Key learnings from VocTech market activity

Q3 2026

Nick Kind with Ian Collins; thanks to Sujin Kim.

A Tyton Partners report
commissioned by Ufi Ventures.

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 to both refine Ufi Ventures' focus over time and catalyse the broader field of vocational technology (VocTech) investing across the UK, drawing lessons and insights from continental Europe and North America.

In this report, Ufi Ventures and Tyton Partners offer their quarterly review of select current market developments and dynamics.

For more information about the methodology we use in compiling this briefing, please get in touch.

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Key takeaways from Q3 2026

- This quarter was quieter than the (frenzied) previous one. This was likely to do with the summer break.
- Nevertheless, the UK saw early signs of its new administration's intentions. Skills, young people and devolution have emerged as key focus areas. The publication of the final Milburn Review and the Budget in the coming weeks and months are important waypoints.
- Familiar trends remained. Reskilling and upskilling initiatives across the UK, Europe and the USA focussed on sectors which need support and promise future growth, including Europe's struggling automotive industry, and defence. Investors see opportunity in the challenges facing Higher Education.
- The "techlash" continued, in some cases unhelpfully ignoring important distinctions between harmful technologies focussed on consumers (notably social media and generic chatbots) and dedicated educational technologies. Constructing data centres remains very controversial in the USA, although some unions see the associated employment as a major opportunity for their members.
- Big Tech, investors, innovators and incumbents continue to position themselves in evolving commercial Future of Work ecosystems. The promise of agentic AI, the importance of sector expertise, and the power of being an accreditor are all attracting investment in various combinations.

Policy (UK): some hints of the Milburn agenda

- The Burnham government's direction of travel is becoming clearer, albeit important detail is still missing.
- The Cabinet Office's Rewiring the State statement signals a clear devolution of both power and money to regional mayors for a "high-quality locally tailored technical or vocational route from age 16". John Healey's speech to the Labour party conference built on this, including a £100m commitment to rolling out the Local Apprenticeships Service.
- There is also policy continuity. The government has made key announcements around the National Youth Strategy, notably covering the expansion of Young Futures Hubs and the provision of 1000 new youth workers. The Chancellor tapped the National Wealth Fund for job creation. Additionally, small and medium-sized businesses will receive £2,000 for every young person taken on as an apprentice.
- There were also more technical announcements about how the Lifelong Learning Entitlement will work (including its focus on Industrial Strategy Sectors for shorter courses), a Pathways to Work Innovation Fund focussed on the disabled and those with long-term health conditions, and a consultation on workplace monitoring technologies. The Employability Skills Framework was also published, including the Skills Builder Universal Framework and Essential Digital Skills Framework to provide a standard set of definitions for "durable skills".

Policy (UK): analysis

Implications and analysis

The future of vocational training, reskilling and upskilling in the UK rests on two key events in the coming weeks and months.

Clearly, the **budget in November** will provide short-term clarity about funding. Perhaps more importantly, the publication of the final **Milburn report** covering young people who are not in education, employment or training (NEET) will offer a series of important recommendations with which the government will have to engage. This is likely to include further re-focussing apprenticeships on young people, more services alongside benefits, and increased roles for local mayors.

It is not clear which is going to come first; nor is it clear how much one will reflect the other. There are already reports of tension between claims that getting more young people into work could reduce welfare bills, and assertions that interventions to address NEETs could cost more in the short term. There are challenging issues around how some systems – notably those associated with benefits – need to be designed to avoid a funding cliff or other disruption when people are no longer categorised as "young" (for example, on their 25th birthday).

We await these developments with interest and will be publishing our views on them as soon as feasible.

