongside AI and those who are left behind. Those who can work alongside AI — the professionals who can manage, oversee, and deploy it — will see higher wages and demand for their skills. Conversely, workers who lack these skills will increasingly face job insecurity and deepening economic inequality. 2025 may well see a stark demarcation between AI-augmented jobs and fully automated jobs.

Governments and businesses will continue to address the widening skills and wage gaps in 2025. Reskilling initiatives from government and companies alike are seeking to train the workforce to use AI to boost productivity, but a lack of consistent implementation means that access and affordability of these programs remain an issue. Governments are also facing increasing pressure to introduce stronger regulations and labour protections, but enforcement from prominent players such as the US seems unlikely in the current political environment. As it stands now, AI will disrupt the job market faster than many workers and institutions can adapt. Governments and corporations will need to act quickly to bridge the skills gap via worker retraining, manage economic inequality and reach a consensus on policies related to AI regulation. Without intervention, wage stagnation, unemployment and social tensions could become defining issues of the years ahead.

Part IV: Monitoring against Ufi's vision for the future

In the 2024 edition of this report, we assessed the UK against a selection of vision statements taken from Ufi's Theory of Change. While Ufi have a newly articulated strategy for 2025 - 2030, the statements continue to be useful descriptors of their vision, a world in which the UK vocational skills system is underpinned by the very best digital tools, pedagogy and learning technology. And so, in this section of the report, we will again use the vision statements to provide structure to our assessment of progress made. *Note that this is not an attempt to evaluate Ufi's impact or assert causality from its work;* a vision is a statement of aspiration, and Ufi's various activities are only part of what it will take to get to the better future hoped for. The assessment initiated in the 2024 report serves as a baseline against which the ecosystem's progress can be judged in future years, and this year is the first annual update. Ufi assesses its impact separately.

Below, each of the vision statements is assessed, with reference to what we judge to be relevant data indicators, both qualitative and quantitative (in many cases, these are the best proxies we can find). We document our assumptions about what each statement means in more detail and look at the data relative to key European peers, plus the USA, insofar as possible. We would be interested to hear from those who feel they have additional sources of data, private or public, which can help to inform our judgements in the future.

We have a thriving UK economy and society

Assumptions

'Thriving' means both financially and in terms of wellbeing and cohesion.

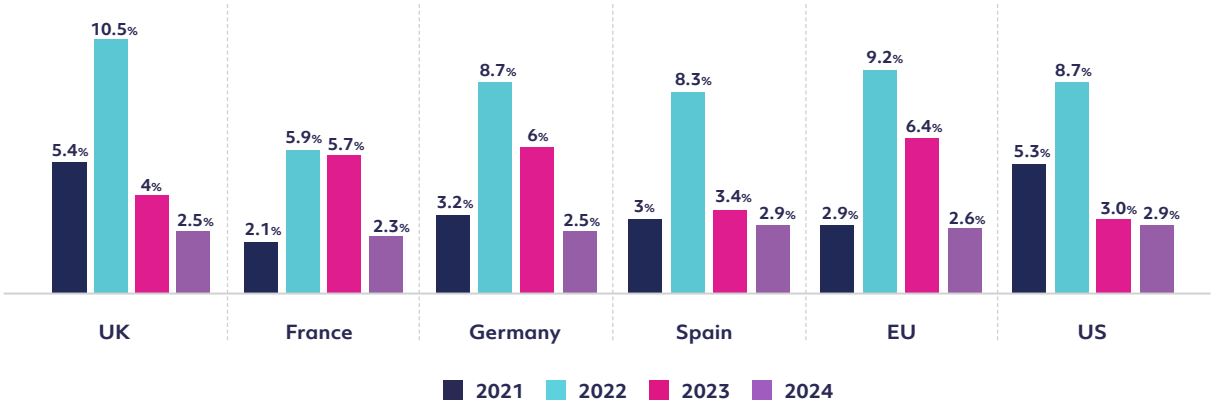
Indicators

- GDP growth compared to inflation, against other peer economies
- World Happiness Report ranking

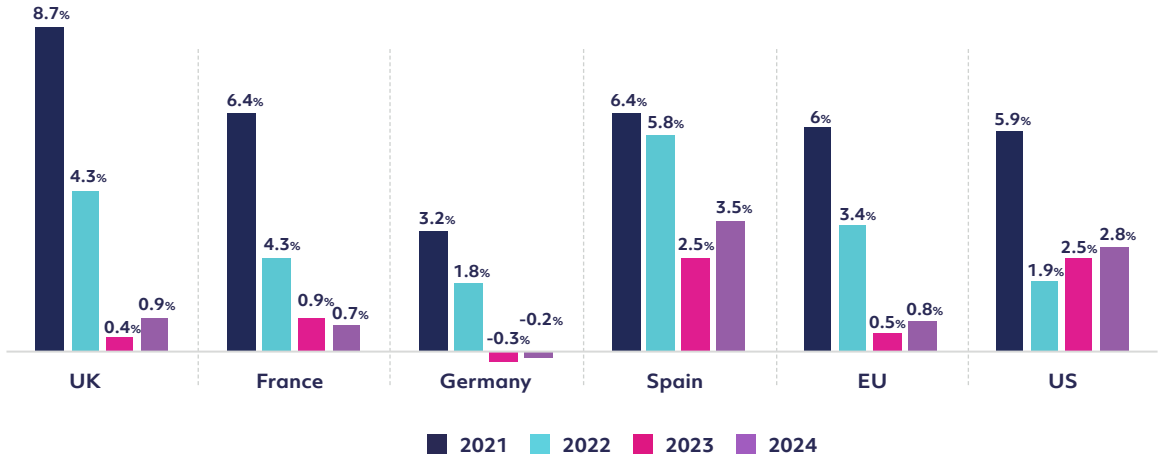
Data

- UK economic growth picked up slightly over the prior year (0.4% to 0.9%) but concern over the economy continues to be a key political priority; the Bank of England halved its estimated growth forecast for 2025
- UK inflation continued to drop again in 2024, and is on par with EU and US levels.
- The UK currently ranks 20th in the world happiness ranking, down just one spot from its ranking of 19 in 2023 (the US and Germany faced more substantial drops from 15 and 16 to 23 and 24)
- Wellbeing ratings – which measure an individuals' perspective on life satisfaction, happiness and feelings that things done in life are worthwhile – ticked slightly upwards across all of the UK.

