Tackling the Global Pandemic: Contingent Workforce Management (CWM) State of the Market Report 2021

October 2020

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▸ Cloud & Infrastructure	▸ IT Services Executive Insights™
▸ Customer Experience Management Services	▸ ITS | Life Sciences
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▸ Engineering Services	▸ Recruitment Process Outsourcing
▸ Enterprise Platform Services	▸ Service Optimization Technologies

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Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Contents

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Introduction and overview

- Research methodology
- Key information on the report
- Background of the research

Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

01

Robust definitions and frameworks

CWM value chain, multi-process CWM definition, PEAK Matrix®, and market maturity

02

Primary sources of information

Annual contractual and operational RFIs, service provider briefings and buyer interviews, and web-based surveys

03

Diverse set of market touchpoints

Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership

04

Fact-based research

Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers

Proprietary contractual database of over 1400 CWM outsourcing contracts (updated annually)

Year-round tracking of 23+ CWM service providers

Large repository of existing research in Everest Group's proprietary Transaction Intelligence (TI) database

Over 25 years of experience advising clients on strategic IT, business services, engineering services, and sourcing

Executive-level relationships with buyers, service providers, technology providers, and industry associations

A detailed view of CWM outsourcing/ Managed Service Provider (MSP) processes
Everest Group defines MSP as the transfer of ownership of all or part of the management of an organization's contingent/temporary staffing activities on an ongoing basis

Strategy

Strategy (in-house)
- Mission/corporate strategy
- Business strategy
- Geographic strategy
- Technology strategy

Value-added services

Spend data analysis
- Baseline analysis
- Data "cube" construct
- Saving-opportunities identification
- Hire-volume rationalization

Vendor sourcing
- Sourcing strategy
- Vendor selection
- Contracting
- Sourcing implementation

Direct candidate sourcing
- Sourcing strategy
- Hiring requirements specifications/standards
- Channel identification

Vendor management
- Vendor relationship management
- Contract administration
- Service level / standards monitoring

Candidate selection
- Screening
- Assessment
- Background verification

Transaction intensive

Recruitment administration
- Candidate tracking
- Interview scheduling and co-ordination
- Offer-letter management
- Onboarding

Day-to-day order management
- Approval workflow
- Requisition
- Order distribution
- Expediting/troubleshooting

Billing and payments
- Invoice receipt
- Consolidated billing
- Supplier payments

Performance and compliance monitoring and reporting
- Vendor assessment
- Overall program assessment
- Service levels / standards monitoring
- Compliance management
- Policies and procedures
- Performance and results reporting

Core MSP processes

Vendor management system
- Proprietary platform
- Technology support

Contact center / helpdesk

Everest Group's Contingent Workforce Management (CWM) research is based on multiple key sources of proprietary information

- Everest Group's proprietary database of over **1,400 CWM outsourcing & services procurement deals** (updated annually)
- The database tracks the following elements of each CWM deal:
  - Buyer details including industry, size, location, and signing region
  - Deal details including Annual Contract Value (ACV), term, start date, spend managed, primary pricing structure, process coverage, and geographic coverage (at country level)
  - Technology ownership and maintenance
  - Global sourcing

- Everest Group's proprietary database of **operational capability of 23 CWM service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
  - CWM deals, managed spend, revenue, service suite, and employees
  - Recent CWM-related developments (investments and partnerships)
  - CWM deals split by geography, industry, scope, funding model, and buyer size
  - Managed spend split by geography, industry, job family, and type of sourcing model
  - Delivery locations and level of offshoring
  - CWM supplier partners by geography

Ongoing buyer surveys and interactions

- Everest Group's **executive interviews and data collected from CWM buyers**
- The data contains the following detailed buyer perspectives about CWM deals:
  - Drivers for adopting CWM and buyer-provider relationships
  - The level of buyer satisfaction and the underlying reasons

The analysis in this report is presented at two levels:

- Overall market analysis that highlights the market composition/dynamics
- The current market trends based on deal activity in the last five years

The sample size varies for different analyses based on the availability of deal details

Service providers assessed

AgileOne
alexander mann solutions
ALLEGIS GLOBAL SOLUTIONS
AMN Healthcare
Brainnet Verstand van mensen
Broadleaf
CAPITA Resourcing
CROSS COUNTRY HEALTHCARE
FIRCROFT 50 1970 - 2020 YEARS OF CONNECTING PEOPLE
GRI GEOMETRIC RESULTS, INC.
guidant global Proud to be part of the Impellam Group
HAYS Talent Solutions Helping organisations thrive
HCMWORKS
Kelly OCG
nextSource Advancing the way the world connects with talent.
PROUnlimited
pontoon
RESOURCESOLUTIONS
randstad sourceright
Talent Solutions TAPFIN ManpowerGroup
VOLT Consulting Group
WORKFORCE LOGIQ
Yoh

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any contract-specific information collected, is only presented back to the industry in an aggregated fashion

Background of the research

The annual state of the market report tracks the developments, which occurred across the CWM/MSP industry in 2019. It also sheds light on the future trajectory of CWM which is being set by the current market conditions, service provider landscape, and buyer expectations. The CWM outsourcing industry witnessed decent growth in 2019 but we are currently witnessing a disruption in the industry on account of the COVID-19 pandemic. While the immediate impact has been a decrease in the demand, the market is expected to witness an uptick in growth in early 2021. The unprecedented situation has forced service providers to accelerate the development of their technological capabilities and service offerings in terms of direct sourcing, services procurement management, total talent management, and value-added services.

In this report, we focus on:

- Evolving CWM dynamics in COVID-19 era
- Geographical variations in the CWM market
- Next-generation CWM trends
- Future trajectory for CWM providers and enterprises

Scope of this report:

Geography
Global

Industry
Contingent workforce management services

Services
Business process services

02

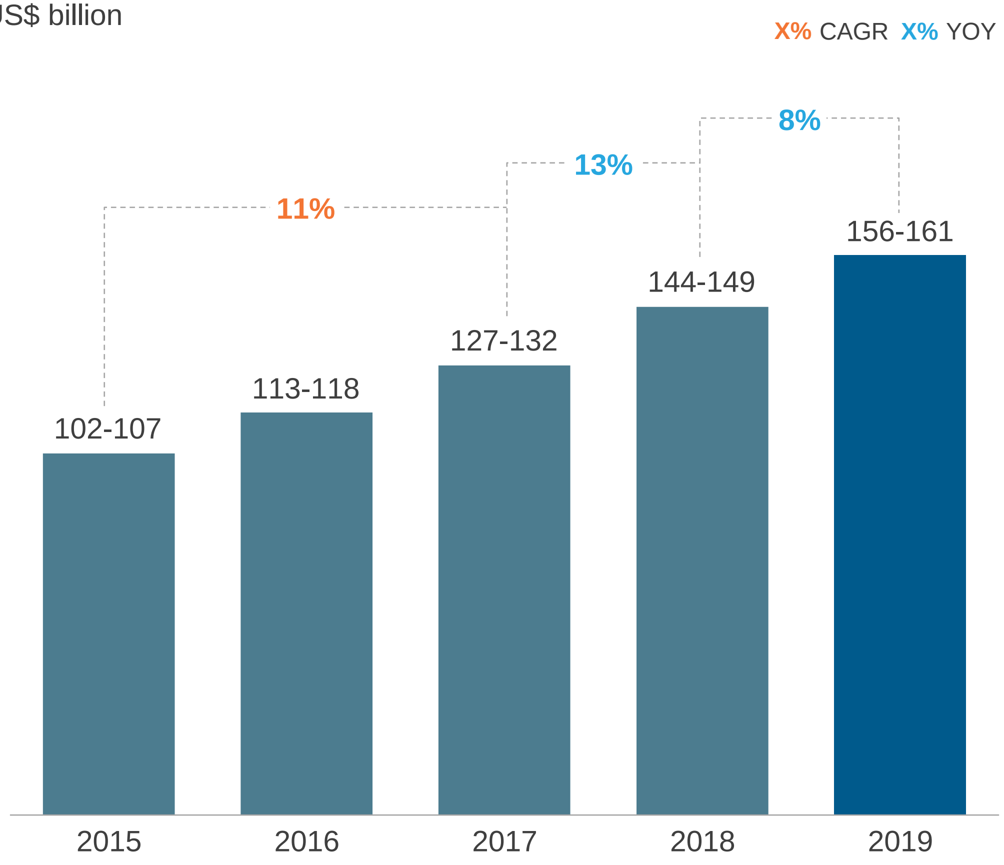
Summary of key messages

Summary of key messages (page 1 of 2)

Review of 2019 and COVID-19 related market trends

- The global CWM outsourcing / MSP market witnessed steady growth rate in 2019 backed by rising demand for contingent labor management
  - The CWM outsourcing / MSP market grew by ~8% in 2019 reaching a total of US$156-161 billion
- Assessment of COVID-19 impact on the CWM outsourcing industry
  - The initial impact of COVID-19 (Q2 and Q3 2020) resulted in a decline. However, the contingent workforce management space is recovering fast since Q4 2020
  - At an overall level, the global CWM outsourcing market is expected to undergo a slight decline in 2020, but is expected to witness an uptick in growth in 2021
- Some of the effects of the pandemic on the global CWM market are:
  - Industries such as IT & telecom and healthcare & pharma have been relatively less impacted as compared to other industries
  - Recruitment in certain job roles, especially technology and healthcare, is more resilient
  - The temporary workforce will be the choice when countries come out of the COVID-19 cycle at different times
  - Demand for and leverage of direct sourcing services will increase across the world including North America
  - Centralization, especially offshoring and virtual models, will redefine service delivery
  - Digital solutions including automation in CWM processes will become a norm to ensure business continuity and cost savings
  - The adoption of the Total Talent Acquisition (TTA) model will increase