Policy and key developments (Europe)

- Ursula von der Leyen's "State of the Union 2026" speech highlighted two important, relevant plans for the coming year:
  - A "Quality Jobs Act", for which the second phase consultation ran from July to September.
  - An EU KIDS ACT, which will cover people under the age of 18 and require age-appropriate design for online social networking services, video-sharing platform services, online games, AI companions and general conversational chatbots, and software application stores.
- Elsewhere, the travails of the European automotive sector continued. VW's supervisory board – which includes employee representation - approved a plan to cut 50,000 jobs and potentially end vehicle production at four plants in Germany.
- It seems that the pilot projects launched under the European Commission's Skills Guarantee in July – all of which focus on job transitions for workers in the car industry – cannot come soon enough.

Policy and key developments (US)

- The Trump administration introduced a new element of the Workforce Pell legislation which helped the adoption and funding of Registered Apprenticeships. Workforce Pell allows students to access shorter, more vocationally-oriented courses at accredited universities and colleges using student loans. There is good commentary from Inside Higher Education here.
- The Federal Government also provided $162m to five providers to expand Registered Apprenticeships in the defence, shipbuilding, maritime manufacturing, telecommunications, IT, and automotive sectors.
- Restrictions on foreign students' time in the US were materially changed. Previously students were allowed to stay until they finished their programme of study; now, the duration of their stay is capped at four years, unless an exception is granted. Whiteboard Advisors have commentary here.

Policy and key developments (US): the "Techlash"

- The storytelling frenzy around AI continues around the world, but it is becoming particularly noisy in the US, not least as the mid-term elections approach.
- Particular flashpoints are the construction of data centres, and the safety of consumer technology including social media and AI for children. Both are often mentioned alongside educational technology.
- The data centre debate surrounds the perceived imposition of large facilities on communities who may not benefit from them in the long term, and which may require large amounts of resources including water and power. Texas and New York State have frozen the building of data centres.
- There is also often a sense that the building of such data centres may accelerate jobs being taken over by AI. However, some unions and civic leaders have emphasised the value and quality of the jobs which are created during construction, and associated training packages which are being put in place.
- California has introduced new child safety legislation; New York City and Los Angeles have introduced stringent controls on the use of technology in schools. The appropriate use of educational technology remains contested.
- The cause of the hyperscalers has not been helped by a major judgement in New Mexico against Meta's approach to child safety.

USA and Europe: analysis

Implications and analysis

- Similarly to the UK government and the European Commission, the US Federal government is using apprenticeships and other upskilling programmes as levers to accelerate industrial policy. It is increasingly clear which sectors which will be investable. (Note that US Registered Apprenticeships have key differences related to funding, length and accreditation compared to UK or continental European programmes of similar names).

- Amidst considerable rhetoric from many sides, the issues around technology, young people and learning remain complex and nuanced. Most parties agree on the clear harms which need to be stopped and/or regulated, and on the principles of "safety by design" and "age-appropriate design". However, discussions of the role of digital technology in education and training, notably AI chatbots, suffer from a major lack of evidence about "what works" and the inherent complexity of establishing that evidence in varying contexts. Whilst many are excited about early signals and enormous potential, clear judgements are elusive.

Context: labour markets, employment & work

- **Once more, retrospective labour market statistics show little change from previous quarters and remain subdued**.

- UK government employment statistics were flat, and the CIPD sees "employer confidence close to record lows", but the REC Labour Market Tracker was "showing signs of improvement". Job posting data from Indeed and Adzuna showed that advertised positions were down; Adzuna's assertion of a new record low and 45.6% year-on-year drop in graduate vacancies hit the headlines, but as pointed out in a separate Ufi Ventures blog post, these statistics may not show the full picture.

- Europe was similarly stable. In the US, ADP's National Employment Report shows a "solid" uptick, whilst the Bureau of Labor Statistics shows a flat unemployment rate. S&P's PMI indexes were generally slightly positive across the UK, Europe, the US and globally. Manpower's Employment Outlook Survey was mixed, although the UK and the US showed positive change.