Inflation Growth



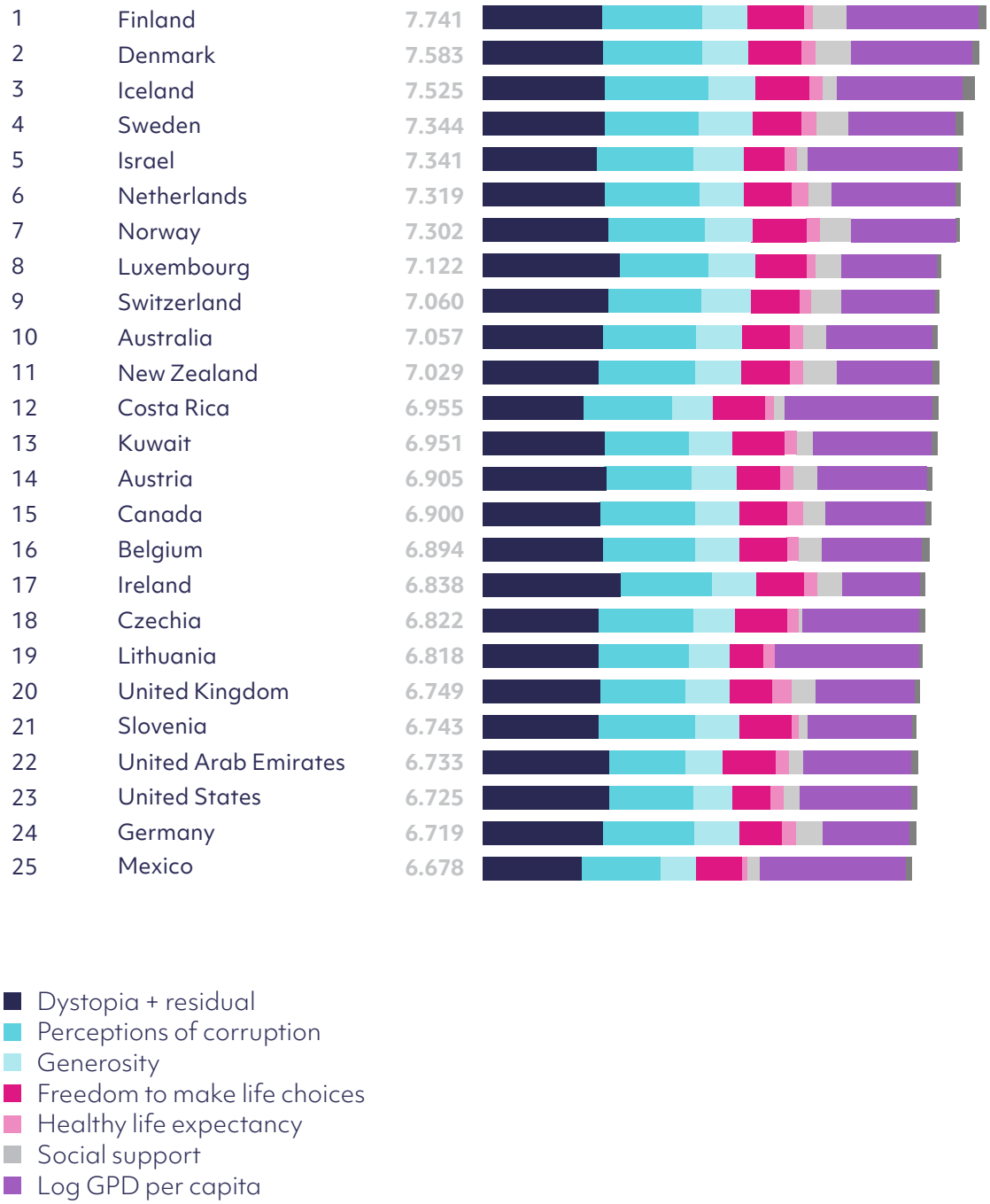
GDP Growth



Note: GDP growth figures for the UK and EU are provisional

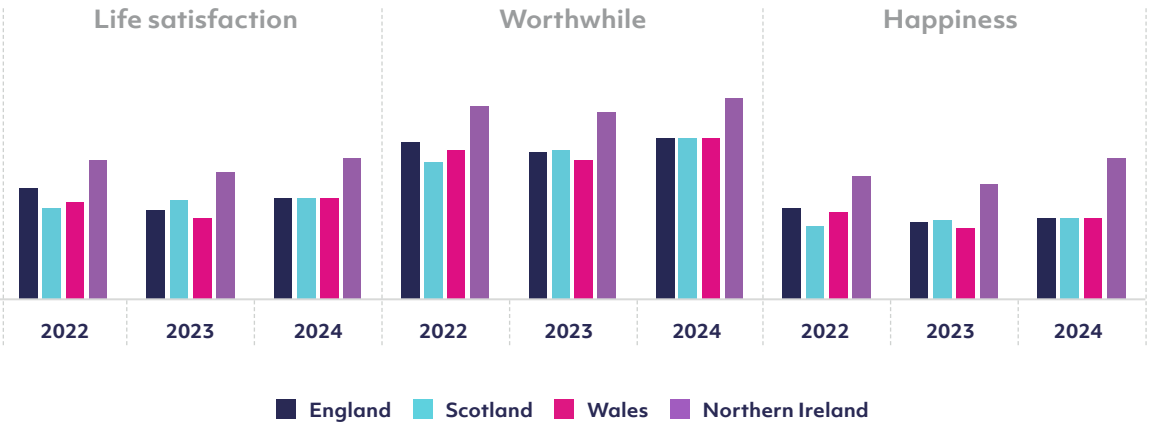
World Happiness Report 2024

Rank	Country	
1	Finland	7.741
2	Denmark	7.583
3	Iceland	7.525
4	Sweden	7.344
5	Israel	7.341
6	Netherlands	7.319
7	Norway	7.302
8	Luxembourg	7.122
9	Switzerland	7.060
10	Australia	7.057
11	New Zealand	7.029
12	Costa Rica	6.955
13	Kuwait	6.951
14	Austria	6.905
15	Canada	6.900
16	Belgium	6.894
17	Ireland	6.838
18	Czechia	6.822
19	Lithuania	6.818
20	United Kingdom	6.749
21	Slovenia	6.743
22	United Arab Emirates	6.733
23	United States	6.725
24	Germany	6.719
25	Mexico	6.678