Global MSP market size (annual contingent spend under management)
US$ billion

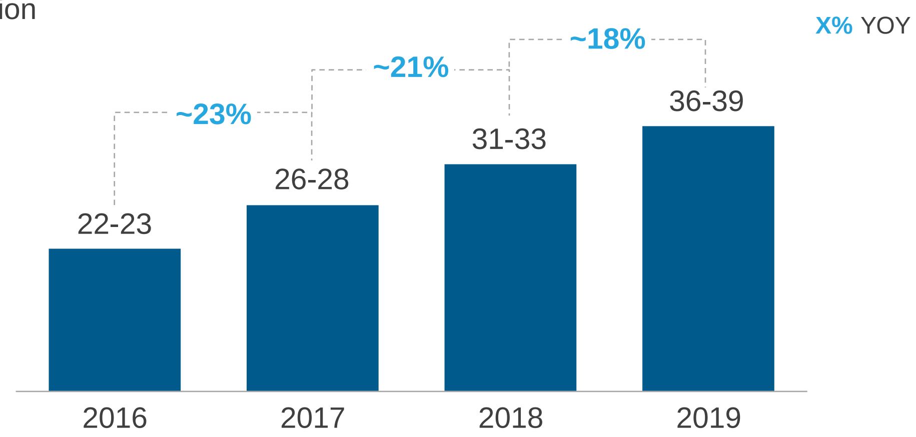


Summary of key messages (page 2 of 2)

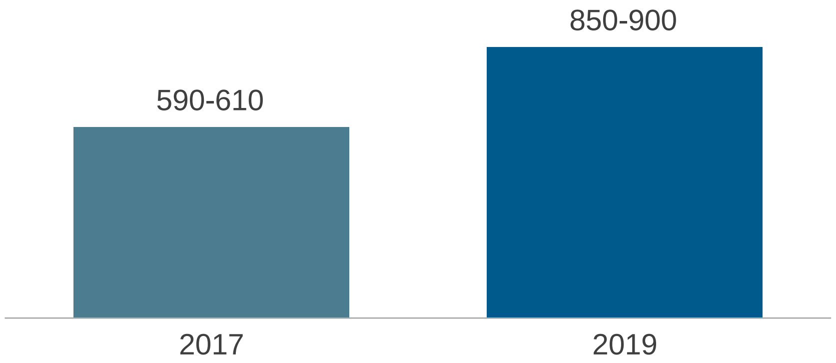
Next-generation CWM trends

- Rapid evolution of contingent work is changing the way enterprises are interacting and engaging with different talent types
  - Changing employment requirements and increasing preference for contingent work is resulting in / leading to rise in different talent types such as temporary workers, services procurement / Statement Of Work (SOW), and Independent Contractors / freelancers
  - CWM service providers' services procurement spend under management is increasing rapidly on the back of rising awareness and maturing relationships between enterprises and service providers. The services procurement spend managed by CWM providers witnessed 18% growth in 2019
  - Independent Contractors (ICs) sourcing and management primarily remains an untapped area for CWM providers; while several CWM providers manage ICs as part of the broader MSP engagements, it still accounts for a small portion of their overall spend under management
- Single-country deals dominate CWM outsourcing market currently, however, as the global supply chains are expected to remain in flux, multi-country deals are expected to increase
- Direct sourcing is increasingly being leveraged by enterprises and CWM providers as an alternative sourcing mechanism due to its multiple benefits
- With the changing demands of buyers, service providers are increasingly providing consulting and value-added offerings
- Service providers are leveraging automation to create a one-stop-solution of various tools and technologies. The aim of the ecosystem is to provide a seamless experience throughout the process chain
  - To improve stakeholder experience permanent recruitment-oriented tools are increasingly being leveraged for contingent workforce management
  - Enterprises are demanding advanced analytics solutions to gain greater spend visibility and make better-informed decisions

Services procurement spend managed by CWM providers
US$ billion



Adoption trend for direct sourcing
2017-2019; Number of active CWM deals leveraging direct sourcing

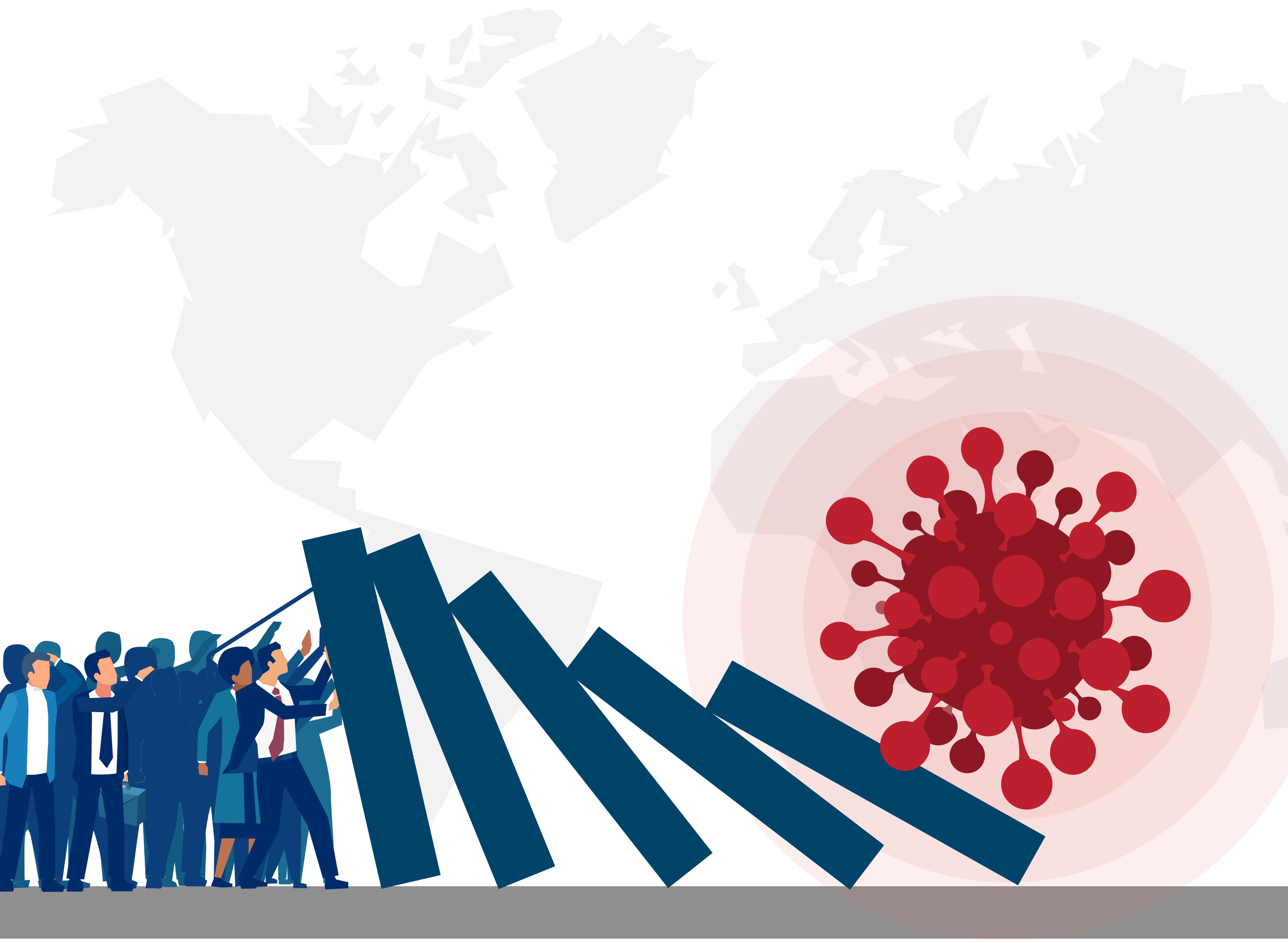


03

Evolving CWM dynamics during the COVID-19 era

- Introduction
- Market size and growth
- Impact of COVID-19 on the CWM market

The talent acquisition space is being differently impacted in the current economic crisis vis-a-vis the last decade's financial/economic crisis



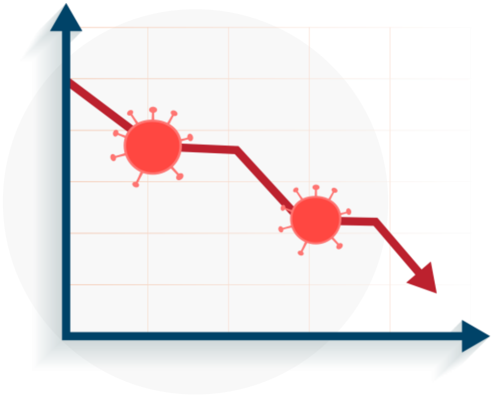
Difference between current crisis and 2008 global economic crisis

- From a talent and talent acquisition angle, the current economic crisis is different from the financial/economic crisis of the last decade in the following specific areas:
  - Last time the crisis was driven by fundamental weaknesses in the financial system and economy, while this time it is driven by a sudden and rapid decrease in consumption and global supply chain disruption
  - The current crisis is coming on the back of historic lows in unemployment figures
  - In the current situation, financial institutions have come to the rescue of the global economy with lowered interests and extended lines of credit for businesses
  - The pace of onset of economic dip (and consequent rise in unemployment) has been much faster than the last time
- Consequently, a sharper recovery is expected for the current crisis, especially in terms of talent acquisition. This is reflected in the US unemployment figures witnessing a sharp downturn after record highs. While it will still be some time before unemployment figures go down to pre-COVID-19 levels, the sharp upturn indicated solid resumption of hiring activity

Enterprises are facing multiple challenges in the current pandemic as they struggle to ensure business continuity and manage changing talent needs

