

# Key Learnings from VocTech Market Activity

Quarterly Report, April – June 2022

A Tyton Partners report commissioned by Ufi Ventures



Q2

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 to 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 current market developments and dynamics. For more information about the methodology we use in compiling this briefing, please refer to our annual report, [available here](#).

**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 vision.

[ufi.co.uk/ventures](http://ufi.co.uk/ventures)

**Tyton Partners** is 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 has deep expertise in supporting and creating sustainable financial vehicles for those interested in the Future of Work.

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# Executive summary

The quarter began with wealthy nations continuing to feel the after-effects of COVID-19, notably worker absences and a slimmer labour market driven by early retirements and job switchers. Inflation has moved higher across the eurozone, UK, and US: supply chain bottlenecks spurred by China's zero-tolerance for COVID-19 policy, labour shortages in key sectors, and rising energy prices caused by the war in Ukraine, have led to a general rise in the prices of goods and services. Flexibility continues to be key in the negotiation of hybrid work as shortages of skill and labour have empowered employees in their relations with their employers.

The EU, UK, and US have imposed sanctions on Russia in hopes to dissuade them from the continued war in Ukraine. In response, Russia has limited its production and supply of gas to European countries and the rest of the world, which has triggered a rise in energy costs across the globe. This crisis has brought to light the importance of the transition to green energy and net-zero ambitions – not only for the sake of the climate, but also for national security, humanitarian, and economic reasons.

Worker shortages have persisted across various sectors with organizations struggling to find skilled labour. However, there were several layoffs in the tech sector, particularly by companies who recently went public or had large seed and early series funding rounds with high valuations (which have dropped in most cases). This may be caused by a need to meet financial key performance indicators and shield themselves from a widely anticipated recession in the UK, EU, and US. Unions have been active: they have formed in new and unexpected places and have threatened (and in some cases, called) strike action in protests over wages and conditions as workers demand compensation that matches the rise in the cost of living.



The competition for IT professionals and demand for labour with IT-related skills (such as cybersecurity) has continued to rise, with various players including governments continuing to form partnerships and commit funds to upskilling and reskilling the workforce across the wealthy nations.

HR Tech funding and M&A witnessed yet another flurry of activity; however, talk of recession has seen investors pulling out of some rounds in some cases. Big, established players made moves to consolidate their positions with associated deals in upskilling, employee wellbeing, coaching, gig economy enablement, corporate learning, talent recruitment and bootcamps. One of the most significant deals of the quarter was the \$400m Series B round of Velocity Global, a global talent recruiter. This deal is an indicator that investors are still betting big on global and remote recruitment to help solve labour shortages. Another significant deal during the quarter was a \$200m raise from Multiverse, an apprenticeship and upskilling platform (and, at an early stage, a recipient of a Ufi grant). Despite some activity, general investor appetite seems to have dropped during the quarter with the number of deals in HR tech in the US, UK, and Europe dropping by 19% according to data from PitchBook.

## Framing questions

- How will the UK and other European countries facilitate the transition to green energies with a lack of skilled labour and limited infrastructure? How easily can “brown” job workers transition to “green” jobs?
- How will wealthy nations adjust to the loss of talent and experience due to early retirements? What is the best way to prepare young people adequately for the future workplace with a looming recession?
- Can a focus on diversity hiring, and assessing skills and qualifications through alternative routes, help reduce labour shortages?

# Part I: Labour shortages, inflation, and soaring energy prices stalling economic growth

Shortages of labour coupled with rising inflation have continued to be a major hindrance to economic growth in wealthy nations. Many economists are anticipating a recession within 12-24 months. The fallout from Russia's invasion of Ukraine and China's zero-tolerance for COVID-19 policy are also contributing to a rise in the cost of living for consumers in Europe.

UK shortages are particularly severe in the hospitality sector where the portion of EU workers has dropped from a pre-pandemic rate of 42% to 28%. Hospitality organizations are having to significantly increase pay to attract British workers to fill unfilled roles.

The Resolution Foundation projects the UK will need 488,000 health care workers and 627,000 social workers to meet upcoming demand. About 83% of nurses and midwives said that there were not enough staff to meet all patients' needs safely and effectively according to a report from the Royal College of Nursing, emphasizing the severe shortage of nurses in the NHS.