Source: https://worldhappiness.report/ed/2024/happiness-of-the-younger-the-older-and-those-in-between/#ranking-of-happiness-2021-2023

Wellbeing ratings in the UK



Evaluation

The UK has made progress over the past year with inflation cooling to reasonable levels and the economy expanding slightly. Individuals' self-reported wellbeing ratings moved in a promising direction as well. That being said, the significant economic and political uncertainty heading into 2025 may limit or even undo further improvements.

Vocational skills are valued as the engine of the UK economy

Assumptions

There is a clear government focus on vocational education through investment, policy initiatives, and system development, all aimed at nurturing the skills needed now and for the future. Policies focus on underserved regions of the UK.

Indicators

- UK funding of adult skills and vocational education
- UK government policy announcements
- Regional adult participation in learning

Data

- England has consistently increased funding geared towards adults' skills and education, according to data from the Institute for Fiscal Studies.
- The Welsh government reduced apprenticeship funding by approximately 14% in 2024, which is expected to result in nearly 6,000 fewer apprenticeships and an estimated short-term economic loss of £50.3m.
- Building on previous years, the UK continued to focus on policies aimed at supporting adult learners in 2024, including the following:
  - Establishment of Skills England, a new body responsible for overseeing training programs and ensuring alignment with skills gaps in the workforce; which will be fully operational in 2025
  - Continued implementation of the revised Growth and Skills Levy, as well as reforms that allow for employer flexibility with unused apprenticeship funds
  - Introduction of the Adult Skills Fund (ASF), which replaced the Adult Education Budget, and is meant to better align adult learning opportunities with economic priorities
- There continues to be a general increase in all regions of the UK when it comes to adult participation in learning, with London showing the largest percentage. Last year, over 65% of UK regions had less than 50% participation, and that number decreased to 42% in 2024.

Government allocated spending to adult education and apprenticeships	2021	2022	2023	2024
England	£3.9bn	£4.2bn	£4.5bn	£4.75bn
Scotland	£297.8m	£294.8m	£284.9m	£253.7m
Wales	£613.4m	£684.1m	£729.7m	£723m
Northern Ireland	£305.20m	£372m	£363.5m	£313m
US (at federal level)	$6.7bn	$6.9bn	$7bn	$7.3bn

Adult participation in learning

Evaluation:

The UK government continues to demonstrate a focus on adult learners via policy initiatives that aim to enhance the skills and employability of the adult population. Participation data for 2024 is promising, with a noticeable shift in uptake of programs from adults across most regions of England. The continued prioritisation of workforce-related policies in 2025 is a favourable indicator of further vocational skill development. However, the recent announcement of funding cuts to further education colleges in England is a significant caveat to this otherwise optimistic outlook; the government's shift in funding priorities towards defence is likely at play.

We have a world-class vocational educational system

Assumptions

For the UK vocational educational system to be considered world class, it needs students and workers to be properly equipped with the skills required by employers. It needs to be easy to use for all stakeholders and show increased usage and greater return on investment over time. It should reflect best practices from around the world.

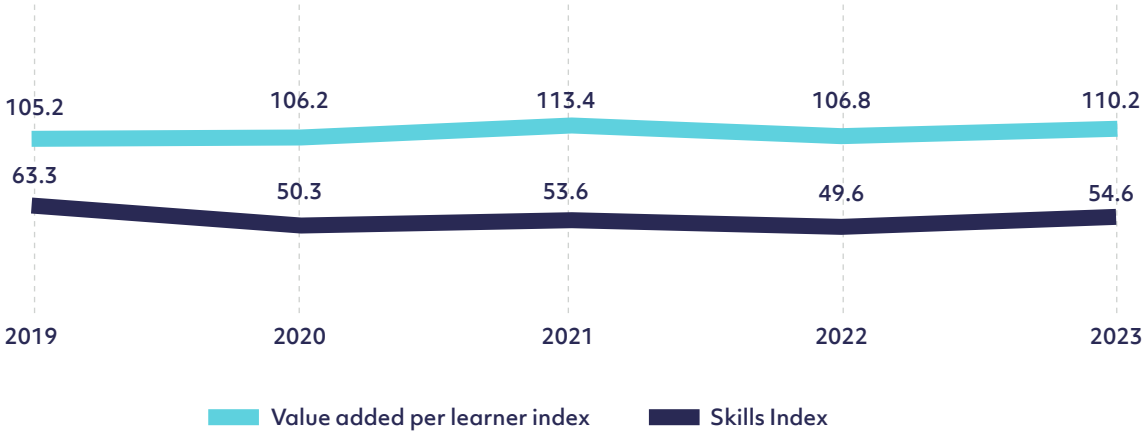
Indicators

- Further Education Skills Index
- Value-added per learner index

Data

- The Further Education Skills index, developed by the Department for Education, shows the aggregate value of the skills supplied by the FE system (apprenticeships and classroom-based learning) in England each year. The FE Skills Index rose from 49.6 in 2022 to 54.6 in 2023, the highest it has been since 2019.
- The Value-added per learner index, which measures additional earnings gained per learner, also rose from 106.8 in 2022 to 110.2 in 2023.

FE Skills Index



Evaluation

The UK has increased funding and implemented policies geared towards adults' skills and education; the prioritisation of reskilling and upskilling is starting to move the needle in a positive direction, but continued focused investment is needed.