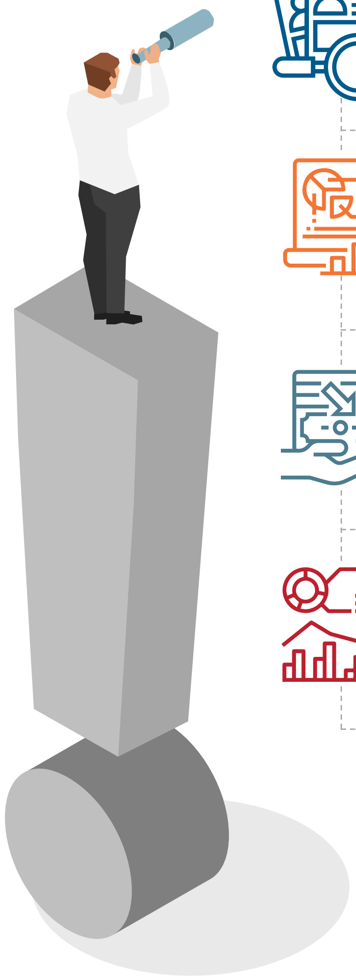
Issues faced by enterprises due to COVID-19





Surge in demand for services in some industries	Demand for skilled talent	Economic recession
While many industries have been deeply impacted by the pandemic, many others are witnessing a surge in demand. Industries such as healthcare and life sciences and hi-tech and telecom are witnessing a surge in demand	To conserve financial resources and build new innovative business models to sustain the business through the pandemic, enterprises are looking to hire skilled professionals on a temporary basis	Enterprises need to be ready for the economic crisis that will follow the pandemic. IMF officials have stated that the upcoming crisis could be worse than the 2008 financial crisis and will severely impact demand and enterprises' ability to offer support

CWM providers can help enterprises address multiple challenges related to COVID-19



Source skilled contingent talent
CWM providers can help enterprises handle fluctuation in business demand by managing the increasing demand for skilled contingent workers

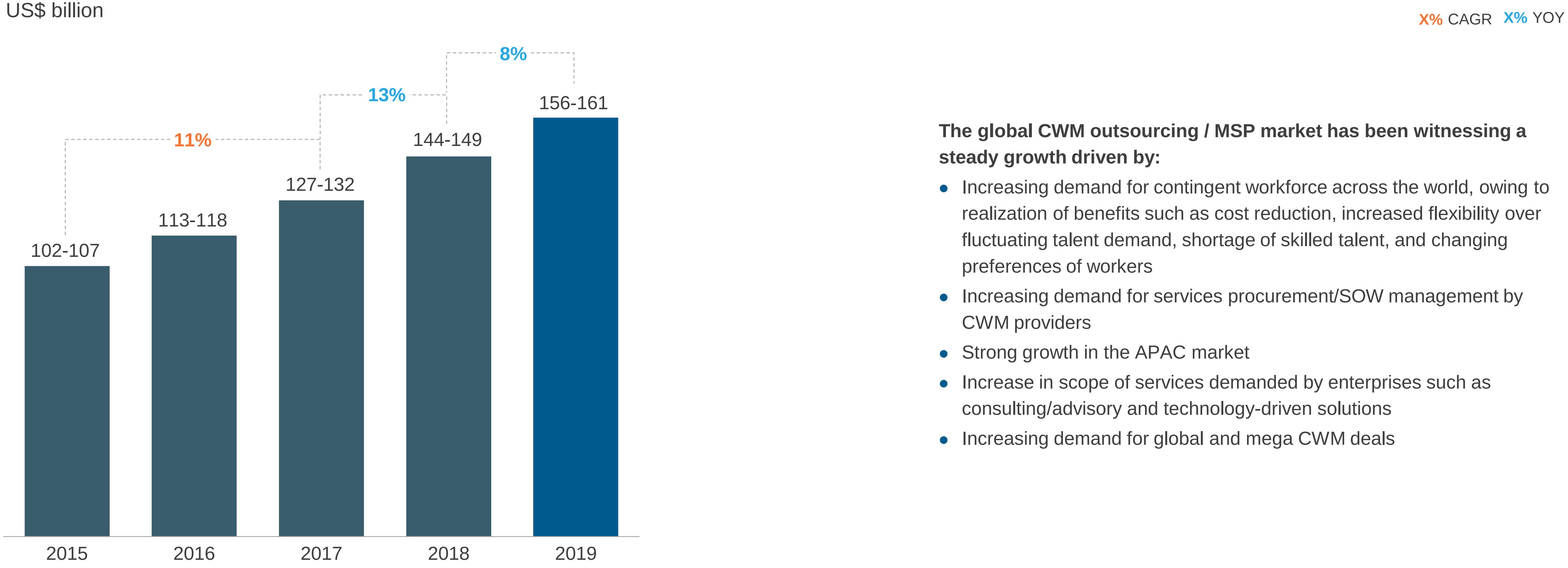
Business continuity
CWM providers can help enterprises ensure business continuity by ensuring flexibility and accelerating the work from home revolution. Service providers are building remote delivery models and enhanced technology solutions to ensure smooth business delivery

Cost reduction
CWM providers can help in achieving cost reduction by providing operational efficiencies and temporary labor spend optimization. They can make the process of attracting, sourcing, and developing contingent talent efficient, thus reducing overall cost

Better insights/analytics and tools for digital transformation
In order to gain greater spend visibility and make more informed decisions, enterprises can depend on CWM providers to ensure better technology and analytics solutions

The global CWM outsourcing / MSP market witnessed steady growth in 2019 backed by rising demand for contingent labor management

Global CWM outsourcing / MSP market size (annual contingent worker spend under management)[1]
US$ billion



The global CWM outsourcing / MSP market has been witnessing a steady growth driven by:

- Increasing demand for contingent workforce across the world, owing to realization of benefits such as cost reduction, increased flexibility over fluctuating talent demand, shortage of skilled talent, and changing preferences of workers
- Increasing demand for services procurement/SOW management by CWM providers
- Strong growth in the APAC market
- Increase in scope of services demanded by enterprises such as consulting/advisory and technology-driven solutions
- Increasing demand for global and mega CWM deals

1 CWM outsourcing managed spend consists of only that part of the total contingent workforce managed spend that is managed by CWM providers / MSP and excludes the spend managed by BPO/PO providers

Effect of COVID-19 on the global CWM market

1. Industries such as IT & telecom and healthcare & pharma have been relatively less impacted as compared to other industries
2. Recruitment in certain job roles, especially technology and healthcare, is more resilient
3. Temporary workforce continues to be the choice when countries come out COVID-19 cycle at different times. The global CWM outsourcing / MSP market is expected to undergo a decline in 2020, but is expected to witness an uptick in growth in 2021
4. Demand for and leverage of direct sourcing services will increase across the world including North America
5. Centralization, especially offshoring and virtual models, will redefine service delivery
6. Digital solutions including automation in CWM processes will become a norm to ensure business continuity and cost savings
7. Adoption of the Total Talent Acquisition (TTA) model will increase

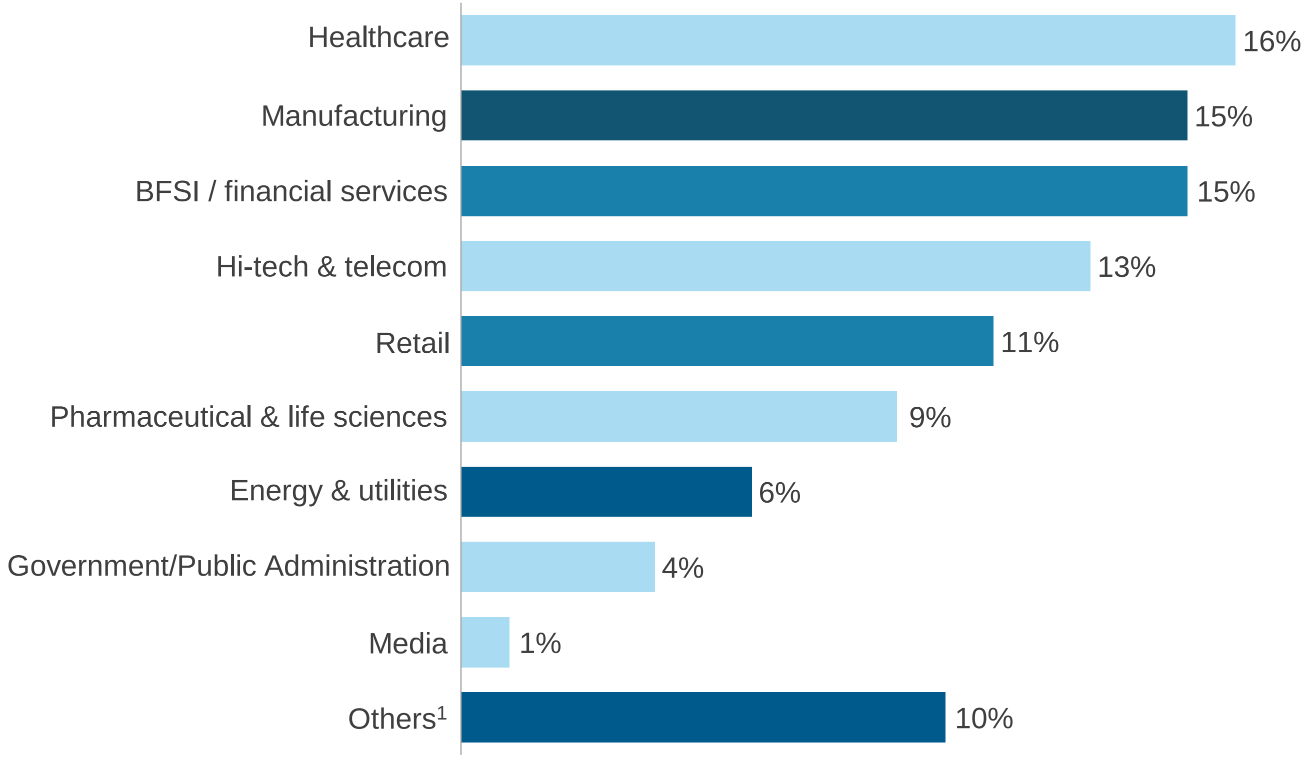
Some industries are more severely impacted compared to others

Travel & hospitality and manufacturing are severely impacted while the hi-tech & telecom and healthcare & pharma industries are moderately affected