- **Similarly, forecasters remained at odds over the future, especially views of the effects of AI on jobs.** Stanford University's "Canaries Dashboard" claimed effects of 0.6% or less across workers of all ages, with young people affected at up to 4.4%. Metaculus' forecasting community has substantially different predictions to the US government, a 3.2% decline in overall employment versus a 3.5% increase; jobsdata.ai's basket of verified predictions sits close to the middle at 1.4% job displacement, unsurprisingly citing "mixed evidence."

Context: labour markets, employment & work

- The OECD released PISA test results for 15 year-olds. Much was made of general decline, especially "huge" drops in reading, and the UK's relative success. Results saw high student AI use and major concerns over "hasty reading", but the OECD carefully states "*The relationship between AI use and student performance is complex*".

- PWC released its 2026 Global Workforce Hopes and Fears survey, claiming "*a stark divergence in a fast-changing workplace. On one side, an optimistic minority group of AI-enabled front-runners who are motivated, adaptive, and ready to advance—within or beyond their organisations. On the other, an anxious majority group of core workers who worry about their jobs and finances, feel shut out of growth and learning, and distrust their leaders.*"

- This uncertainty was echoed by HR Tech vendor CultureAmp, whose AI Effectiveness at Work survey blog post* asserts "*The most useful thing a leader can do right now is admit the plan is unfinished, and then keep talking anyway. Certainty is not what employees need or expect from you. What they're looking for is more closely aligned to candor about what's working and not.*"

- PWC's competitor EY took an interesting approach to these issues, "*investing $100 million to reward EY US professionals who develop future-focused skills, advance the firm's culture, drive innovation, and deliver exceptional client service*".

- Pearson published a report which warned of a "triple capability gap" given how AI is affecting skilled trade, technical and service occupations.

* Note that CultureAmp openly states "Read this as a portrait of AI-engaged organizations, not of every employer on earth".

Labour markets: suggestions for action

- **During the quarter, there were a series of proposals regarding what might help in this complicated context.**
- Whilst an in-depth report from the UK Learning and Work Institute asserts that "*Employers are investing less in training and training is getting shorter, holding back productivity. […] All types of training – from induction to management – are now mostly online.*", it offers eight recommendations to address the resulting issues, including a Skills Tax Credit and a simpler "front door" to the skills system.
- The Resolution Foundation offers four recommendations for helping with young people's transition to work, highlighting the need to manage expectations at every stage of the process for both employers and applicants.
- The report of the London AI and Jobs Taskforce proposes the development of three "civic capabilities" to Act Early, Shape Change and Create Opportunity.
- Bill Gates weighed in to the debate about the long-term effects of AI, suggesting that we "*set aside some jobs for humans*" whilst acknowledging that this idea "*raises a host of questions I don't have answers to.*"

Responses and interventions

- The “hyperscaler” AI companies continued to push into the education, learning and Future of Work space.
    - Anthropic released Claude for Teachers in the USA, and then reacted within a month to serious criticisms of its initial approach. It also produced Claude for Financial Advisors.
    - OpenAI launched its Learning Lab, “*a research network intended to build a stronger evidence base around how artificial intelligence affects learning as education systems move from pilots toward wider deployment*”.
    - The OpenAI Foundation started to deploy its resources, including $50m from the People-First AI Fund in the USA.
- Verizon launched a free $50m initiative to train Americans in AI.
- The GitLab Foundation and the Families and Workers Fund launched the second year of their $16m partnership, with a focus on "*innovative work-based learning models that connect training with employer demand*".
- ETS launched its Center for Advancing Human Competencies, “*a new research center […] focused on identifying, defining, and validating the human competencies most essential in an AI era.*"
- Pearson partnered with Illinois Tech to “*explore the development of employability pathways, industry-aligned credentials, and AI-enabled workforce solutions*", and it was reported to be "*exploring building a platform to verify and credential AI agents themselves, certifying that the systems are fit to do real work inside businesses.*"