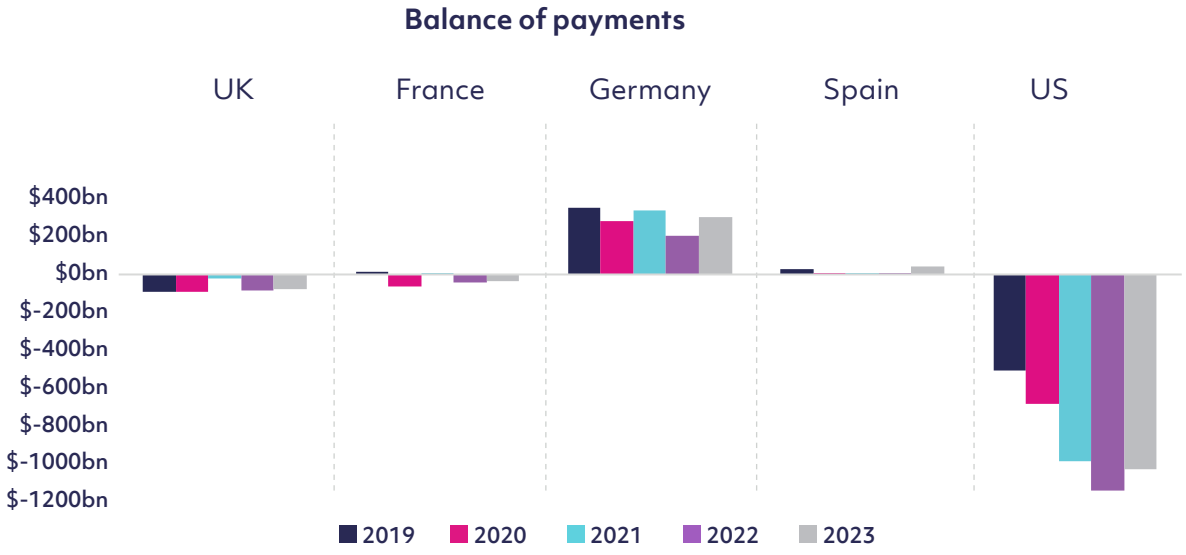
We have a sustainable economy for future generations

Assumptions

Sustainability is both financial and environmental. Clear policies and initiatives need to be in place that support long-term economic growth, help achieve net-zero climate goals and support biodiversity.

Indicators

- Balance of payments
- Reports by the Climate Change Committee[3]
- State of Nature by the National Biodiversity Network[4]



Data

- The UK's balance of payments moved slightly from -$71bn in 2022 to -$66bn in 2023.
- According to the Climate Change Committee's 2024 assessment, 2023 saw an increase in the rate of emissions reductions compared to the previous seven years, driven by a reduced demand for gas. However, the "*rate of reduction outside the electricity supply sector will need to accelerate to meet the 2030 target. From now on, emissions reductions will need to be driven by sustained decarbonisation action including the rapid rollout of key low-carbon technologies, tree planting, and peatland restoration.*" Critically, the 2024 assessment highlights that the policies and plans in place are *"insufficient to achieve the UK's targets in the 2030s."*

[3] https://www.theccc.org.uk/uk-action-on-climate-change/progress-snapshot/
[4] https://nbn.org.uk/news/state-of-nature-2023/

- One year after The State of Nature 2023 was released, it continues to be influential in shaping high-impact decisions that aim to drive environmental progress. As reflected in the 2023 report, "*We need to move far faster as a society towards nature-friendly land and sea use, otherwise the UK's nature and wider environment will continue to decline and degrade, with huge implications for our own way of life.*"

Evaluation

The UK's economy is not on a clear path to sustainability from either a financial or environmental point of view. The recent developments and initial policy signals from the Trump administration will likely further challenge the UK's financial and environmental stability.

People and employers have the skills needed for work now and in the future

Vocational learning meets employers' needs

Assumption

A large portion of the population are equipped with in-demand-skills across all sectors. Employers are satisfied with the UK labour pool. Job vacancies are falling, particularly those that are hard to fill and related to skills shortages.

Indicators

- Number of hard-to-fill vacancies
- Percentage of organisations with at least one skill-shortage vacancy
- Number of skill-shortage vacancies (SSV), defined as a vacancy that is hard to fill due to a lack of skills, qualifications and experience among applicants for the vacancy
- Skill shortage density

Data

- The CIPD's most recent quarterly Labour Market Outlook (winter 2024/2025) shows that of 2,000 employers surveyed, 33% report hard-to-fill vacancies, down from a peak of 44% in Summer 2023; these vacancies are significantly higher in the public sector (45%) than in the private sector (31%).
- Hard-to-fill vacancies exist across the economy, with education, construction and professional/scientific/technical industries facing the most significant challenges.
- According to the ONS, as of February 2025, the number of estimated vacancies in the UK has been decreasing for the last two and a half years (since Q2 2022).
- According to official statistics from the Employer Skills Survey 2022, a survey of over 72,000 employers in the UK, 23% of organisations reported at least one vacancy in 2022; 10% of organisations reported at least one skill-shortage vacancy, up from 6% in 2017. In addition, 15% of organisations reported an employee with at least one skill gap, an increase from 13% in 2017. Data from the latest Employer Skills Survey will be published in September 2025.

Evaluation

2022 data show that employers face substantial challenges with finding talent with the skills they need to fill vacancies; more recent (smaller scale) data samples suggest that hard-to-fill vacancies persist across sectors but potentially are trending downwards. The Employer Skills Survey data to be released later in 2025, particularly the skills shortage vacancies, will be telling.

Every individual is benefitting from the acquisition of new skills/all adults can progress in work through improved skills

Everyone is included

The needs of sectors, locations, skill levels and individuals not well served by 'mainstream' provision are met

Assumptions

All individuals – regardless of location, race and gender – have the capacity and access to acquire new skills either by themselves, through employers or through the government. Resources are available for individuals regardless of their age, race, region and gender identity. Key sectors are not challenged by skills shortages. Unemployment is relatively uniform across the regions of the UK.