1

CWM outsourcing market split by industry
As a percentage of total active CWM deals (2019)

Impact of COVID-19 on industry: Severe Moderate



- Certain industries, such as manufacturing and travel and hospitality, are negatively impacted and are cutting contractors. Other sectors, such as healthcare and hi-tech and telecom, are hiring to deal with a surge in demand
- The moderately-affected industries, such as BFSI / financial services and retail, are additionally hiring contractors to ensure business continuity and support activities such as refinancing and delivering orders
- As more countries successfully flatten the curve and governments introduce policy changes to aid business growth, the business environment is expected to start improving soon. However, the impact on some industries such as energy & utilities and travel & hospitality would sustain for a longer term compared to others

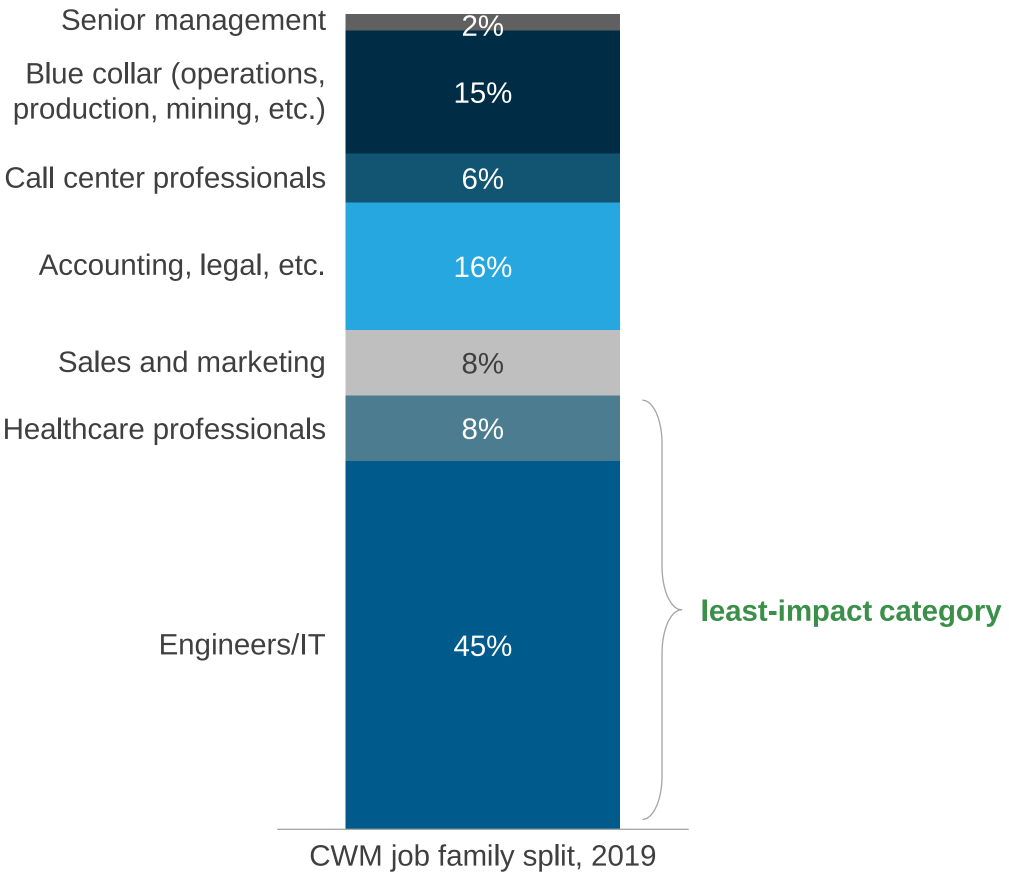
1 Travel & hospitality, construction, real estate are some of the major industries in the "others" category that have been severely affected by COVID-19

Some job roles have been more impacted than others

Job roles such as engineers/IT and healthcare professionals will witness limited impact compared to other roles

2

Job family coverage in CWM outsourcing market
As a percentage of spend managed (2019)

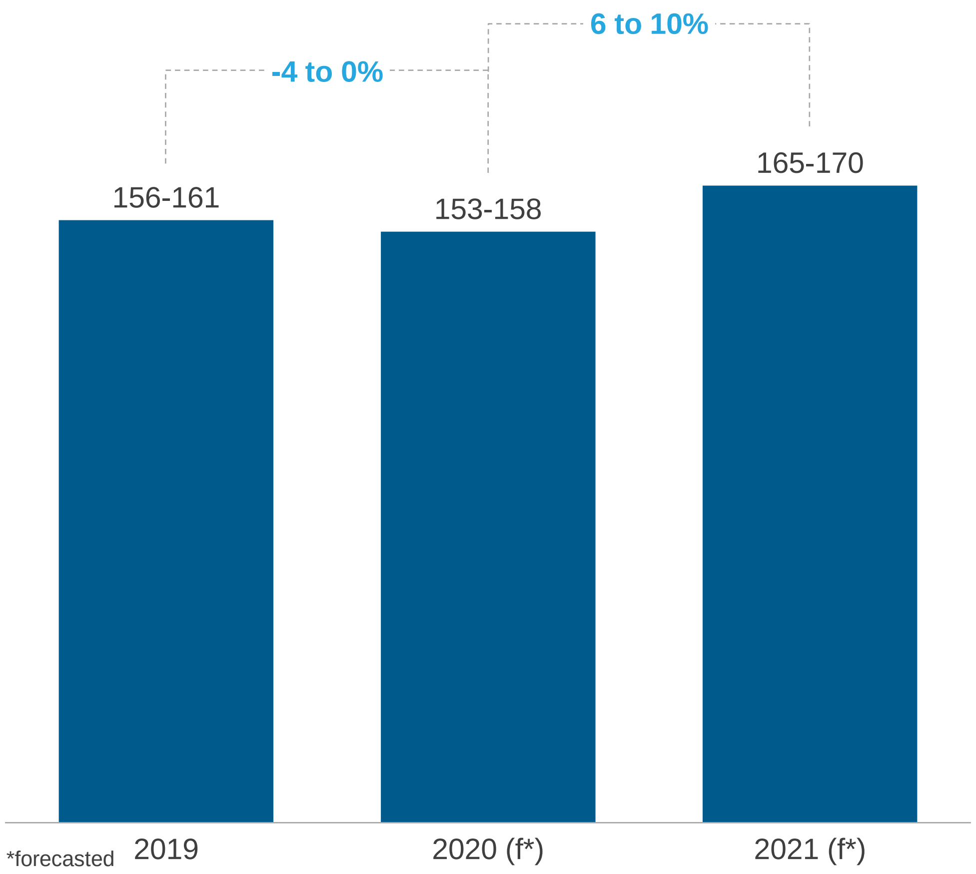


- Engineering/IT professionals and healthcare professionals, which are the least impacted roles, constitute over half of the spend managed by the CWM service providers. This is a much bigger portion of the market today than the last financial/economic crisis
- However, traditional roles, which cannot be fitted into the remote working setup, such as blue-collar jobs, are facing a frontal assault as these roles would be most vulnerable to the current volatile economic situation

Due to the pandemic induced recession, the global CWM outsourcing / MSP market is expected to undergo a slight decline in 2020, but is expected to witness an uptick in growth in 2021

3

Global CWM outsourcing market size (annual contingent spend under management)
US$ billion



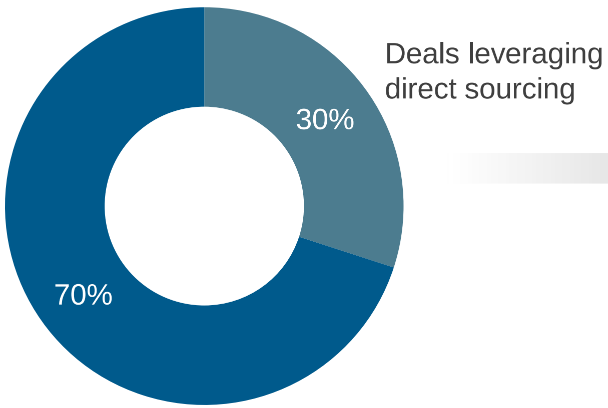
*forecasted

- North America and Europe are the largest contributors to the CWM outsourcing market, but are also the region's worst-affected by the pandemic, which has impacted the market
- The initial impact of COVID-19 (Q2 and Q3 2020) resulted in a decline, with contractors being laid off and hiring frozen, leading to an increase in unemployment figures
- However, the contingent workforce management space is recovering fast since Q4 2020 due to
  - companies turning to contingent workforce, evident from declining unemployment numbers
  - a large number of RFPs for CWM outsourcing coming into the market
- Temporary workforce will continue to be the choice as countries come out of the COVID-19 situation at different times and global supply chains remain in flux
- At an overall level, the global CWM outsourcing market is expected to undergo a slight decline in 2020 but is expected to witness an uptick in growth in 2021

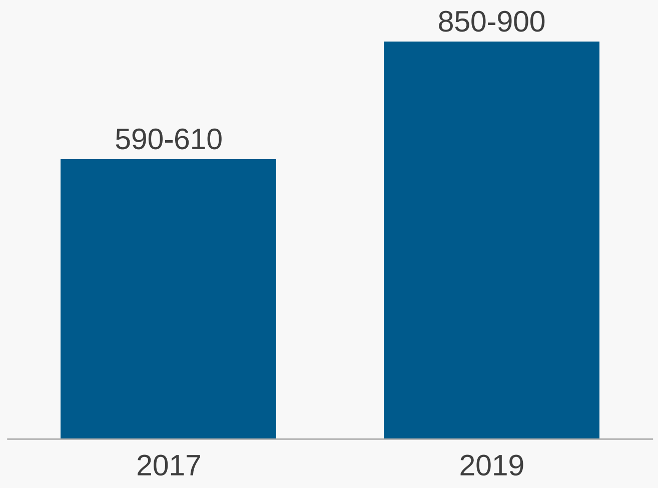
Demand for and leverage of direct sourcing services will increase across the world including North America