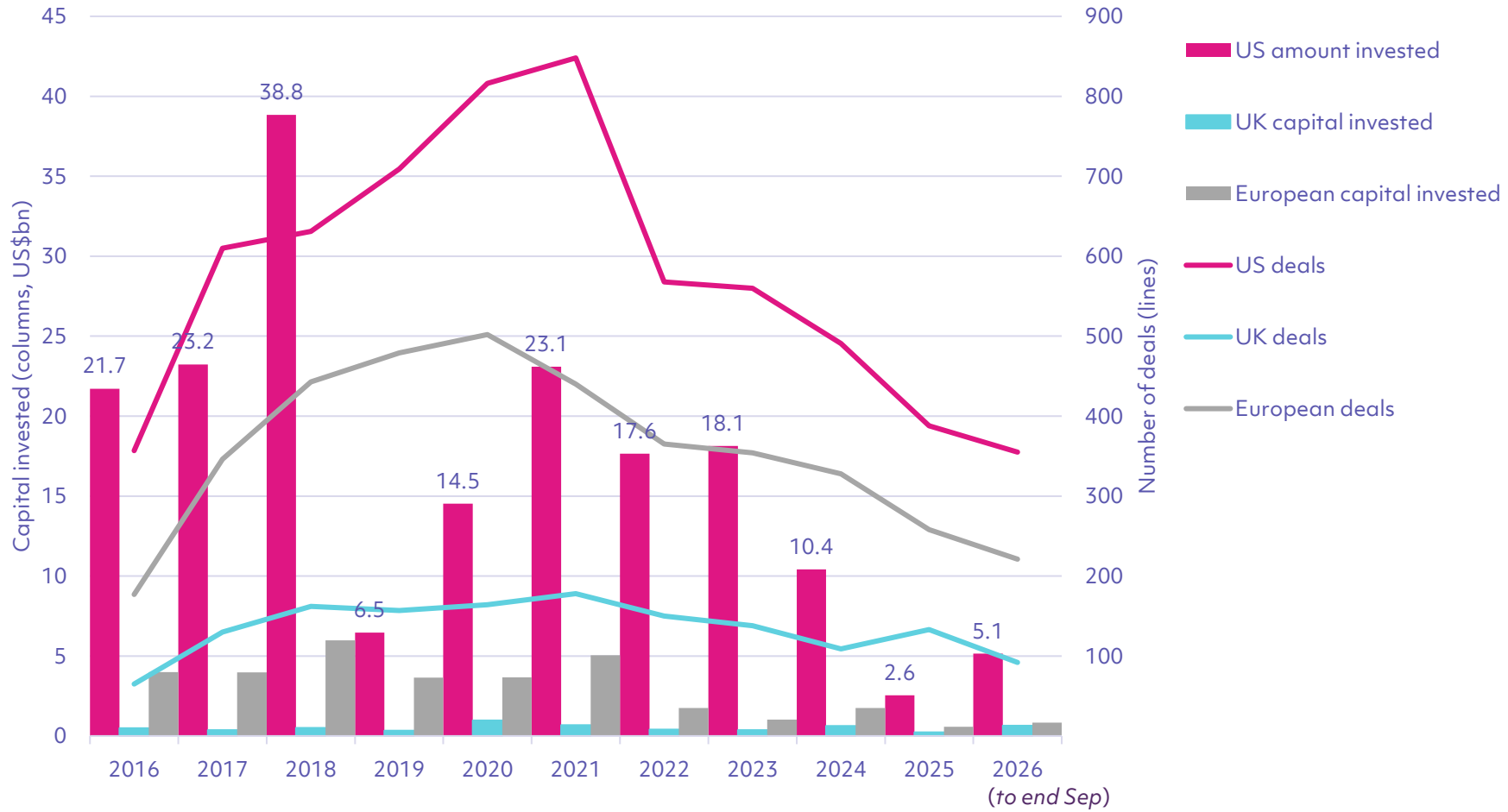
Analysis: labour markets, employment and work