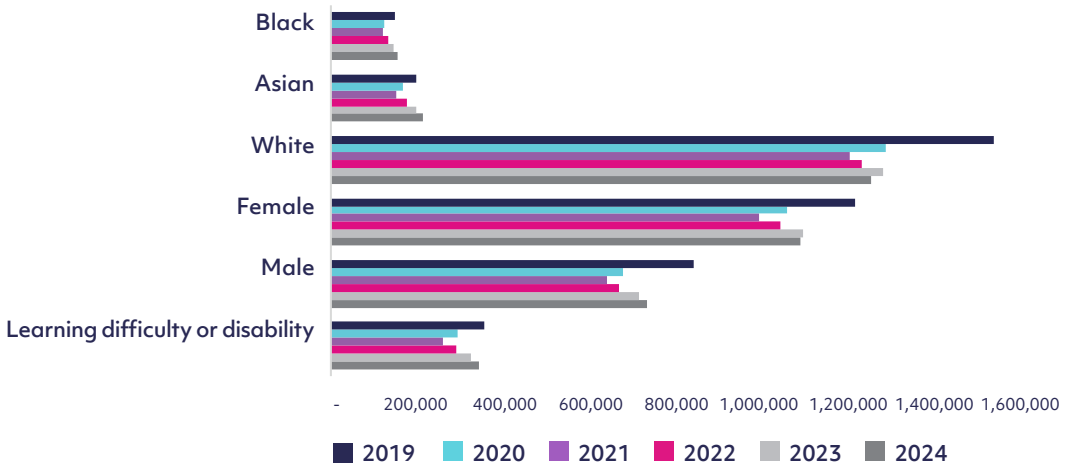
Indicators

- Participation in Adult further education and skills (race, gender, social grade)
- Vacancies by sector
- Regional distribution of unemployment
- NEET demographics

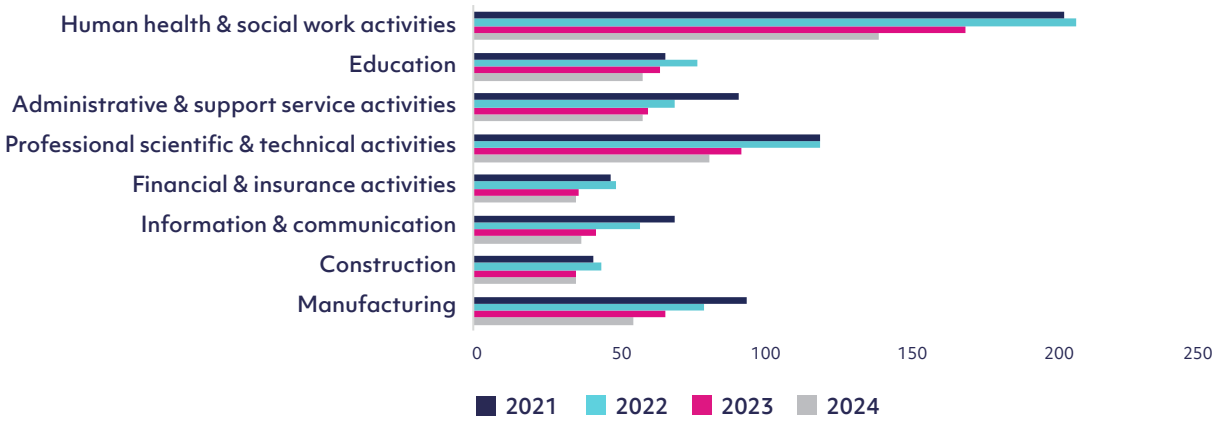
Data

- Learners from Black backgrounds increased 6.9% to 153,630 in 2024, learners from Asian backgrounds increased 7.8% to 212,080 in 2024 and learners from White backgrounds decreased 2% to 1,261,760 in 2024.
- Male learners increased 2.7% to 736,490, while female learners decreased 0.7% to 1,094,160.
- While total adult participation in further education and skills grew 5.8% from 2022 to 2023, it remained nearly stagnant (0.7% change) from 2023 to 2024.
- Across all sectors, job vacancies decreased from 2023 to 2024. The human health and social work sector saw the biggest drop in vacancies (18%), followed by manufacturing (17%) and services (13%).
- The number of people claiming unemployment rose slightly across most regions of the UK, with London seeing a sharp jump from 4.4% in 2023 to 6.2% in 2024.
- According to data from the 2024 Adult Participation in Learning survey done by the Learning and Work Institute, 60% of employees in the AB social grade in the UK are current or recent learners, 50% in C1 are current or recent learners (a 4% increase from the prior year), 57% in C2 are current or recent learners (a 2% increase) and 39% in DE are current or recent learners.
- The total number of people aged 16-24 who were not in education, employment or training (NEET) was nearly 1 million in September 2024, or 13.2% of the total population in that age range. This is an increase over the prior year, driven by an increase in young men who are not in education, employment or training.

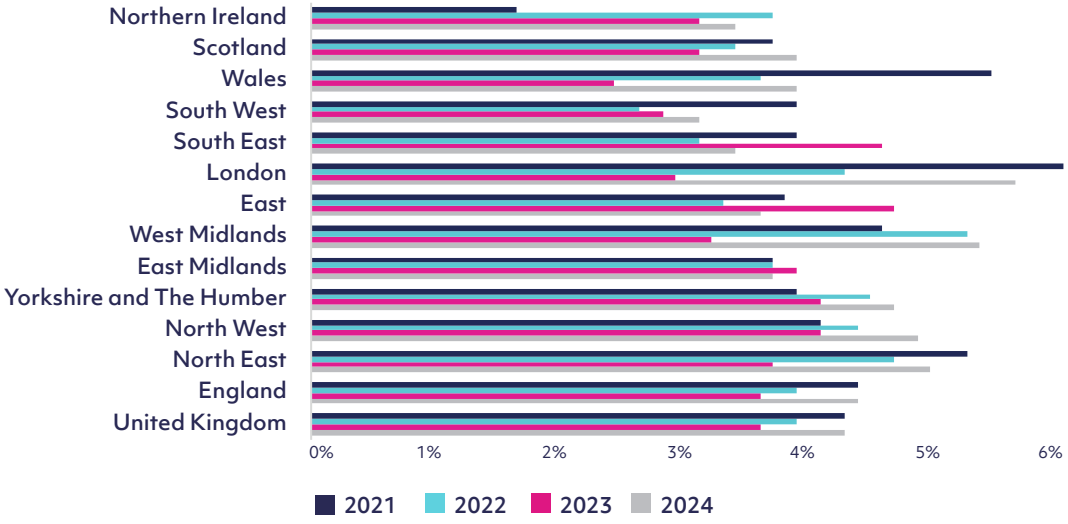
Participation in Adult further education and skills