4

Active CWM deals
2019; Split of deals leveraging direct sourcing



Adoption trend for direct sourcing
2017-2019; Number of active deals leveraging direct sourcing



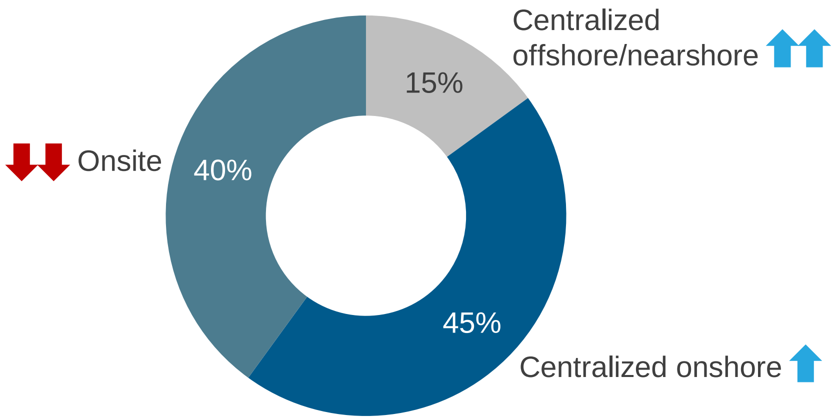
- Rising demand for niche talent, talent shortage, ineffective traditional sourcing channels, dependence on multiple suppliers, and increasing costs are pushing enterprises to either develop direct sourcing capabilities or outsource them to third-party providers
- Currently, majority of direct sourcing is based out of EMEA. In EMEA, the UK continues to experience higher adoption, owing to the strategic orientation of the buyers
- However, the pandemic is expected to push the adoption for direct sourcing across geographies including North America

Increasing leverage of offshoring (page 1 of 3)

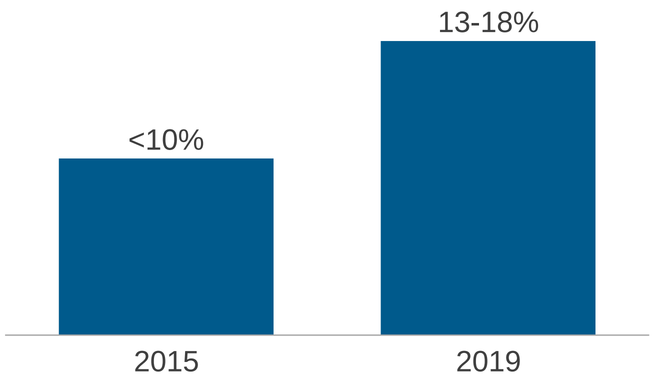
As the companies go into a recession mindset, the focus of service providers will shift to adopt centralization, especially offshoring, to help reduce cost

Current FTE split by delivery locations

Increasing adoption
Decreasing adoption



Increase in offshoring in CWM
Percentage of FTEs offshored



- As the pandemic induced economic challenges force companies to go into a cost-saving mindset, the adoption of offshoring and near-shoring is likely to rise
- Due to the disruption in the global services industry caused by sudden lockdown in countries such as India, any movement towards offshoring/nearshoring is likely to be a calibrated one, with sufficient focus on risk mitigation and business continuity
- Newer delivery models, such as leveraging virtual recruiters, are likely to witness an increase

Increasing leverage of offshoring (page 2 of 3)

Offshoring can be started with the most transactional tasks and as the complexity of decision making required to execute these processes increases, the ease of offshorability decreases

Ease of offshoring processes in CWM

High Low

CWM Processes	Offshorability
Billing and Payments	
Performance/compliance monitoring & reporting	
Requisition management	
Offline screening	
Recruitment administration	
Spend data analytics, savings opportunity identification	
Vendor sourcing	
Vendor management	
Demand rationalization	
Direct sourcing	
Workforce planning	
Employer branding	
Client engagement and relationship management	
Telephonic screening	

Increasing leverage of offshoring (page 3 of 3)

Service providers can invest in Eastern Europe, Asia Pacific, and Latin America to act as nearshore/offshore delivery locations

5

	EMEA	APAC	LATAM
Popular locations leveraged by CWM providers	Poland [Krakow, Warsaw]	India [Hyderabad, Bengaluru]	Mexico [Mexico City]
	Hungary [Budapest]	Malaysia [Kuala Lumpur]	Brazil [Sao Paulo]
	The Czech Republic [Prague]	The Philippines [Manila]	Argentina [Buenos Aires]
	Romania [Bucharest]		Costa Rica [San José]

Location insights

EMEA
- The market is witnessing nearshoring activity being carried out of delivery centers in the Eastern European countries mentioned above
- These countries cater to buyers in the Western European markets and are preferred because of ample talent availability, language capabilities, and cultural alignments

APAC
- APAC is a preferred geography for offshoring, owing to its low establishment cost and availability of an English-speaking graduate talent pool
- While the lack of multi-lingual capabilities is a concern, the potential to support complex processes, such as data analytics and research, makes it an attractive location

LATAM
- Latin America is a relatively new geography when it comes to CWM nearshoring/offshoring
- It is slowly becoming an attractive location due to its increasing labor pool, soft skills and technical capabilities

Accelerated investments in technology

COVID-19 induced challenges are pushing organizations to accelerate investments in digital solutions by enabling end-to-end automation of talent acquisition process for permanent as well as contingent talent

Key investment areas

Analytics-driven system providing better feedback

- Deploying new analytics platforms to calculate near real-time supplier and workforce analytics
- Better market analytics to assess the availability of talent and provide accurate price benchmarking
- Developing real-time customizable dashboards for different users. For example, the development of an executive dashboard that highlights insights relevant for executive members

Connected ecosystem improving execution quality and stakeholder experience

- Building a single log-in technology ecosystem to provide a seamless experience across the process chain
- Between the front and back offices, everything is synchronized, tracked, and monitored
- Building real-time analytics capability through interactive dashboards

Automated workflow enabling higher efficiency

- Building automated workflows to generate greater efficiency for low-touch processes, while providing enhanced intelligence to support high-touch activities
- Activities such as onboarding, interview scheduling, and assessment are witnessing maximum automation

Adoption of the Total Talent Acquisition (TTA) model will increase

Pre-COVID-19 scenario

- In spite of all the advantages and benefits of Total Talent Acquisition on paper, the uptake of this model on the ground has been evidently slower than anticipated
- This was primarily driven by non-alignment between different stakeholder groups – HR responsible for Recruitment Process Outsourcing (RPO) and procurement responsible for contingent workforce management
- However, in the last couple of years, providers have continued to make incremental investments and changes to service this model. Many providers have made organizational changes to bring their own internal RPO and MSP divisions closer

Post Covid-19 scenario

- Cost-pressure and recession mindset are making enterprises more open to the TTA model in general due to the benefits that it offers
- In particular, two scenarios are already playing out that are likely to drive TTA adoption
  - On the contingent workforce side, there is a strong focus among enterprises to adopt the direct sourcing model. This requires closer alignment with permanent sourcing processes and strategies such as sharing talent communities and having common elements such as employer branding
  - A few recent CWM/MSP RFPs that have been floated in the market have an element of permanent recruitment included in them. With contingent workforce outpacing permanent hiring, some enterprises do not see the viability of having a separate RPO provider and hence, merging them into one RFP

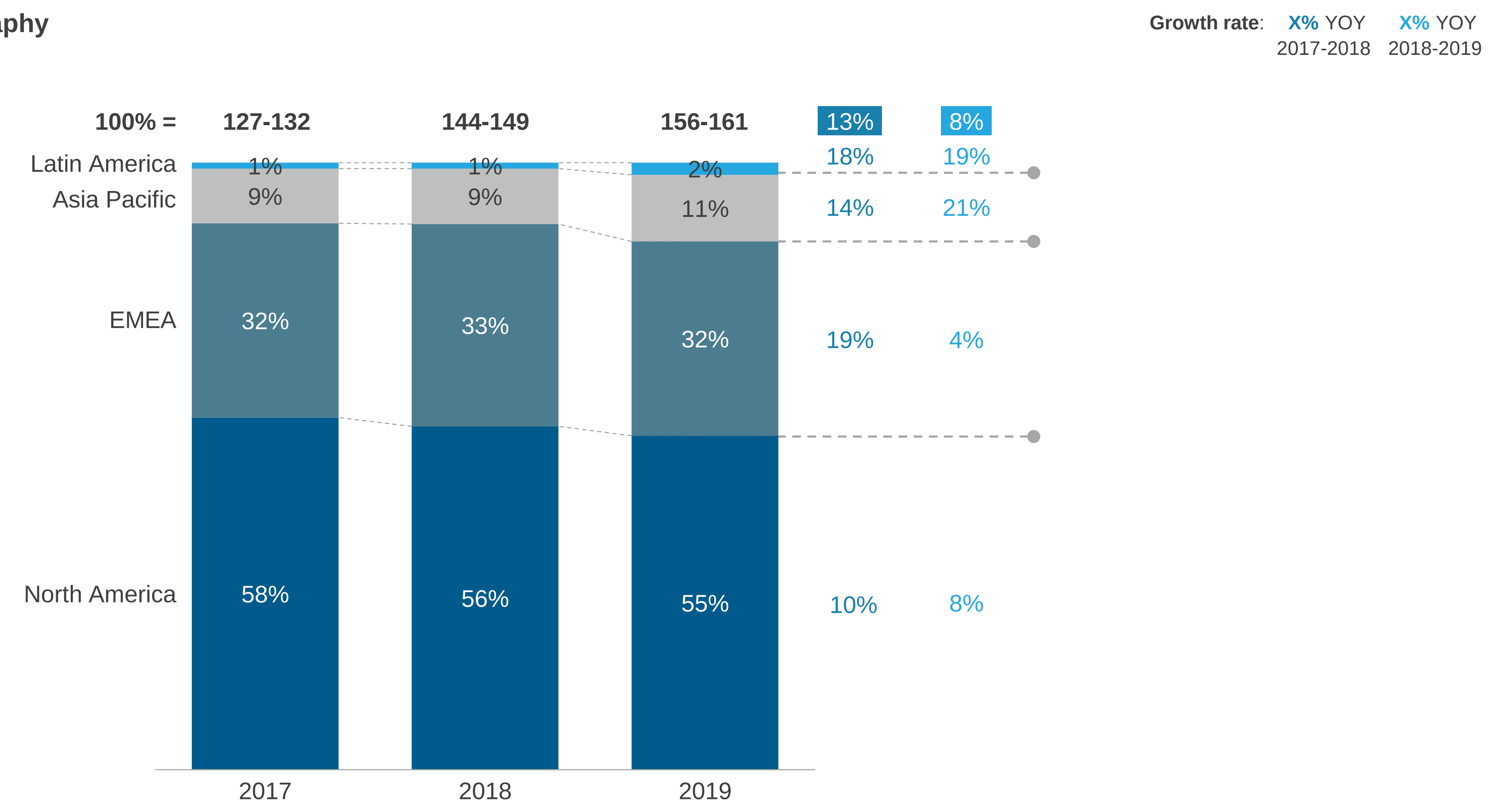
04

Geographical variations in the CWM market

- North America
- EMEA
- Asia Pacific
- Latin America

While North America is the biggest and relatively the most mature CWM outsourcing / MSP market, highest growth is witnessed in the Asia Pacific market

