



THE DEFINITIVE GUIDE TO CONTINGENT WORKFORCE MANAGEMENT: *EVERYTHING YOU NEED TO KNOW*

A Comprehensive Guide to the
Contingent Workforce and
How to Manage it

contrax



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INTRODUCTION

The contingent workforce is continuing to grow rapidly, with an increasing number of organizations leveraging non-permanent workers to gain benefits such as cost savings, enhanced business agility, and access to specialized talent.

As of 2025, contingent workers are estimated to make up 30–40% of the U.S. labor market, and this proportion is projected to rise further in the coming decades. This expansion reflects a broader shift toward flexible work arrangements, driven by technological advancements, evolving employee preferences, and the need for businesses to respond quickly to changing market conditions.

A recent survey by Ceridian found that 65% of global company leaders plan to increase their use of contingent workers within the next two years, highlighting the strategic role of contingent labor in modern workforce planning.

These trends underscore that contingent labor is becoming an increasingly integral component of the workforce, providing organizations with greater flexibility and access to critical skills. To manage this effectively, businesses are adopting strategies such as implementing Supplier management systems (VMS) and developing comprehensive contingent workforce programs.

As reliance on contingent workers grows, implementing a strategic contingent workforce management program becomes essential for any organization using non-permanent labor to complement its full-time team.

While contingent labor offers numerous advantages—addressing workforce shortages, lowering labor costs, and enabling rapid scaling—it can also present challenges and risks if not managed properly. Effective oversight and strategic planning are therefore key to maximizing the benefits while minimizing potential pitfalls.





WHAT IS A CONTINGENT WORKFORCE?

A contingent workforce consists of non-employee workers who are engaged by businesses on a project-by-project or on-demand basis. These workers are often sourced through staffing agencies, but many organizations also hire them directly through a direct sourcing model.

Contingent workers operate under temporary contracts and are not considered employees of the company. They are typically brought in for a specific project, assignment, or predetermined period-of-time.

Once the engagement concludes, these workers either move on to new opportunities or may be re-contracted for another project or period.

In the United States, it is now estimated that over 40% of the workforce participates in “alternative work arrangements,” a figure that has grown steadily in recent years. This growth—up 36% over the past five years—includes workers across all ages, skill levels, and industries (Deloitte Insights).

According to Deloitte, “The traditional employer-employee relationship is evolving into a dynamic workforce ecosystem—a diverse portfolio of talent including gig workers, freelancers, talent networks, and service providers. This ecosystem provides businesses with increased flexibility, access to specialized skills, and new opportunities for innovative workforce strategies.”

A photograph of two Black business professionals, a man and a woman, standing side-by-side and smiling while looking at their laptops. They are both wearing dark grey suits over bright pink shirts. The background is a blurred office or modern building interior.

HOW DO CONTINGENT WORKERS DIFFER FROM EMPLOYEES?

Building a contingent workforce offers flexibility and access to specialized talent, but compliance is critical. Businesses must follow local and national regulations to ensure workers are classified correctly and reduce the risk of employment law violations.

Contingent workers may be supplied by a staffing agency or hired directly for specific projects or fixed-term assignments. They can be full-time, part-time, short-term, or long-term—the key factor is the nature of their relationship with the company, not the hours they work.

Unlike permanent employees, most contingent workers do not receive benefits like paid vacation, sick leave, or retirement plans. Some W-2 or T4 workers hired through staffing agencies may have benefits provided by the agency, while self-employed contractors typically do not.

Correct classification and management of contingent workers is essential. It protects your business from misclassification risks, ensures compliance, and allows you to maximize the benefits of a flexible, on-demand workforce.

WHAT ARE THE BENEFITS OF A CONTINGENT WORKER?

The contingent workforce is a versatile and growing segment of the labor market, helping businesses meet seasonal demand, support long-term projects, fill consultancy roles, and tap into specialized industry expertise. By augmenting existing teams with additional workers and unique skill sets, organizations can address skills gaps, scale efficiently, and enhance overall business performance. Because contingent workers bring a diverse range of skills, businesses can realize multiple benefits, including greater flexibility, cost savings, and the ability to access talent during workforce shortages. They also enable organizations to respond quickly to changing market demands. Here are some of the top advantages of an effective contingent workforce strategy:



Cost Savings: Hiring permanent employees can be costly and time-consuming. According to the Society for Human Resource Management (SHRM), it costs an average of \$4,129 and takes about 42 days to fill a single role. A well-managed contingent workforce program can significantly reduce these expenses.



Faster Hiring Times: Contingent workers can be deployed quickly, often at a moment's notice, dramatically reducing time-to-hire and enabling businesses to address immediate workforce needs.



