
THE EVOLUTION OF CONTINGENT WORKFORCE PROGRAMS:

A Journey Through Maturity Phases



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Contingent workforce programs don't start out fully formed—they evolve. This article explores the three key maturity phases, from ad-hoc and unregulated to strategic and data-driven. Learn how organisations can optimise costs, reduce risk, and improve workforce management. Plus, we break down the pros and cons of internal management vs. outsourcing to an MSP. Ready to assess your program's maturity and plan for the future? Let's dive in.

INTRODUCTION



SUE HOWSE

CEO/Founder

The Human Collaborative



Talent Strategy. Transformed.

Enabling your business to outperform and deliver against your strategic plan is our goal. The Human Collaborative works with you to ensure that your talent strategy and operations align to the business goals through insights, collaboration and defined plans which are unique for your business.

Contingent workforce programs have become indispensable for organisations seeking flexibility, specialised skills, and a competitive edge. These programs, however, do not materialise fully developed but rather evolve through distinct phases of maturity.

Understanding these phases is crucial for organisations aiming to optimise their contingent workforce management, mitigate risks, manage costs, and enhance overall effectiveness of this growing and critical element of the modern workforce. In this blog we explore the three key stages of contingent workforce program maturity, delving into the characteristics, challenges, and key features of each.

PHASE 1: BASELINE

UNREGULATED, AD HOC, AND REACTIVE



The initial “baseline” phase represents the nascent stage of contingent workforce management, characterised by a lack of formal processes and centralised oversight. In this phase, organisations often grapple with a chaotic approach to engaging external talent, leading to inefficiencies, unmanaged costs and potential risks. Key features of this stage include:

Unregulated vendor usage: Various departments or hiring managers engage with a multitude of staffing agencies and contractors without any coordinated strategy. This can lead to inconsistencies in service quality, pricing, and compliance.

Ad-hoc fee negotiations: Fee discussions occur on a case-by-case basis, resulting in inconsistent pricing and a lack of cost control. Without standard fee structures or guidelines, the organisation struggles to achieve favourable terms.

Decentralised vendor relationships: Individual line managers are responsible for managing vendor relationships. This makes it difficult to monitor performance, ensure compliance, or enforce consistent terms and conditions.

Absence of centralised contracts: Vendor contracts are not stored centrally or easily accessible, leading to compliance risks. This lack of visibility can lead to discrepancies in adherence to legal, financial and other standards.

Manual Processes: There is no technology in place, or the technology is not fit for purpose. This means tasks are carried out manually with a high administrative burdens. There is no central facility for timesheet capture or tracking requisitions and candidates, with communication typically done via email.

Challenges in the baseline phase are significant. There is often a low level of awareness of legal issues, a lack of formal tracking of compliance, and an absence of policies regarding contractor tenure or suitability.

The organisation also lacks comprehensive reporting, which makes it difficult to understand the number of contractors, recruitment activity, or total spend. Organisations in this phase may not be aware of market rates and make use of ad-hoc negotiations which can result in higher costs and less control. Additionally, a lack of clearly defined benefits frameworks means the organisation is unable to adopt cost effective sourcing strategies. There are risks which would not be evident at this baseline stage, exposing the organisation.

PHASE 2: MODERATE

STANDARDISED, PARTIALLY INTEGRATED, TACTICAL



As organisations recognise the shortcomings of the baseline phase, they progress into a "moderate" stage of maturity. This phase marks a move towards more standardised processes and the adoption of some technology solutions. The characteristics of this phase include:

Standard templates and guidelines: The organisation develops standard templates for fees and commercial agreements. These templates are centrally managed, although full stakeholder adoption may not yet be achieved.

Emerging Risk Policies: Some risk policies, such as those related to contractor tenure, might be introduced but may not be consistently enforced. Legal risks may be viewed as purely financial matters, neglecting potential impacts on reputation or brand.

Some benefits reporting: There may be some effort to define and track program benefits but may be limited in scope and governance and may lack executive endorsement or strategic alignment.

Partial Technology Implementation: Some technology may be in use, although it may not be fully fit for purpose, with spreadsheets potentially still used to track activity. A VMS may be partially implemented without full stakeholder adoption, and with no integration with other internal systems.

Inconsistent Processes: There may be multiple systems used to facilitate the procure-to-pay process which results in inefficiencies and confusion.

In this phase, companies begin to understand the importance of control and visibility. They might implement basic vendor management systems (VMS) to manage aspects of their contingent workforce. However, system adoption might be inconsistent, with many stakeholders failing to fully utilise the technology. There may also be an attempt to track cost-effective sourcing, but without a comprehensive program analysis.

Although there are attempts to implement some basic reporting, the organisation often still lacks a complete view of contractor numbers, recruitment activity, or spend. While technology and standard practices begin to be implemented, communication and activities may not be consistently tracked and managed through the system, and processes may not be fully followed.