British Airways is suffering from a staff shortage that is forcing the airline to cut 10% of its flights between March and October. The company had laid off staff due to limited operations during the pandemic; renewed summer demand has greatly outstripped the required supply of workers. Similarly, airport ground handling companies that provide check-in and baggage handling services are struggling to fill thousands of jobs, causing airlines to appeal to the UK to ease post-Brexit rules and allow EU workers come in to help on special visas.

The Competition and Markets Authority (CMA), Food Standards Agency (FSA), and the Health and Safety Executive (HSE) are all regulators key to helping the government implement alleged benefits the UK stands to gain from leaving the EU. Presently, they are struggling to attract talent to fill essential roles.

A report from Universities UK claimed that more graduates would be needed to fill more than a million job vacancies (although, perhaps unsurprisingly given the report's publisher, this did not consider alternative routes into graduate-level employment – see below for US initiatives with this agenda).



Despite labour and skill shortages, the [unemployment rate fell to 3.7% in the three months to March – its lowest level in the UK since 1974](#). However, the UK labour force is smaller than it was pre-pandemic as many have retired early or are simply not looking for work. Even this year, [older workers are leaving the workforce at a higher rate in the UK](#) than last year.

In the US, [4.5m workers left the workforce in March, leaving 11.5m unfilled jobs](#). This is the highest number of departures since the US Department of Labor started collecting this data in December 2000. Several stakeholders, such as NGO [Opportunity@work](#), are hoping organizations and HR departments will make changes to their hiring strategy and start looking at individuals who are Skilled Through Alternative Routes (STARs) to fill these shortages. STARs include community college graduates, experienced workers, veterans of the U.S. military, and completers of job training programs. They [represent more than 70m Americans](#) according to [Opportunity@work](#) and are typically from underserved backgrounds and communities with limited access to a typical four-year degree pathway.



The US retail sector has struggled more than any other sector to fill roles: [it had 1.3m unfilled roles in March and added only 30,000 roles in April](#) as workers seem to be more attracted to roles with better pay and flexibility. Evidence for such sentiment comes from the US Bureau of Labor Statistics which shows [most quitters from the “Great Resignation” were actually job switchers who moved from the retail, hospitality, and leisure sectors to other sectors with better conditions.](#)

Other workers have indicated that burnout is one of the most significant factors for changing jobs. A study of 200 executives by the Society for Human Resource Management found that [43% of participants said burnout prompted their job search.](#) More workers are taking their mental health and wellbeing into consideration since the pandemic, especially as shortages have pushed negotiating power into their hands.



As most economies have fully reopened from the pandemic, new COVID-19 variants continue to have an impact on labour, causing worker absences and early retirements:

- [China’s zero-tolerance for COVID-19 policy, pressured by Omicron’s spread, is forcing some cities into lockdown](#) and adding to global supply chain disruptions.
- British employers, from financial services to construction companies, have warned of [major staff absences due to the rapid spread of the Omicron variant BA.2.](#)

Given the power that labour shortages puts into the hands of workers, there has been a flurry of union activity during the quarter:

- For the first time in the company’s history in the US, [Amazon workers successfully voted to form a union in Staten Island – against the retail giant’s wishes](#) – a move that has prompted [workers at a New York Apple retail store also to take steps towards forming a union.](#)
- Amazon workers went on [strike at seven locations in Germany and France over pay disputes](#), with their unions demanding that workers are paid according to retail and postal tariffs.



- An article in the New York Times claims unionising is due to college-educated workers in the likes of Starbucks and Amazon who are more prepared to demand fair pay and treatment.
- Union election petitions filed with the US National Labor Relations Board have risen by 75% since the start of the fiscal year. Unions in various sectors across the Eurozone are also demanding better pay as inflation dents real wages.
- In the UK, there have been strikes across various sectors from unions for airline workers threatening to strike and cause flight disruptions over pay to the rail strike which severely impacted London transportation. The outgoing Prime Minister Boris Johnson has gone as far as to allow firms to bring in agency workers to fill in for striking workers, a move that the recruitment sector and unions claim is in breach of the law.