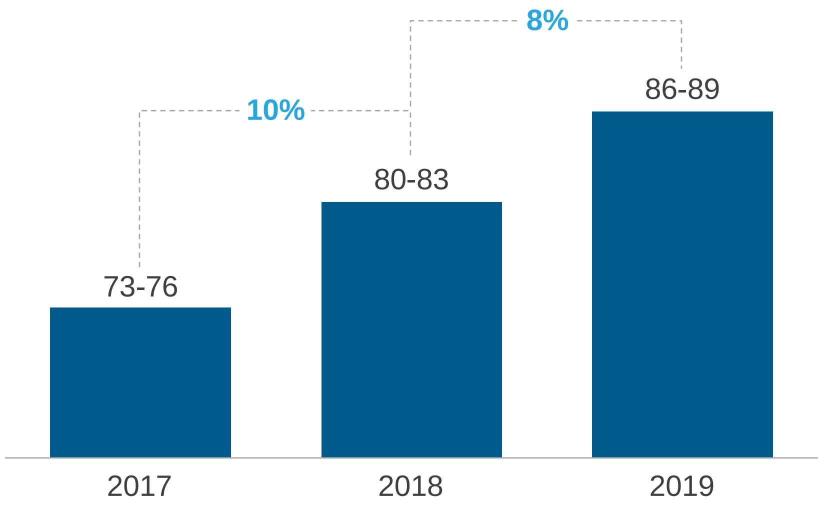
CWM outsourcing market size by geography
US$ billion



CWM market characteristics | North America

The North American market saw a sustained growth, backed by a rise in adoption of services procurement and increasing scope of services

North America CWM outsourcing market size
Spend under management in US$ billion



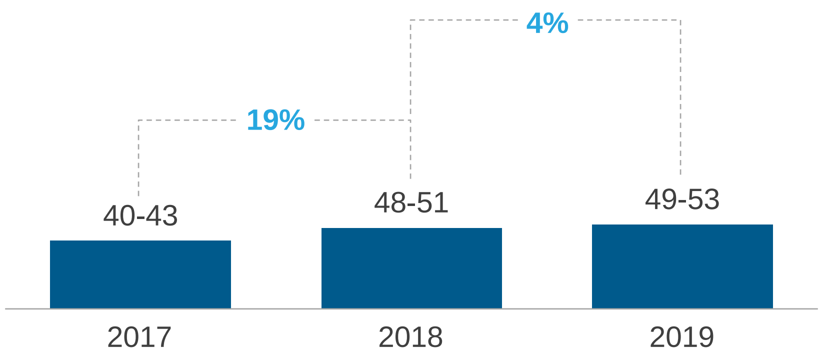
- The North American market witnessed a healthy growth of 8% in 2019, owing to strong demand from the mid-market segment and growth in services procurement
- The market is witnessing an increase in the scope of services with enterprises increasingly demanding services such as direct sourcing, consulting, and other value-added services
- The initial impact of COVID-19 resulted in a decline, with contractors being laid off and hiring frozen. However, the contingent worker management space is recovering fast with a large number of RFPs already circulating in the market
- 2020 will witness decline, but the market is expected to revive well in 2021 as enterprises will prefer hiring temporary workforce as they come out COVID-19

CWM market characteristics | EMEA

The EMEA market witnessed slower growth in 2019. This can be attributed to the economic slowdown and sluggish growth in temporary labor management by CWM providers

EMEA CWM outsourcing market size
Spend under management in US$ billion

X% YOY

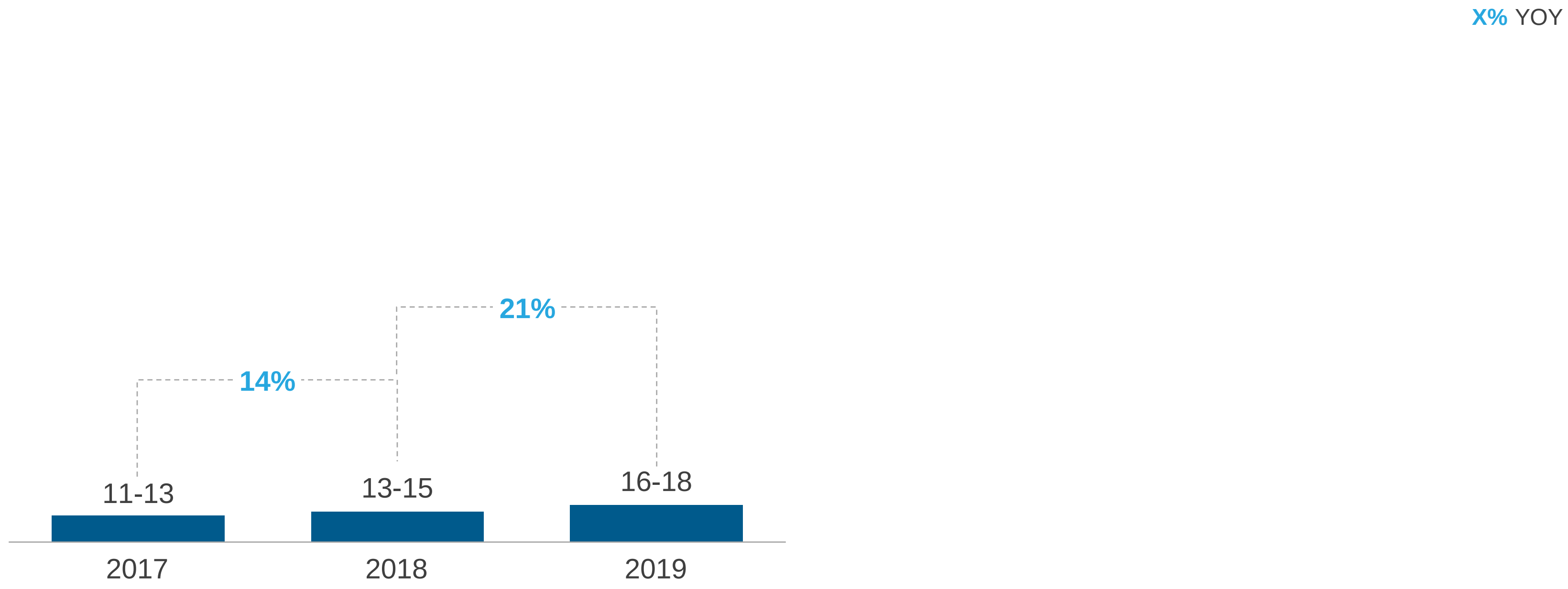


- The UK market exhibited a strong growth in 2019, driven by the recent IR35 regulation in the UK contributing to growth in the services procurement spend and rising uncertainty and confusion over Brexit that pushed enterprises to turn to CWM providers for greater contingent labor management and additional services around consulting and technology
- The Continental European market witnessed a contraction in growth due to the economic slowdown, which started toward Q3 and Q4 of 2019, and slow growth in temporary labor managed by CWM providers
- The overall EMEA market exhibited a single-digit growth rate backed by increasing demand for services procurement from countries such as Germany, Belgium, and the Netherlands
- The overall situation is expected to remain bleak in 2020. However, the market is expected to pick up pace in 2021

CWM market characteristics | APAC

The APAC market saw an uptick in growth, backed by increase in demand from emerging markets of South and Southeast Asia

APAC CWM outsourcing market size
Spend under management in US$ billion



- Asia Pacific, in 2019, witnessed an uptick in the overall growth , driven by the following reasons:
  – Continued strong growth in the largest APAC market of Australia
  – Increase in demand from emerging markets of South and Southeast Asian countries such as India, China, Japan, Malaysia, Vietnam, Thailand, and the Philippines
  – Increasing expansion of North America- and Europe-based companies in the region and increasing adoption from local enterprises
  – Enterprises are tapping into the contingent workforce for both low-skilled and high-skilled roles to cover the chronic mismatch in qualifications and job requirements, especially in Southeast Asia
  – High demand for services procurement from countries such as Australia and India
- The market is expected to witness a decline in 2020 due to COVID-19. However the Asia Pacific region is expected to undergo recovery in 2021, with CWM outsourcing following suit