PHASE 3: ADVANCED

STRATEGIC, INTEGRATED, AND PROACTIVE



The "advanced" phase represents the vision of contingent workforce program maturity. In this phase, contingent workforce programs are fully integrated, strategic, and data-driven, with a focus on optimising outcomes. Key features of this stage include:

VMS Integration: A VMS is fully implemented across the end to end procure-to-pay process and fully integrated with other internal systems. All communication and activity is managed centrally and tracked through the VMS.

Executive Endorsement of Benefits: The program's benefits are clearly defined and endorsed by executives. Benefits targets are measured and reported against, with hiring managers guided on how to source and engage in the most cost-effective way.

Proactive Risk Management: All business stakeholders are educated on legal risks, with formal risk reporting and mitigation strategies. These strategies are part of supplier contracts and are governed to ensure compliance. Legal issues are linked to the organisation's reputation and social responsibility.

Data-Driven Decision Making: Organisations utilise data analytics and benchmarks to inform sourcing decisions and improve efficiency. These programs focus on achieving meaningful data insights and strategic alignment with overall business goals rather than simply cost savings. Talent Intelligence: Modern tools are adopted to manage the talent pipeline, including talent intelligence tools.

Focus on User Experience: There is a focus on user experience and mobile enablement, adopting user-friendly apps to provide access to basic features such as timesheet submission, and full product capability including contract management.

Integration with organisation systems: VMS platforms are integrated with existing systems to automate processes, reduce manual tasks, and increase visibility.

In advanced programs, organisations are proactive and adaptable, building talent pipelines for future roles, have advanced supply chain management and cost and quality initiatives. They also focus on delivering a positive experience for all stakeholders, constantly evaluating processes to identify opportunities for continuous improvement. These programs are no longer just focused on cost savings and visibility, but also on strategic alignment with overall business goals. They leverage technology to streamline processes and ensure compliance, focusing on strategic workforce planning and talent management. The use of talent intelligence tools is a key differentiator in this phase, helping to make better decisions around talent sourcing, screening, and matching. Talent intelligence systems can also provide insights on diversity, equity, and inclusion, supporting fair hiring practices.

INTERNAL MANAGEMENT VS. OUTSOURCING TO AN MSP



Organisations can choose to manage their contingent workforce programs internally or outsource to a Managed Service Provider (MSP). Both approaches have their own advantages and considerations:



Internally Managed Programs

Internally managed programs can provide greater control for the organisation and facilitate direct contractual relationships with supplier vendors and VMS providers, offering more flexibility. This approach is definitely more suitable for organisations with the in-house expertise and resources to manage complex programs. Internally run programs do require significant internal resources for implementation, configuration, and ongoing management of the VMS.

According to a recent global survey, 31% of programs are internally managed, with a further 23% planning to explore internal management.

Internally run programs mean the organisation retains the core capability; however, there is a need to continue to invest in ensuring that the team keeps abreast of new and different ways in which programs can be continuously improved. In our experience, internally run programs don't achieve maturity as fast, nor are the benefits, compliance, and cost savings objectives met as successfully as an outsourced (MSP) program.

MSP Programs

There is something to be said for leveraging external expertise from a specialist in contingent workforce management. A key benefit is the pace at which implementation with an experienced MSP can establish processes and best practices. They can leverage their economies of scale and expertise by replicating program practices and VMS configurations learned from many client deployments and decades of maturity.

Internal Management Vs. Outsourcing to an MSP

Many MSP providers are able to provide access to a wider range of vendors and talent pools. 50% of VMS services are delivered in conjunction with a third-party MSP.

The choice between internal management and outsourcing depends on an organisation's specific needs, resources, and strategic objectives. Some organisations may benefit from the greater control and flexibility of internal management, while others may prefer the expertise and scalability offered by an MSP. A hybrid approach that blends elements of both models may be appropriate for some organisations.

CONCLUSION



Organisations can progress through distinct maturity phases in their contingent workforce programs, moving from unregulated practices to strategic and data-driven operations. Each phase presents its own unique challenges and opportunities.

By understanding their current maturity level, organisations can take the necessary steps to enhance their contingent workforce management, optimise costs, mitigate risks, and create more efficient talent pipelines. Transitioning to the advanced stage requires a holistic strategy including technology adoption, clearly defined policies, a commitment to data-driven insights, and a strategic mindset. This not only improves operational efficiency but also positions the organisation for sustainable growth and success in an ever-evolving business landscape.

Our team at The Human Collaborative have decades of experience in designing and deploying both internally run and outsourced MSP programs.

We, along with other industry experts will be diving into this in detail at the Contingent Workforce Forum on Thursday 15 May in Melbourne.

Contribute to the 2025 State of Contingent Workforce Research Survey

Be one of the 100 Talent Leaders to complete the Survey and contribute to local research. You'll be able to self-assess your Maturity Level.

Take the Survey [HERE](#).

Survey Closes: 28 March 2025. One lucky entrant will win a \$500 Visa Cash Card and a ticket to the Contingent Workforce Forum in Melbourne in May 2025.



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**The Contingent
Workforce Forum**

MELBOURNE THURSDAY 15 MAY 2025