Hybrid work has continued to be a point of negotiation between employers and employees – with flexibility seeming to be the most effective strategy to attract and retain staff. Big organizations continue to restructure their workplaces into sites of collaboration and connection, rather than a place where people sit in solitude at desks:

- Deloitte has significantly scaled back its London office as the UK professional services firm looks to embrace remote working. In a comparable move, PWC told 40,000 of its workers in the US that they can work remotely permanently.
- Ford, the car manufacturer and historical pioneer of the 5-day week model, is also adopting a hybrid model of working where 25,000 of its staff are only asked to come physically to the office when collaboration is needed.
- Airbnb, the travel reservation app, is looking to partner with governments and Destination Management Organizations to provide remote working friendly accommodation to attract employees that work remotely as more organizations adopt hybrid and remote working arrangements.





Despite the reported shortages across various sectors, there has been what many call “a post-pandemic reset in the market,” where [tech companies are experiencing major drops in valuations](#).

- This has led to [waves of layoffs](#), particularly amongst those who have had recent IPOs and high value rounds. US-based Coinbase has [plans to lay off a fifth of its staff](#) after hiring about 6,000 employees last year, apparently due to a significant reduction in crypto trading volumes.
- Though investment activity continued during the quarter, [VCs are generally more cautious](#) due to the macroeconomic environment.

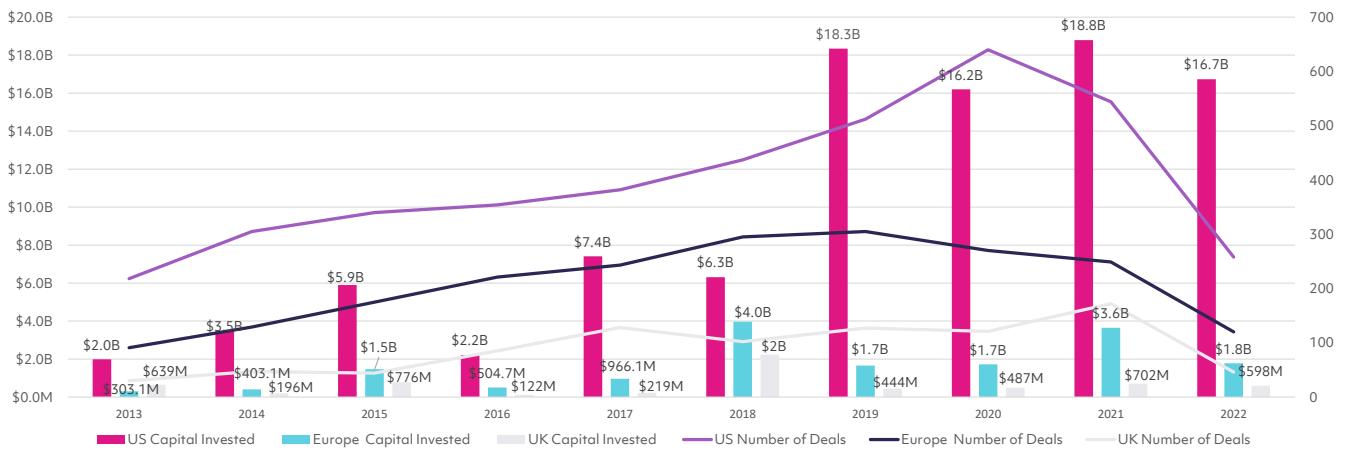
Given all the above, upskilling and reskilling remain hot topics. The [Reskilling Revolution Initiative](#) launched by the World Economic Forum (WEF) in January 2020 focused on providing one billion people with better education, skills, and economic opportunity by 2030.

In its Catalysing Education project report published in May 2022, it claims that [preparing the next generation workforce for the future could add \\$8.3tn](#) in increased productivity to the global economy. Governments of wealthy nations and organisations alike have continued to look for ways to respond to the skills gaps through partnerships, policies, programmes, and direct investments into upskilling and career readiness:

- [Goodwill](#), a non-profit provider of training and job placement services in the US, [announced partnerships with Accenture, Bank of America, Comcast, Lowe’s, and USAA](#) on their initiative, “[Rising Together](#)”, to connect people who have overcome barriers to well-paid jobs with access to resources such as skills training, job placement, and internet access.
- The US Department of Labor awarded up to \$90m in grants [to prepare young people \(not enrolled in school or already employed\) for jobs in construction and clean energy technologies](#).
- Amtrak and The Transport Workers Union of America are [partnering to create an apprenticeship program that would train participants to become full mechanics](#).
- The San Francisco Giants joined forces with [CityBuild](#), a construction training program, to [launch an apprenticeship program aimed at attracting more women into the male-dominated construction industry](#) in a bid to reduce labour shortages that are impacting development projects.
- In the UK, the [government has invested £20m to improve roadside facilities](#) to ameliorate working conditions in the hopes of attracting and retaining drivers.
- [Amazon is partnering with about 140 colleges and universities through Career Choice to provide free education for 750,000 of its US workers](#). This includes degrees, certificates, and other alternative paths to college credits to help its employees upskill and reskill.
- A report by the Learning and Work Institute found that [UK employers have reduced spending on worker training, dropping from £2,139 since 2015 to £1,530 a year](#). The think tank recommended that the UK government puts in place incentives to drive employee training investment to prevent a stagnation of skills in the UK.
- Governor of California Gavin Newsom announced a public-private partnership called The High Road Training Fund in partnership with the Jobs for the Future non-profit [to create workforce development programs focused on providing good paying careers in climate and health for people from underserved communities](#).

- Germany and India have announced a mobility partnership that will see dual mobility of students, researchers, and professionals between the two countries as both countries look to manage skilled labour shortages.
- The UAE and the UK are introducing new work visa schemes that make graduates from the top 100 universities in the world eligible for long- and short-term work visas to help reduce skill shortages.
- Sans Institute, a cybersecurity training and certifications company, partnered with Secure Diversity to create an academy to encourage women and underrepresented genders into the cybersecurity profession as diversity has become more than just a moral responsibility but rather a potential solution to skill and labour shortages.
- Wealthy nations have touted their net-zero ambitions and plans to shift to renewable sources of energy. According to a study by the Resolution Foundation called "Growing Clean" green investing has the potential to significantly reduce regional inequalities and boost economic growth in the UK. The International Monetary Fund has claimed a switch to renewable energy could add \$78tn to the world economy over the coming decades. However, the switch to net-zero plans has been hit some stumbling blocks that could prove detrimental to achieve net-zero goals by 2030.
  - Renewable energy developers in the UK have warned that renewable energy projects could face significant delays due to a lack of long-term planning and investment in infrastructure.
  - An article from McKinsey discusses how the planned switch to electric vehicles across wealthy nations is facing major issues, such as difficulty sourcing raw materials, an insufficient number of factories that produce EV batteries ("gigafactories"), and inadequate public charging infrastructure to meet demand.

## Capital Invested in HR Tech



Source: Pitchbook

# Part II:

## VocTech market activity

The year continued with many significant deals in VocTech. Large Series A and B raises with high valuations have continued in some cases, but investors and VCs are showing more caution due to valuation drops and projections of a looming recession in various economies.

There were major defensive moves by big players in the EdTech/VocTech space:

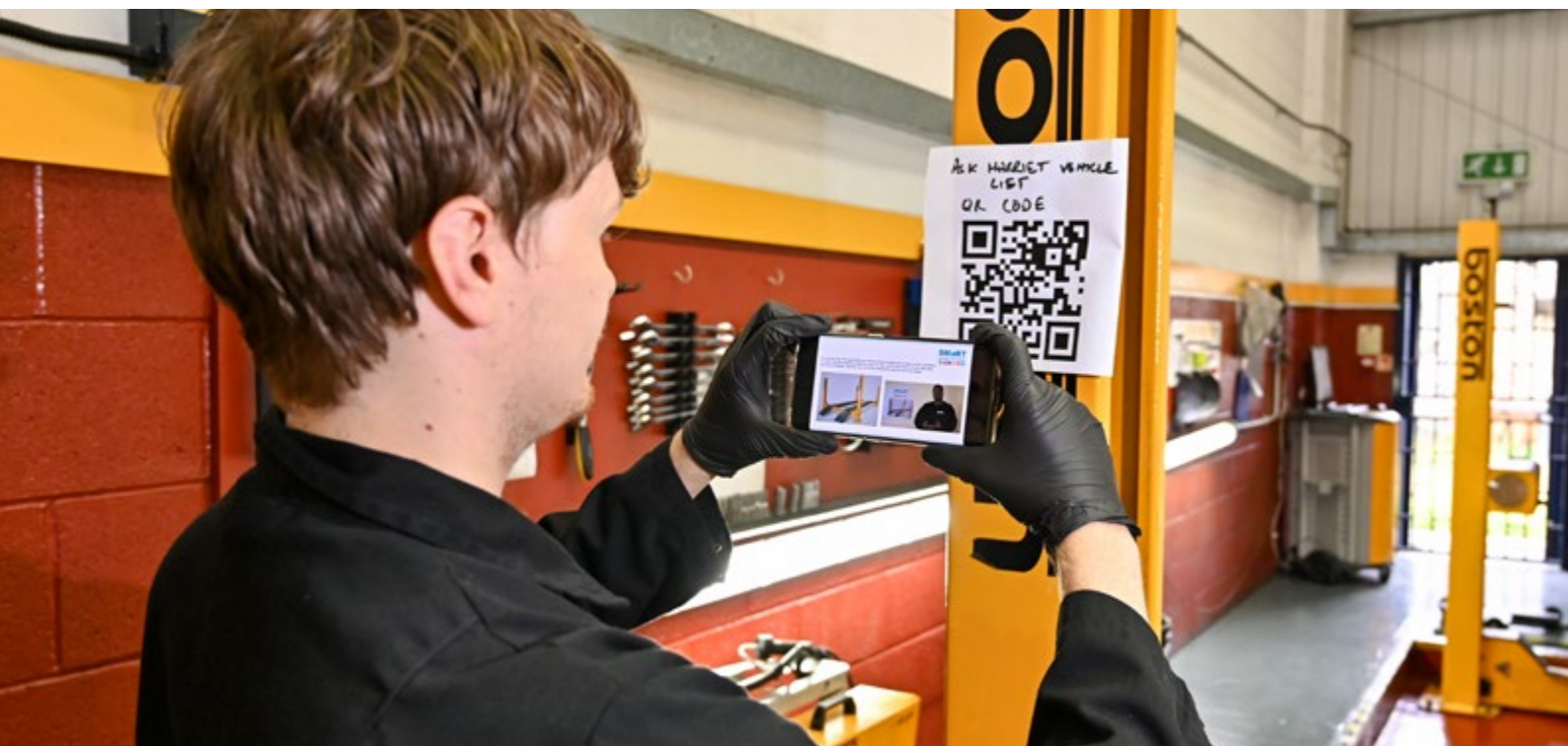
- [Pearson](#), the education publishing giant, [acquired Mondly](#), an English language learning platform, likely both to solidify its offerings in language learning and to bring more business-to-consumer (B2C) offerings into its portfolio. [Pearson also acquired Clutch Prep](#), a video tutorial platform.
- [eLearning Brothers](#) (now known as ELB Learning) [announced the acquisition of a creative design training platform, CoreAxis](#), its third acquisition of 2022 as the company looks to expand its offerings.
- [Degreed](#), a lifelong learning company, [announced the acquisition of Learn In for an undisclosed sum](#), adding the talent academy's services to its LXP and other products and services.
- [Go1](#), a corporate education content hub, [announced the acquisition of Coopacademy](#), an e-learning platform and content library, to support their geographical expansion plans.
- HR management and recruitment platform, [Personio](#), [acquired Back, an employee experience platform](#) that automates workflow for employees, as the company looks to add to its portfolio of HR services.

A shortage of skilled labour across wealthy nations has led to a wave of investment into recruitment and talent acquisition companies, with many looking to invest in organisations that will fill the shortages:

- [Grupa Pracuj](#), the parent company of several European job boards, [acquired Softgarden, a German based e-recruiting platform, for \\$120m](#).
- [Nomad Health](#), an online platform that connects travel nurses with jobs, [announced a \\$105m funding round led by Adams Street Partners and Icon Ventures](#).
- [Gloat](#), a marketplace for talent, [announced a Series D round of \\$90m led by Generation Investment Management](#).
- [JobGet](#), a Boston-based talent acquisition platform, [announced a \\$52m round led by Jazz Venture Partners and Sanabil investments](#).