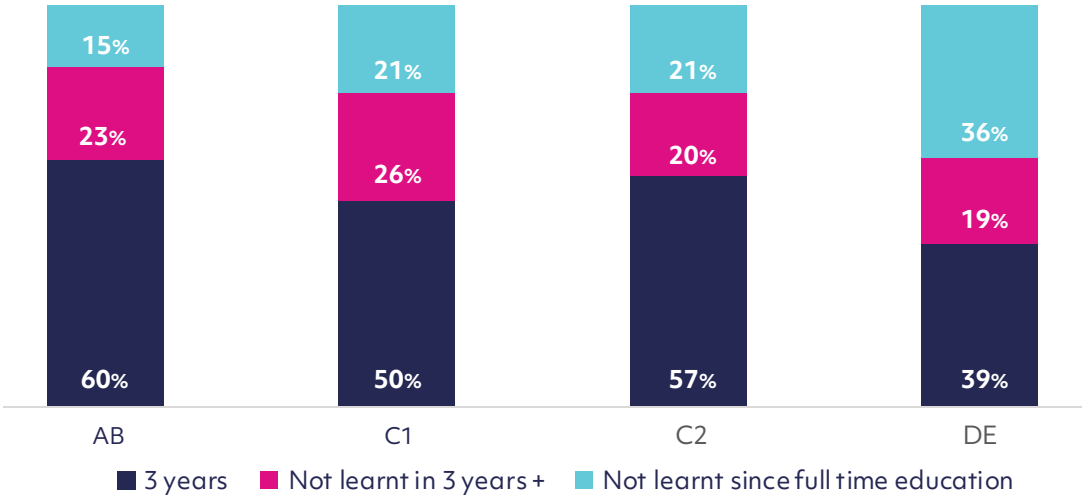
Vacancies by sector (thousands)



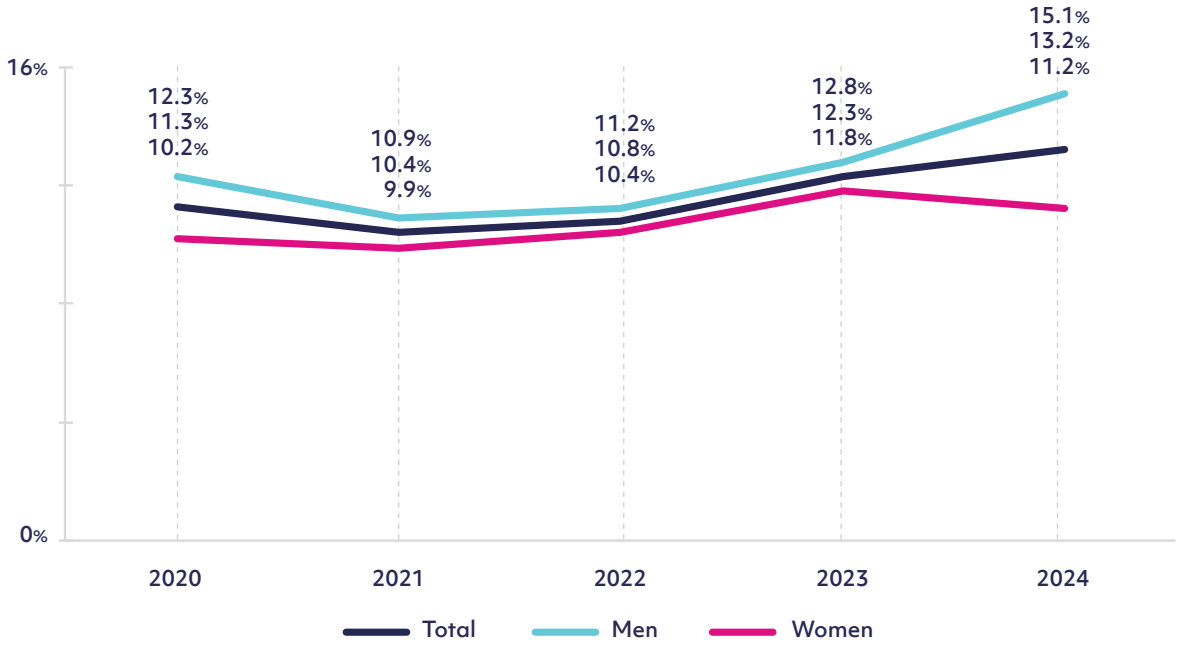
People claiming unemployment (%)



Participation in learning by social grade



NEET rates in England



Evaluation

Total adult participation in further education remained relatively flat from 2023 to 2024, but participation from males and minority groups increased at rates that outpaced other groups, suggesting that programs are becoming more accessible to underemployed populations. However, there is significant progress to be made, specifically to engage those from minority backgrounds.

Job vacancies fell across all sectors over the past year and unemployment figures increased, underscoring the importance of acquisition of skills that meet employers' current needs.

Employers improve performance through improving skills of their workforce

Assumptions

Employers see a significant increase in revenue and productivity after investing in the upskilling of their workforce.