05

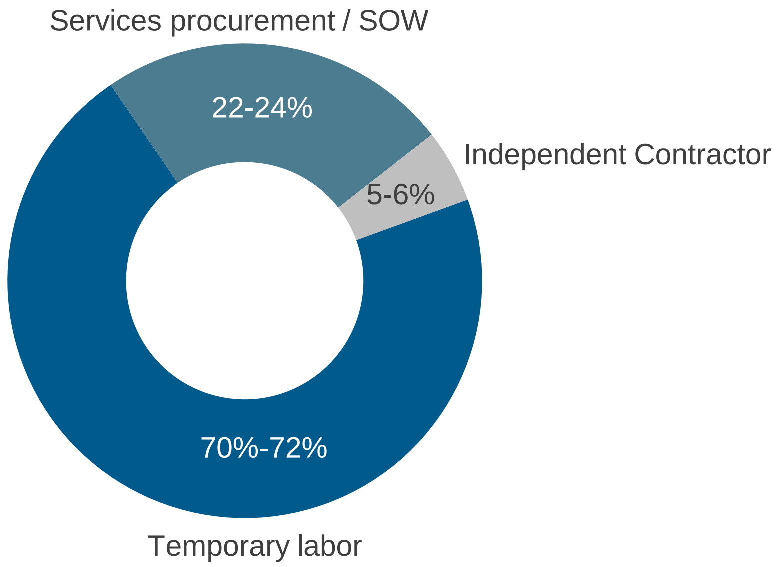
Next generation CWM trends

- Emerging talent models
- Buyer adoption
- Total Talent Acquisition (TTA)
- Consulting and value-added services
- Direct sourcing
- Digital in talent acquisition

Emerging talent models

The rapid evolution of contingent workforce market is changing the way enterprises are interacting and engaging with different talent types

CWM managed spend across different talent types (in outsourced situations)
2019; As a percentage of managed spend (US$ billion)

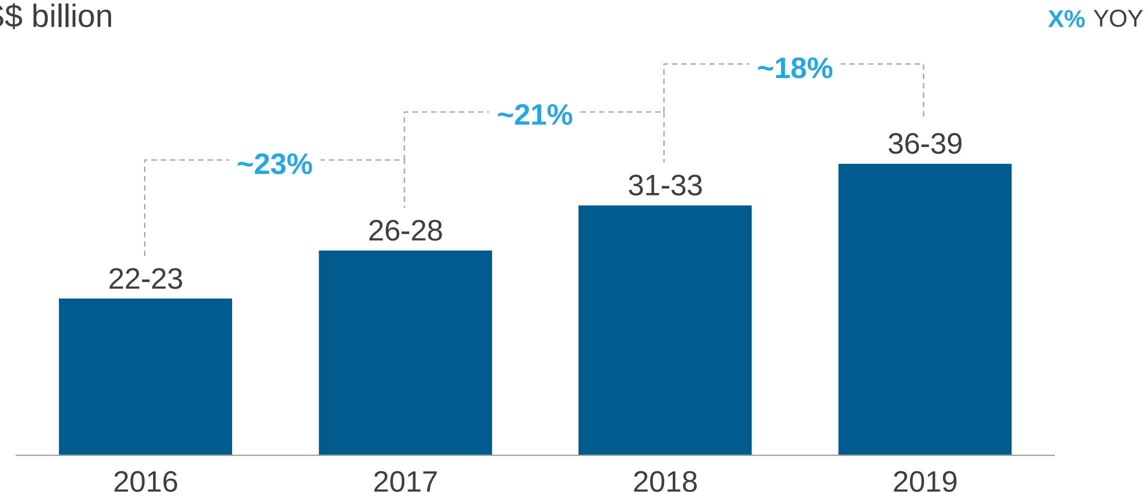


- Changing employment requirements and increasing preference for contingent work is leading to / resulting in rise in different talent types such as temporary workers, services procurement / SOW, and Independent Contractors / freelancers
- Steady growth in independent workers and increasing organizational challenges are pushing organizations to leverage increasing number of contingent workers in their workforce
- As CWM market is maturing, more and more buyers are entrusting CWM providers to manage the spend categories beyond just the traditional temporary labor management. Enterprises are trusting CWM providers to manage SOWs and Independent Contractors / freelancers as well

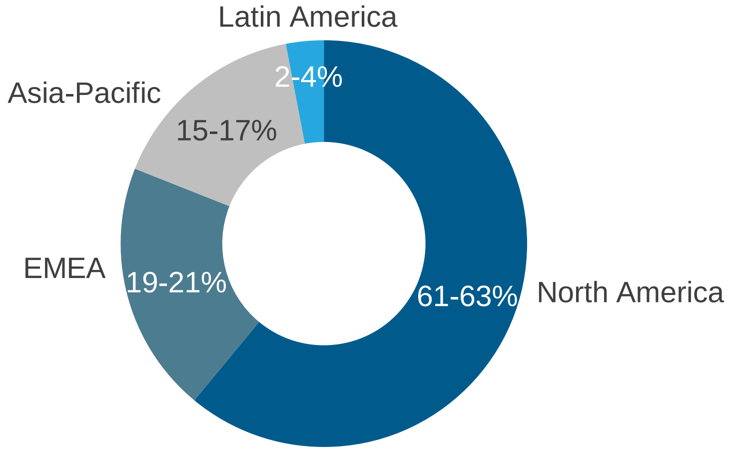
Emerging talent models | services procurement (page 1 of 2)

CWM service providers' services procurement spend under management is increasing rapidly on the back of rising awareness and maturing relationships between enterprises and service providers

Services procurement spend managed by CWM providers
US$ billion



Services procurement spend under management by geography
US$ billion



The services procurement spend managed by CWM providers is witnessing steady growth. The following are some of the reasons that are leading to the growth of this market:

- As the MSP market matures, more and more buyers are entrusting MSPs to manage spend categories beyond just the traditional temporary labor management
- Enterprises are increasingly outsourcing their services procurement to obtain various benefits across the following:
  - Cost benefits – spend savings and reduction in cost of procurement operations
  - Operational benefits – increased process accuracy, reduction in cycle time, and better compliance
  - Business benefits – better alignment with business objectives, improved risk management, reduced unmanaged spend, and improved supplier and employee satisfaction
- While the US and the United Kingdom dominate the global services procurement market in terms of the MSPs' services procurement spend under management, there is also a significant traction in services procurement activity in the emerging countries in Continental Europe and Asia Pacific

Emerging talent models | services procurement (page 2 of 2)

CWM providers are rapidly making investments in people with procurement experience and requisite tools and technologies in response to the increasing demand for services procurement management from their clients

Proprietary Partnership

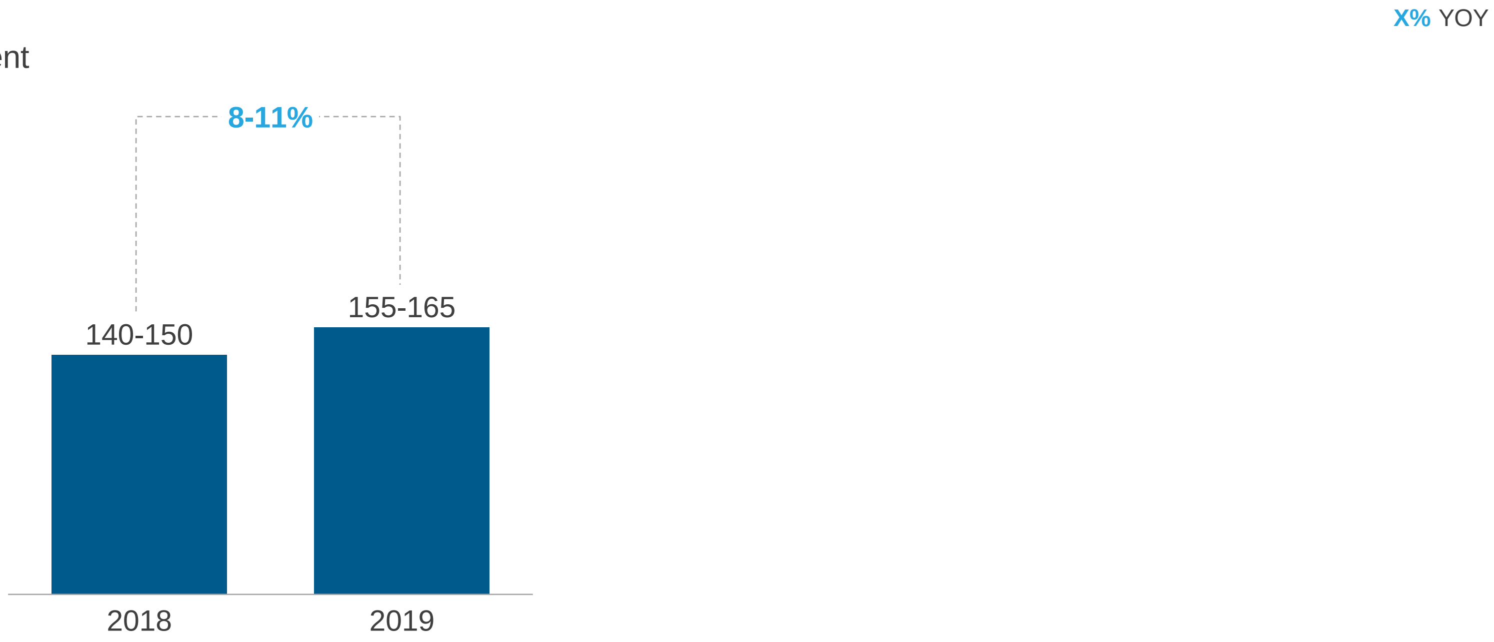
Demand from enterprises	Top investment areas for future growth		Approach taken by service providers
Cost reduction and spend visibility	Advanced analytics		• Core analytics platform (proprietary or partnerships) • Advanced analytics around tracking of services, people, demand management, visibility around high-volume, low-volume, and maverick spend
Consulting and advisory	Developing a consulting/advisory arm		Building an advisory practice to offer consulting services related to business case creation, workforce strategy, visibility related to spend, demand estimation, and advisory around type of workforce that should be engaged
Management of Procure-to-Pay (P2P) and administrative tasks (e.g., billing, payments, and RFP administration)	• Digital and technology investments • Hiring domain/category experts		• Access to various Vendor Management System (VMS) technology solutions (proprietary and partnership) • Developing various add-on tools using AI/ML and automation to leverage across the value chain of a services procurement engagement (e.g., tool to read services procurement contracts and tool to invoice and process payments through various technology platforms) • Hiring external procurement experts such as practice leaders, category managers, and contract negotiation experts to develop the right value proposition and capabilities for managing strategic processes • Developing advanced analytics to help with vendor selection based on performance analytics
Management of Source-to-Contract (S2C) and strategic processes (e.g., vendor selection, strategic sourcing, and category management)			