- [Ceipal](#), a NY based AI powered talent acquisition platform, [announced a \\$21m Series B round](#) led by Camden Partners, Topmark Partners, and Evergreen Mountain Equity Partners.
- [Florence](#), a London-based marketplace that looks to connect local nurses and carers to care home shifts, [announced a \\$35m Series B round](#).
- [Bravado](#), a professional network for B2B sales, announced it [raised \\$26m in a Series B funding round led by Tiger Global](#).
- [Wizehire](#), a hiring platform for small businesses, [raised \\$30m in a Series B funding round also led by Tiger Global](#).
- [Fetcher](#), a talent acquisition platform formerly known as Scout, [announced a \\$27m Series B funding round led by Tola Capital](#) which the company intends to use to fund international expansion.
- [Jobandtalent](#) announced the [acquisition of Instaff, a staffing platform for acquiring temporary workers, for an undisclosed sum](#); this coming after securing a [\\$250m investment from US investment banks Citi and Goldman Sachs](#).
- [Hercules Site Services](#) [raised \\$9m from its IPO](#) on AIM to scale up its supply of labour to the HS2 rail project from London to Birmingham.
- [Clipboard Health](#), a platform that matches nurses with open shifts at healthcare facilities, [announced an \\$80m raise, accomplished over two unannounced rounds of \\$50m in 2021 and \\$30m in 2022](#), bringing the company's valuation to \$1.3bn. The first round was led by IVP, and the second was led by Sequoia Capital.
- Nurse staffing start-up, [IntelyCare](#), [raised \\$115m in a Series C funding round led by global asset manager, Janus Henderson](#), that brought its valuation to \$1.1bn.
- [Fountain](#), a global talent acquisition platform, announced that it raised [\\$100m in a round led by B Capital Group and Softbank](#).



There were many notable deals involving corporate learning and upskilling:

- [Labster](#), a Copenhagen and Boston-based virtual lab that develops simulations to enhance traditional science training for students, [announced a \\$47m round led by Sofina Group and Pirate Impact with participation from Owl Ventures](#).
- [Strivr](#), a virtual reality training platform used by the likes of Walmart, Verizon, and Bank of America; [raised \\$35m in an extension to a previously announced Series B round](#).
- [Rise Up](#), a provider of employee learning software solutions, [announced a \\$30m Series B round led by Connected Capital](#), which the company plans to use for international expansion.
- [ThriveDx](#), a developer of advanced professional development programmes and training software for cybersecurity, [raised \\$75m from NightDragon](#).
- [Masterschool](#), a network of coding training schools, [raised \\$100m in a seed round led by Group 11](#) with participation from Target Global, Pitango Ventures, Dynamic Loop Capital and Sir Ronald Cohen.
- Finnish cybersecurity training platform, [Hoxhunt](#), [raised a \\$40m Series B round led by Level Equity Management](#).
- [Odilo](#), a Madrid-based start-up with ambitions to be the “Netflix” of educational content for organisations and businesses, [raised \\$64m in a round led by Swanlaab and CDTI](#).
- [Multiverse](#), a start-up founded by Euan Blair focused on connecting individuals with apprenticeships, announced a [Series D round of \\$220m bringing the company’s valuation to \\$1.7bn](#).
- [TransfrVR](#), a virtual training platform that simulates on-the-job training, [announced a \\$35m Series B round led by Lumos Capital Group](#), which the company plans to use to expand into new regions and industries.

With organisations now looking to hire remotely to solve for skill shortages, there have been notable raises in companies that look to facilitate remote working for organisations with workers across the globe:

- [Workvivo](#), an employee engagement platform that works with customers in 90 countries to keep hybrid workers engaged, raised \$22m in a Series B round led by Tiger Global.
- [WorkMotion](#), a Berlin-based company that provides HR solutions to companies with international teams, [announced a \\$50m Series B round led by Canaan](#).
- [Velocity Global](#), a provider of global talent solutions for organisations looking to expand their teams beyond their geography, [raised \\$400m in a Series B round led by Eldridge and Norwest Venture Partners](#).
- [Deel](#), an Israeli start-up that offers payroll solutions for companies with international staff, [raised \\$50m some months after a \\$425m Series D round, bringing its valuation to \\$12bn](#).
- [Remote](#), a provider of payroll, benefits, taxes, and compliance for companies with hybrid workers globally, [announced a \\$286m Series C round led by SoftBank Vision Fund 2 at a \\$3bn valuation](#).

# Looking ahead

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 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 Ventures, Tyton Partners, and the work we are undertaking, please do not hesitate to reach out. Whether you would like to 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 us:

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