Scalable Workforce: Contingent workers allow businesses to scale up or down with ease. This flexibility is especially valuable for organizations facing seasonal demand fluctuations or short-term projects with fixed timelines.



Access to Top Talent: The ongoing skills gap has made it more competitive than ever to attract specialized talent. Contingent workers provide a new avenue for sourcing experienced and highly skilled professionals to meet specific business needs.



Improved Business Agility: By incorporating contingent labor, organizations can build a more agile workforce strategy. They gain the ability to adjust quickly to market changes, evolving business demands, and shifting workforce requirements, ensuring they remain competitive and resilient.

HOW TO POSITION YOUR BUSINESS AS AN 'EMPLOYER OF CHOICE' FOR CONTINGENT WORKERS

While the contingent workforce gives businesses more opportunity to access talented workers and gain a competitive edge over their competitors, there is also increased competition for these non-permanent workers.

As the number of contingent workers increases, the percentage of organizations using non-permanent talent is rising even more. As a result, companies who source the best contingent workers for their needs and beat their competitors to these workers will have to position themselves as “employers of choice” for the contingent workforce.

By adopting this approach, organizations can significantly improve the retention and re-engagement of contingent talent, minimize turnover within their workforce programs, and position themselves as an attractive partner for new contingent workers.

Becoming an “employer of choice” in the contingent labor market requires building a brand that workers actively seek out.

When businesses enhance the way they engage, recognize, and support contingent workers, they gain long-term access to skilled talent while benefiting from positive word-of-mouth within the contingent workforce community.

This creates a sustainable pipeline of qualified professionals and strengthens the organization's competitive position.

To position themselves as an employer of choice, organizations should focus on:

- ☐ Cultivating an inclusive company culture that attracts and retains both permanent employees and contingent workers.
- ☐ Enhancing the candidate experience by incorporating employment branding into your contingent workforce program—something many companies traditionally reserve only for full-time hires.
- ☐ Acknowledging the contributions of non-employee workers and ensuring they feel valued for their impact.
- ☐ Building long-term relationships with contingent workers rather than treating them as temporary solutions that are forgotten once a contract ends.
- ☐ Providing future opportunities for contingent workers, encouraging repeat engagements and fostering loyalty.



WHAT RISKS COME WITH A CONTINGENT WORKFORCE?

All business operations involve an element of risk, and the contingent workforce is certainly no different. When the right strategies and processes are not implemented, risks can run rampant within your organization, and they can have a serious impact on your bottom line.

When it comes to the contingent workforce, many organizations simply don't have the visibility into, or control over, their contingent workers to understand what their risks are.

The top five contingent workforce risks:

- 1 **Misclassification or co-employment**
- 2 **Supplier performance**
- 3 **Security risk**
- 4 **Program visibility**
- 5 **Financial risk**



Misclassification or co-employment: One of the most common risks when it comes to hiring contingent workers is misclassification or co-employment. Falling foul of employment laws could result in back taxes, hefty fines and penalties for your business.



Supplier performance: The staffing agencies you partner with are crucial to how successful your contingent workforce program is without data and insights into supplier performance, you' ll have no idea how these suppliers are performing. It is likely that this will result in low workforce quality, slow hiring times and your business overpaying for talent. To ensure ROI from your staffing agencies, organizations need insights to see how they' re performing and how program results can be improved.



Security risk: Your contingent workforce program should have a set of processes in place to engage, manage, onboard and offboard contingent workers successfully. Without those processes, your organization is vulnerable to the loss of intellectual property, trade secrets, competitive data and even security threats on your network. All contingent workers should be vetted properly before joining your organization.



A lack of program visibility: If you don' t have an effective contingent workforce management program in place, it's likely that your business has no visibility into its contingent workforce. This lack of transparency gives you no insights into rogue spend, with hiring managers sourcing and hiring contingent workers independently - without using the requisite screening, quality control, preferred contractual terms, and predetermined rates that are part of your supplier agreements.



Financial risk: When organizations don't have effective management processes and documentation methods in place, they lose visibility and standardization across their contingent workforce program. This results in hiring managers sourcing workers from staffing agencies with their own rules and their own rates, resulting in no centralized program and rogue spend running through your contingent workforce.

These risks all stem from a lack of visibility and control over your contingent workforce. Thankfully, that can be changed when you implement a strategic contingent workforce management program.



WHY IT'S CRUCIAL TO BUILD A CONTINGENT WORKFORCE MANAGEMENT STRATEGY

To effectively mitigate risk and maximize the value of contingent labor, organizations need a strategic contingent workforce management program. Without one—or without the right technology, such as a Vendor Management System (VMS)—businesses lack the visibility and control necessary to manage contingent workers effectively.