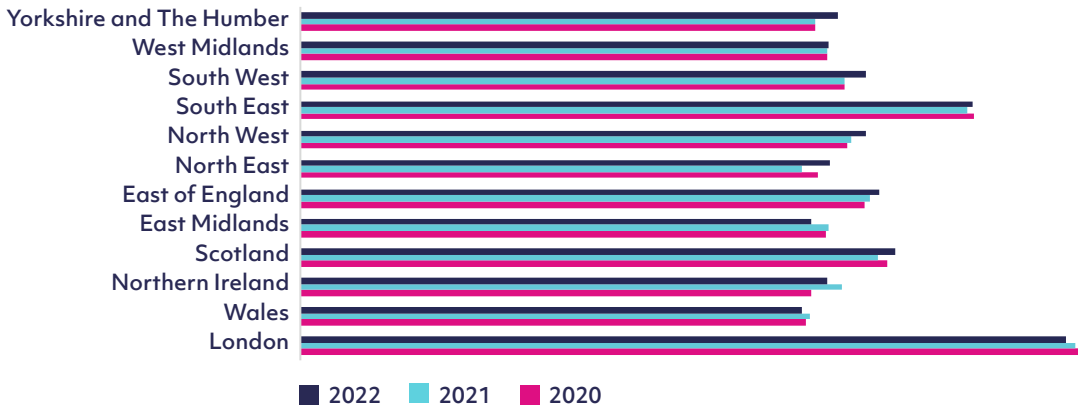
Indicators

- Gross value added per hour worked
- Employer spending on training

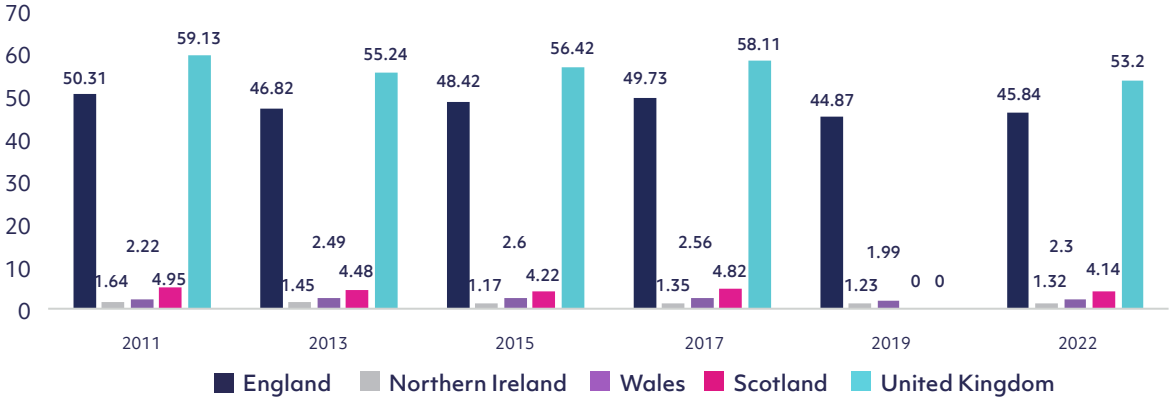
Data

- The employer skills survey 2022 shows that total employer spending on training employees fell from £58.11bn in 2017 to £53.62bn in 2022. However, spending rose from 2019 to 2022 in England, Northern Ireland and Wales. Figures for employer spending on training are not available for Scotland in 2019. The next set of data on employer spending will be released in September 2025.
- From 2021 to 2022 productivity rose slightly in most of the regions in the United Kingdom, only dropping slightly in Wales, Northern Ireland, London and East Midlands.

Gross value added per hour worked



Employer training expenditure (£bn)



Evaluation

Productivity numbers across all regions have increased slightly or remained flat. Employer spending figures in 2025 will be informative and may indicate that the beginning of increased productivity is the result of additional investment in training.

The UK vocational skills system is underpinned by the very best digital tools, pedagogy and learning technology

Vocational learning is accessible, engaging and effective

Assumptions

These are self-explanatory statements.

Indicators

- Ofqual perceptions of vocational and technical qualifications in England[5]
- Subjective analysis of 'very best' digital tools, pedagogy and learning technology

Data

- Agreement that vocational and technical qualifications prepare learners well for the workplace was lower among employers (41%) than providers (74%) and learners (67%). Similarly, levels of agreement that people achieving VTQs have the technical skills needed by employers were higher among providers (72%) than employers (34%).
- 54% of employers said it is clear which qualifications are relevant to their organisation.
- T Levels were particularly badly understood (27% of learners have a very or quite good understanding; 14% of employers were the same).

Evaluation

- The Ofqual data presented above is from 2022, and the refreshed survey data from 2024 will be released in late spring/early summer 2025. However, the figures above indicate that there are clear mismatches in perceptions between employers, providers and learners; we look forward to this year's data as indication of whether progress has been made.

[5] https://www.gov.uk/government/statistics/perceptions-of-vocational-and-technical-qualifications-wave-6/perceptions-of-vocational-and-technical-qualifications-in-england-wave-6#section-2-perceptions-of-vocational-and-technical-qualifications

- As expressed in last year's report, the 'very best' digital tools, pedagogies and learning technologies are, in our opinion, currently most prevalent in US K-12 instructional materials companies and non-profit organisations (for example, Khan Academy's Khanmigo for Mathematics or Amplify's tools for English Language Arts). This is due to the greater levels of resourcing and ambition present in the US (for instance, Denver-based company MagicSchool AI recently raised $45m in a Series B funding round; just prior, San Francisco-based Ello raised $15m in a Series A round). Whilst it is unfair to expect UK tools and resources to be able to match these organisations' output, we hope that much can be learned from them.

Part V: Conclusions

Ufi Ventures' investment thesis

Over 2024, Ufi Ventures continued to work closely with some of the most innovative and impactful businesses in vocational learning. The portfolio reached 18 companies, all shaping the future of vocational technology, first by demonstrating what's possible, then by growing solutions to reach learners at scale.

We maintained our focus on innovation that is commercially exciting and scalable and continued to carefully consider access and how barriers to employment can be overcome. The need is just as critical as ever: participation in adult vocational learning remains low. Vocational learning is evolving and driving better and more available learning is needed to improve skills for work and deliver better outcomes for all.

Strategic priorities

Ufi Ventures invests approximately £250,000 at seed stage, with the ability to provide follow-on investment. Our investments are focused on:

1) New economy skills development

- Start-ups offering digital platforms for upskilling in green technologies.
- Online courses and certifications focused on sustainability, energy efficiency, and environmental sciences.
- Tools for assessing and certifying green skills in existing workers.