Implications and analysis

- The hyperscalers continue to push in to the education and training sector with their learning and teaching solutions. Additionally, they increasingly offer dedicated tools for other specific industry verticals. Both threaten VocTech investors and incumbent players, and once again highlight the spectre of a "SAASpocalypse" (see previous reports). We remain convinced that proprietary data and deep knowledge of sector workflows will continue effectively to challenge the one-stop-shop, ease of use and deep pockets offered by big generative AI vendors.
- Culture remains a crucial part of how companies and governments approach AI adoption. Perhaps appropriately, this seems to require better and more nuanced human leadership, including ensuring clear understanding of current knowledge and expectations. Creating trust – inside, by and for organisations – is vital, and contested.
- Pearson and ETS – amongst many others – are jockeying to gain traction as accreditors, standard-setters and assessment providers in the emergent ecosystem around "human competencies" – also known as soft skills, power skills and durable skills. Open-source and governmental infrastructure also continue to develop (including the UK Employability Skills Framework mentioned above). Conventional wisdom in education investing has always seen accreditors as the most powerful players given they control standards, so it is no surprise that this position is coveted; however, what winning looks like in both commercial and impact terms, let alone who rises to the top, are likely to remain contested for some time.

Investment trends

Capital invested in HR Tech (source: Pitchbook)



Implications and analysis

YTD investment numbers seem to be tracking to exceed 2025, given that one likely active quarter still remains.

Deal amounts are already materially ahead, but as previously noted, they are boosted by billion-dollar debt and M&A transactions, notably for ServiceNow, Paycom and Udemy/Coursera.

Notable specialist venture fund closes

Fund name	Amount and thesis	Commentary
Educapital (France)	Confirmation of European Investment Fund's €20m commitment to Educapital III; the GP now "targets the key moments of this journey: school, higher education, lifelong learning, skills development, and the transition into the Future of Work"	• All three of these established funds are broadening the aperture of their investing beyond conventional "education". • The key question here: does this reflect a fundamental change in the education and Future of Work ecosystem, a lack of venture-shaped targets, a shifting appetite amongst LP investors, or some combination of the three? • **Ufi's view** is that our specialist approach becomes increasingly important. Patient, mission-aligned capital and understanding of the skills and future of work market allows an impact-oriented investor to stay focused on strong businesses that may require a longer-term perspective to realise their potential.
Brighteye Ventures (France/UK)	Announced $72m first close of Fund III. "Fund III marks a strategic evolution for Brighteye beyond traditional edtech to a broader focus on companies expanding human capability"	
Reach Capital (USA)	"We just raised our fifth fund, at $265M". Whilst previous funds were squarely focussed on education, the current website states "We back exceptional founders who elevate human potential and ignite purpose across learning, health, and work."	

Selected transactions this quarter

Theme	Examples and implications
Agentic AI in human resources	• French people management platform HiBob received $166m in development capital from Salesforce and Farallon Capital Management, valuing the company at $3.2bn. The press release highlighted its openness to agents. • In the future, these might include those developed by customers of Icelandic company 50Skills, which raised €5.3m for HR workflow automation. • London's Metaview raised an additional $60m "to lead the shift to Agentic Recruiting". Jack and Jill's $40m Series A announcement shares similar rhetoric, and the company is also in the UK. Belgian company Spott's $21m Series A is "to Bring Agentic AI to Recruitment Agencies'. • ADP Ventures was part of Valence's estimated $60m funding round for its "AI-powered coach" which "provides on-demand personalized coaching for leadership development, feedback conversations, career growth, performance management, and team collaboration." • Following on from last quarter's detailed examination of this trend, capital continued to flow: clearly, there are many (including incumbents such as Salesforce and ADP) who believe that this is a crucial site of competition in the Future of Work investment ecosystem.
Mercor acquires DeepTune to "close the loop"	• Mercor provides highly specialised, white-collar experts to help train AI models. DeepTune has built the "software layer" – a way of testing the models against enterprise applications. The strategic rationale for the acquisition is to bring the two together in a seamless system which allows AI models and their agents to accelerate towards doing a wider range of tasks inside (and potentially outside?) enterprises and the software tools which they use.