The challenge is that building a successful program requires expertise in the contingent workforce category, the right technology, and proper resources. Yet, many organizations—particularly those with smaller contingent worker volumes—still operate without a formal program in place.

In the absence of a structured program, hiring managers often engage staffing agencies independently, negotiating their own terms and rates. This creates inconsistent processes, fragmented supplier relationships, and uncontrolled spending—commonly referred to as “rogue spend.” The result is a lack of oversight into who is being hired, at what cost, and with what level of compliance.

When a contingent workforce management program is properly implemented, the opposite is true. Organizations gain full visibility and control over both their contingent workforce and staffing partners. With an effective program, companies can:

- ⇒ Access skilled talent faster and more efficiently.
- ⇒ Reduce costs and improve program ROI.
- ⇒ Mitigate compliance and misclassification risks.
- ⇒ Automate processes, freeing up internal teams to focus on core business priorities.
- ⇒ Establish standardized processes, rates, and governance for all hiring managers to follow.

THE KEY DRIVERS OF A SUCCESSFUL CONTINGENT WORKFORCE MANAGEMENT STRATEGY

Are you ready to build a contingent workforce management program that delivers true ROI for your business? There are five key drivers that dictate a successful program, they are:

- ⇒ Cost
- ⇒ Supplier Management
- ⇒ Process
- ⇒ Risk
- ⇒ Compliance

Let's look at each of those in more detail.

COST

One of the key goals of any contingent workforce management program is cost optimization. Hidden expenses often creep in unnoticed, eroding profitability. These can include inconsistent pay rates for contingent workers, variable markups charged by staffing agencies, inefficient processes that waste valuable time, and paying above-market rates due to lack of oversight.

A well-designed program addresses these challenges by increasing visibility and standardizing practices across the organization. With clear processes and predetermined rates for both suppliers and workers, businesses gain full control over spend—eliminating waste, improving cost predictability, and driving measurable savings.

RISK

Contingent workforce management carries a variety of risks—from misclassifying workers to inefficient processes that reduce visibility, or underperforming suppliers going unnoticed.

A well-structured contingent workforce management program addresses these challenges by providing full program visibility, holding suppliers accountable through performance monitoring, and implementing standardized processes for internal teams to follow.

SUPPLIER MANAGEMENT

Staffing agencies play a critical role in helping organizations meet workforce goals, but managing multiple suppliers can quickly become complex and time-consuming. Without a structured approach to supplier management, businesses often struggle to realize the full return on investment (ROI) from their contingent workforce program.

An effective program streamlines supplier management by standardizing processes and leveraging performance reporting. This provides clear insights into agency performance, enabling better decision-making, stronger partnerships, and improved overall program efficiency.

COMPLIANCE

Compliance in contingent workforce management covers several critical areas, including proper worker classification, adherence to safety and security protocols, and alignment with your organization's standardized processes and rate structures.

A well-designed program provides full visibility into each of these compliance factors and ensures that all stakeholders involved in managing the contingent workforce consistently follow established guidelines.

PROCESS

Contingent workforce management is inherently complex. It involves managing vast amounts of data, coordinating with multiple suppliers, and maintaining full visibility across every decision. To succeed, these processes must be seamless and well-integrated.

An effective contingent workforce management program transforms this complexity into a strategic advantage—implementing proven processes that make managing contingent talent not only more efficient, but also a driver of business growth.





CONTINGENT WORKFORCE MANAGEMENT METHODS: IN-HOUSE AND OUTSOURCED

Contingent workforce strategies are more critical than ever, as businesses increasingly rely on flexible labor to meet evolving workforce demands. Today, 65% of global company leaders plan to increase their use of contingent workers within the next two years, highlighting the growing strategic importance of this workforce segment.

Organizations are also accelerating the adoption of advanced technologies. Today, over half of companies are leveraging AI-powered workforce management solutions to automate talent acquisition, optimize staffing levels, and ensure regulatory compliance.

Why This Matters:

- ⇒ **Rising Demand for Contingent Talent:** Employers are actively expanding their contingent workforce to meet changing business needs.
- ⇒ **Improved Workforce Governance:** Companies are adopting structured programs to gain better oversight, mitigate risk, and improve ROI.
- ⇒ **Tech-Driven Efficiency:** AI and digital platforms provide real-time visibility, standardized processes, and stronger supplier performance management.

Organizations that want to address this issue have two options, they can either improve how they manage their contingent workers and staffing agencies in-house, or they can outsource this management program to a third-party with expertise in the contingent category.