2) Digital transformation and Industry 4.0

- Ventures developing digital learning platforms for Industry 4.0 technologies.
- Tools for upskilling workers in automation, AI, and machine learning.
- Micro-credentialing platforms that recognise and validate digital skills.

3) Reskilling and upskilling in traditional industries

- Platforms offering reskilling programs for workers in sectors like manufacturing, logistics, and retail.
- Solutions that blend digital and hands-on learning to prepare workers for new roles within their industries.
- Initiatives that support lifelong learning and continuous professional development.

4) Inclusive skills development

- Ventures offering accessible digital learning solutions for adults who are furthest from opportunity.
- Tools that use AI and adaptive learning to personalise training for individuals with varying skill levels, or those furthest away from learning provision.
- Initiatives that foster collaboration between education providers, employers, and community organisations to support inclusive learning pathways.

5) Future of work and lifelong learning

- Platforms that facilitate lifelong learning and continuous professional development.
- Solutions that offer flexible, on-demand learning opportunities tailored to individual career paths.
- Tools that integrate skills assessment and personalised learning recommendations to help workers stay competitive in the job market.

Strategic implications

2024 reveals definite implications for the Ufi Ventures investment thesis.

At a time of skills shortage and economic transition, we're focused on investing in technology that enables UK learners to develop the skills needed now and in the future. Early career discovery and employment pathways – addressing the significant gap between youth applications and available apprenticeship opportunities – and lifelong learning are examples of our focus.

As industries undergo continued digital transformation, there is also a pressing need for skills related to emerging technologies such as artificial intelligence, automation, data analytics, and the Internet of Things (IoT). We seek to back technologies that, for example, enable training and support for deskless workers, a large group historically underserved by digital learning solutions. Automation is reshaping the global workforce, with AI-driven tools reducing the need for both white-collar and blue-collar labour. We seek to back AI-driven learning technologies that benefit a broad cross-section of society.

Traditional industries – including manufacturing, logistics, the creative economy and healthcare – are facing continued significant disruption. We continue to support innovation to help these industries adjust to structural challenges, technological advancements and shifting market demands.

One theme remains constant: the future of work is characterised by rapid change, requiring workers to continuously adapt and learn new skills. The ability to support innovative ways of provision and new market demands is central to our ethos. We also believe that there is a need for workplace infrastructure that enables more joined-up provision and skills analysis that better aligns training with outcomes and employer needs.

We recognise the significant challenges facing the sector. The UK's elevated unemployment and falling job vacancies in 2024 reflect a labour market under pressure. Political uncertainty, slow progress in the transitioning economy and shifting government priorities have contributed to a complex landscape. We are closely monitoring policy developments that could widen access to vocational training. Initiatives such as Skills England, the Skills and Growth Levy, the National Wealth Fund, and the Employment Rights Bill have the potential to reshape the landscape, and we look forward to further details potentially releasing investment from stakeholders.

A final comment about the context and the future

We are excited about our continued presence in this market. Our decision to launch the Ufi Ventures Challenge Fund in late 2024 reflects our view that the sector can provide attractive financial returns and secure equitable economic growth that gives everyone and every business in the UK the capacity to thrive.

Contact us

Ufi Ventures actively invests equity in early-stage companies, driving people and companies towards a more productive and equitable future. In addition to nurturing an active deal pipeline, Ufi and Tyton Partners will also disseminate research findings and host events so that leaders across the ecosystem can further their understanding of what the future might hold.

If you would like to learn more about Ufi, Tyton Partners and the work we are undertaking, please do not hesitate to reach out. Whether you would like to debate our conclusions in this report, discuss investments, contribute to our insights or consider other ways to get involved, it would be our pleasure to set up a call.

For more information, please contact:

Ufi Ventures

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Appendix: Additional source data

Scenarios and indicators tables

1. Bigger, stronger, faster

Indicators	Source(s)
☐ UK unemployment rate	https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/timeseries/mgsx/lms
☐ UK cost/inflation index	https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2023
☐ Global investment in AI	Pitchbook
☐ Global investment in ICT	Pitchbook
☐ Workers' Rights Index – percent of European countries violating collective bargaining	https://www.globalrightsindex.org/en/2023
☐ Number of UK trade union members	https://www.gov.uk/government/collections/trade-union-statistics
☐ Number of working days lost to strike activity	https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/bbfw/lms
☐ Percentage of global GDP resting in US and China	https://www.imf.org/external/datamapper/NGDPD@WEO/WEOWORLD/CHN/USA
☐ UK output per worker productivity index	https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/ukproductivityintroduction...
☐ Job quality index	https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/jobqualityindicatorsintheukhourspayandcontracts/2021
☐ Range between highest unemployment area to average	https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/september2023

2. The great upskilling or the divide grows

Indicators	Source(s)
☐ Ratio of capital raised in HR tech relative to all verticals	Pitchbook
☐ Major data privacy laws passed	https://www.gov.uk/data-protection
☐ Unemployment rate in UK	https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment
☐ Annual UK GDP growth index	https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/november2022
☐ Growth in real gross weekly earnings for professionals relative to all other occupations	https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2023
☐ London Stock Exchange value	https://www.londonstockexchange.com/indices/ftse-100
☐ UK employment rate	https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/january2024
☐ Investments in ICT market	Pitchbook
☐ Amount spent on schools funding in the UK	https://ifs.org.uk/sites/default/files/2025-01/IFS-REPORT-EDUCATION-SPENDING-2024-2025.1.pdf
☐ Employees on zero-hours contracts	https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/....
☐ Number of young people not in education, employment or training	https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment/bulletins/...

Program for International Student Assessment (PISA) is an international assessment that measures 15-year-old students' reading, mathematics, and science literacy.

PISA Scores (Math)	2018	2022
UK	502	489
France	495	474
Germany	500	475
Spain	n/a	473
US	478	465

PISA Scores (Reading)	2018	2022
UK	504	494
France	493	474
Germany	498	480
Spain	n/a	474
US	505	504

PISA Scores (Science)	2018	2022
UK	505	500
France	493	487
Germany	503	492
Spain	n/a	485
US	502	499

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