Selected transactions this quarter

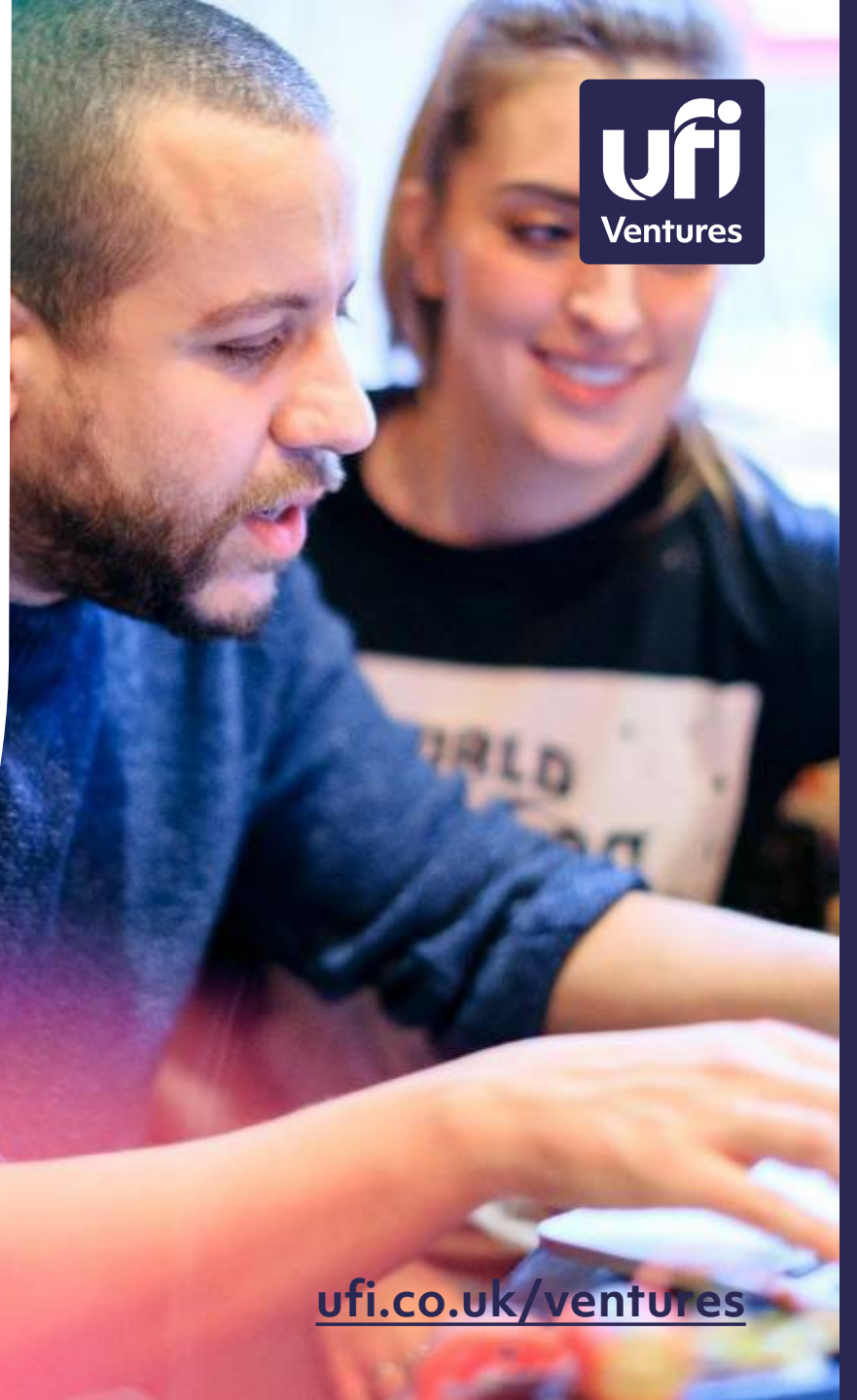
Theme	Examples and implications
Higher Education remains a key target for private investors as public institutions face challenges to their finances, and claims that they are no longer delivering what students need for the age of AI	• Horowitz Andreesen Academy was launched by one of Silicon Valley's most prominent venture capital firms, to provide an alternative to accredited Higher Education. $42m was committed by Andreesen Horowitz (also known as a16z) alongside other investors. • European private university provider IU Group raised €75m of debt in July (source: Pitchbook). • Minerva Project, the startup university founded in 2011 with substantial philanthropic and investment backing to challenge élite institutions, announced plans for a global network of universities which can use its "curriculum designs, faculty model, assessment framework and Forum learning platform" • Global University Systems (GUS) finalised its takeover of Lincoln Bishop University, effectively privatizing a previously public institution (pending regulatory approval). • Phoenix Education Partners, parent company of the US University of Phoenix, acquired Fuel50, "an AI-powered workforce transformation platform"
Solution providers for Higher Education are diversifying in response	• Online course provider and university partner Coursera (which also now owns Udemy) has invested $100m in Andrew Ng's new company, LearnVector, which aims to "accelerate human development by putting AI agents to work for learners". Ng co-founded Coursera, although he stepped away some time ago. • HandShake, which started as a solution for helping universities to place graduates in jobs and which has since diversified, acquired Uplimit, "The AI Skills Instructor that turns learning objectives into adaptive programs for every learner."
Big instructional materials players continue to bolster their capabilities in AI	• McGraw-Hill Education acquired TeachFX, an "AI coaching tool for the classroom" and Teachally, an AI tool for instructional content creation which will be used both internally and to offer tools for teachers. • Pearson acquired ITS, a professional assessment technology company which was previously a supplier, and Workera, which "combines agentic AI, psychometrics and adaptive assessment to measure demonstrated proficiency through role-specific scenarios and simulations".