Outsourced Contingent Workforce Management Options

There are two primary methods that organizations use to outsource their contingent workforce management program, an MSP or a master supplier program. Let's take a look at each of those in a little more detail.

Managed Services Provider (MSP):

An MSP (Managed Service Provider) is a third-party expert that takes full ownership of a company's contingent workforce management program. They handle every aspect of the program—from implementation and supplier engagement to hiring, onboarding, and billing.

The goal is to relieve the business of the strategy and day-to-day management responsibilities, allowing the organization to focus on its core operations while ensuring its contingent workforce is managed efficiently and effectively.

Master Supplier program:

Like an MSP, a master supplier (or prime supplier) allows a company to outsource its contingent workforce program.

Unlike a full MSP solution, it offers flexibility—organizations can choose which parts of the program to outsource.

A master supplier typically manages its own network of pre-approved staffing agencies to meet the company's workforce needs efficiently.



In-House Contingent Workforce Management Options

For organizations with the necessary resources, managing a contingent workforce program in-house is a viable option. The key to success lies in implementing a robust Vendor Management System (VMS) to support the entire program.

A VMS serves as a centralized platform that provides comprehensive visibility and control over your contingent workforce. It streamlines various processes, including supplier engagement, hiring, onboarding, time tracking, and billing. By automating these functions, a VMS not only enhances efficiency but also reduces the risk of errors and compliance issues.

The financial benefits are significant. On average, organizations that implement a VMS can achieve direct cost savings of 5% to 15% and up to 30% in indirect costs. These savings stem from improved rate management, reduced administrative overhead, and enhanced supplier performance analytics.

Investing in a VMS enables organizations to optimize their contingent workforce management, leading to improved operational efficiency and cost-effectiveness.





TOP THINGS TO CONSIDER WHEN CHOOSING A CONTINGENT WORKFORCE MANAGEMENT PARTNER

For organizations that lack the resources to manage their contingent workforce in-house, outsourcing all or part of the program can provide greater visibility, control, and efficiency. Selecting the right partner is critical. Here are five key questions to ask when evaluating an outsourced contingent workforce management provider:

1. Do they offer customizable programs?

Outsourced MSPs and master suppliers provide varying levels of service, some tailored for large enterprises. Look for a partner that can scale services to meet your organization's unique workforce requirements, regardless of program size or complexity.

2. Can they support VMS implementation?

A strong MSP should recommend a Vendor Management System (VMS) that underpins the entire program. Ensure your partner listens to your organization's specific needs and implements a VMS that aligns with your processes. Ease of use is crucial—simpler systems drive higher adoption and better results.

3. What is the size and location of the partner?

An outsourced provider's physical footprint affects their ability to support operations across time zones and regions. Choose a partner that is accessible, transparent, and capable of providing priority attention—even for small to mid-sized programs.

4. What is their depth of expertise?

A provider with deep market knowledge and experience managing similar clients will be better positioned to help you meet workforce goals. Evaluate their expertise across job categories, geographic coverage, supplier networks, and prior contingent workforce volumes managed.

5. Do they provide robust reporting and analytics?

Effective reporting is essential to track program performance and ensure tangible results. Your partner should provide clear KPIs, including workforce quality, cost savings, and supplier performance, enabling continuous program optimization.

CONCLUSION



The world of work has transformed dramatically in recent years. Advances in technology have reshaped how tasks are performed, how people communicate, and how organizations operate. At the same time, work-life balance has become a central focus for both employees and employers.

As a result, the traditional employer-employee relationship is evolving. Many workers are choosing contingent roles for the flexibility they offer, while organizations increasingly rely on contingent talent to improve ROI and adapt to changing business needs.

The contingent workforce provides significant advantages: enhanced business agility, cost savings, faster access to skills, the ability to fill critical gaps, and the flexibility to test new approaches.

However, these benefits can only be fully realized through a well-designed contingent workforce management program. For modern organizations, implementing such a program is essential to unlock the full potential of today's flexible, dynamic workforce.



CONTACT

At Contrax, we don't just manage your contingent workforce—we elevate it. Our team of seasoned executives brings unmatched expertise across the U.S. and Canada, making us the trusted partner for organizations looking to strategically streamline staffing and agency management.

When you work with us, we bring a world-class VMS system and established relationships with over a thousand staffing agencies, giving your program unmatched reach and access to top talent.

Our innovative solutions simplify complex processes, improve efficiency, and drive measurable cost savings, all while delivering a level of service that exceeds expectations.

Choose Contrax and experience the difference of a partner committed to optimizing your contingent workforce program with precision, speed, and excellence.

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