Selected transactions this quarter

Theme	Examples and implications
Specialised solutions for in-demand verticals remain attractive	• Healthstream, a workforce platform for healthcare providers in the USA, received an estimated $44.25m of development capital through private placement (Pitchbook). • Ascend Learning acquired M7 Health, broadening its offer into scheduling (and deepening its data about learners) in American healthcare providers. • In a transaction between two large German family-owned players, Bertelsmann's Relias Learning sold its German healthcare learning and compliance business to Thieme Group, leaving Relias focussed on the US. • Arkenstone Defense emerged from stealth with $35m in seed funding to build its solution to help a wider range of commercial companies sell to the US government's defence organisations, including compliance and workforce matters. • San Francisco's Miter raised $40m for its "AI operating system for construction".
Frontline workers stay a focus of investment	• Flip, based in Stuttgart, Germany, raised $25 million for its "AI-native employee experience platform for frontline workers" • ABN AMRO provided €8m in funding to Level.Works, a Dutch company which combines recruitment, selection and upskilling in the transport, logistics, public transport and technical sectors.
Apprenticeship and professional training providers in the UK continue to consolidate	• First Intuition bought Decoded, combining training in accountancy and finance with courses in data and AI Capability. Both companies offer apprenticeship and non-apprenticeship provision. • Knovia Group bought Avado, extending Knovia further into HR training and expanding its reach beyond apprenticeships.

What's made us think this quarter

- In limbo: A week in the life of zero-hour contract workers – a salutary report from the Work Foundation at Lancaster University
- Traditional labor market data isn't keeping up with jobs in the 'frontier economy' – a challenge from the Brookings Institution
- UN Women's commentary on a report which shows how women are materially under-represented in AI workforce, leadership and access.
- An academic paper which "shows [human capital] investing at 50 can yield twice the return of investing in teens"
- MIT's Ad Hoc Committee on AI Use in Teaching, Learning, and Research Training: Report, in particular its recommendations.



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