Source: Everest Group (2020)

Emerging talent models | Independent Contractor (IC) management (page 1 of 2)

Deals containing IC management component are gradually increasing in number; however, it accounts for a very small portion of the overall spend managed by CWM providers

Adoption trend for IC management
Number of active CWM deals containing IC management component



- Independent Contractors (ICs) sourcing and management largely remains an untapped area for CWM providers; with several CWM providers managing ICs as part of the broader CWM/MSP engagements
- The ongoing COVID-19 situation is expected to increase the use of ICs by enterprises – who will be willing to outsource their management to an external third-party provider
- Competition is still getting defined in this space with no clear set of providers that can be called leaders
- Major CWM providers are focusing on the classification and compliance aspect of IC management with very few providers helping with IC sourcing. However, partnerships with leading Freelancer Management Systems (FMSs) to manage ICs for clients is expected to increase the focus on IC sourcing

Note: Analysis is based on a sample of deals as available

Emerging talent models | Independent Contractor management (page 2 of 2)

Enterprises and service providers are making investments to enhance their Independent Contractor management capabilities

NOT EXHAUSTIVE

Providing analytics and visibility

- Service providers are increasingly developing real-time analytics capability to provide visibility around IC management
- Service providers are taking a consultative approach by helping enterprises tackle challenges related to misclassification
- Some of the activities being performed by service providers are restructuring and redistribution of IC management and voluntary reclassification of ICs

Partnership with freelancer management systems

- Companies are increasingly leveraging and partnering with various FMSs to ensure end-to-end management of independent contractors
- It helps put talent into a usable space and provides an end-to-end solution to store talent, post and fill projects, and manage onboarding and invoicing

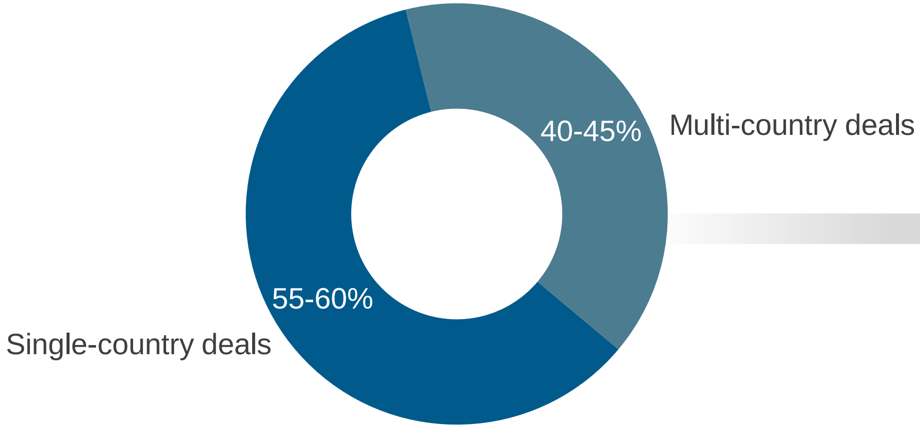
Developing dedicated tools for IC sourcing and management

- Service providers are developing dedicated end-to-end solutions to ensure proper IC management
- The aim is to provide end-to-end management ranging from IC sourcing to providing administrative aspects of IC management – including onboarding/offboarding, risk and compliance assessment, and payrolling
- For example, KellyOCG developed a complete IC solution that provides end-to-end IC management including services ranging from selection of appropriate HC/gig economy platforms to sourcing of independent contractors

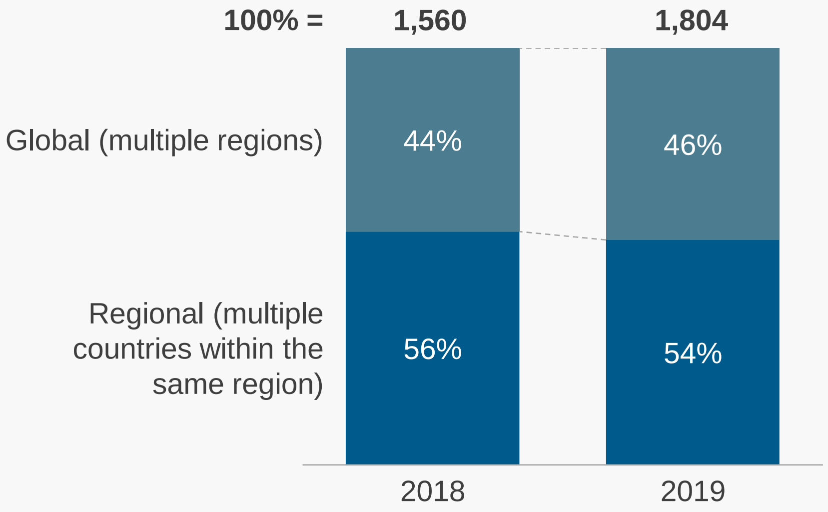
Buyer adoption | multi-country deals

Single-country deals dominate CWM outsourcing market currently, however, as the global supply chains are expected to remain in flux, multi-country deals are expected to increase

Distribution of CWM deals by scope of geography
Percentage split of active CWM deals



Multi-country CWM deals growth
Multi-country deals by type

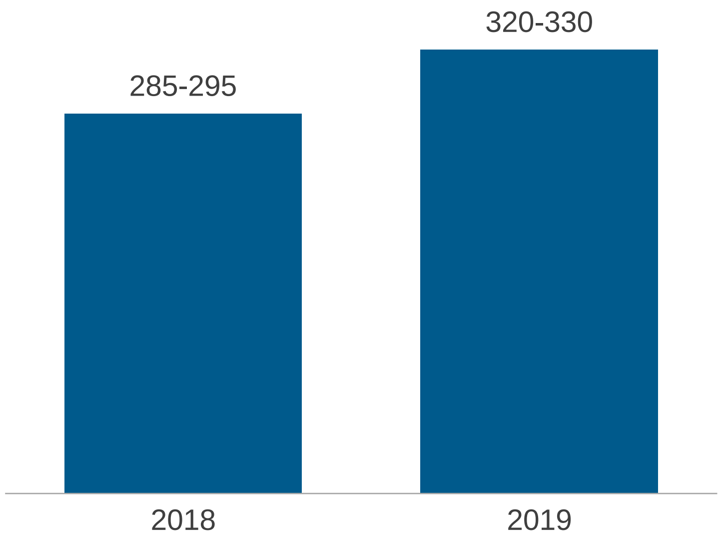


- Interestingly, the number of global multi-country deals is increasing rapidly. This is a direct result of CWM deals becoming global in scope – either through an increase in scope from single-country deals or expansion in terms of the categories of spend managed by providers (such as services procurement and IC management)
- The future demand for multi-country deals will depend on the successful mitigation of the disruption in the global supply chain by enterprises. With different countries exiting the lockdowns at different times, the demand for talent will be subject to fluctuation from region to region
- The future demand for multi-country deals will be subject to the extent of the geographical capabilities that the service providers have developed in order to handle the demand fluctuations across different regions. The increase in the percentage of multi-continent deals in 2019 indicates that service providers are focusing on improving their local sourcing capabilities

Total Talent Acquisition (TTA)

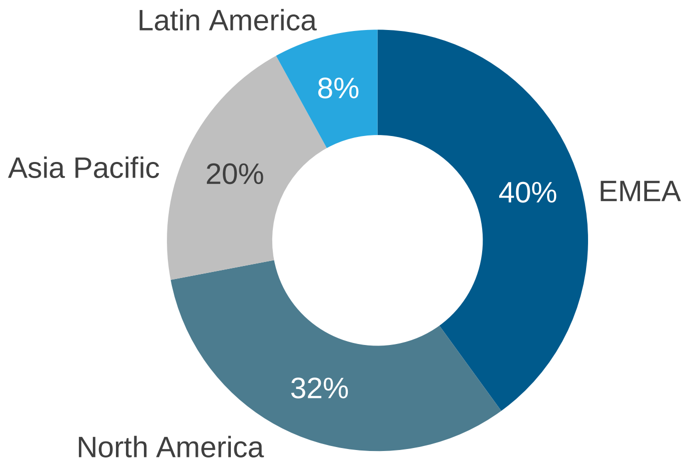
The number of TTA deals continue to rise in 2019 with the UK as the leading adopter

Adoption trend for permanent + temporary deals (not pure TTA)
2018-2019; Number of active deals



Permanent + contingent deals are gradually increasing in number, but very few of them are total talent acquisition deals in the true sense

Permanent + temporary deal adoption by signing region
2019; Percentage split of active deals



- Europe continues to be ahead of other regions in terms of TTA adoption owing to strategic orientation of buyers in the region
- In Asia Pacific, countries such as Australia and New Zealand are the major adopters of the TTA model, followed by countries such as China

Consulting and value-added services (page 1 of 2)

In-line with the changing demands of buyers, service providers are increasingly providing consulting offerings

Low High

Type of analytics	Description	Future adoption
Digital strategy consulting	This involves helping an enterprise's procurement and talent acquisition function to navigate the digital revolution. This is achieved by helping organizations understand and plan for the impact of digital and making the procurement and talent acquisition team digital ready in terms of implementing an adoption roadmap	
Services procurement (SOW) consulting	This involves optimizing enterprises' services procurement portfolio through utilization of strategic processes such as strategic sourcing, contract benchmarking, and category management, which require specialized capability and expertise	
Compliance advisory	Compliance advisory helps enterprises navigate the complex regulatory landscape surrounding contingent workforce; thus, saving them from legal hassles and monetary penalties	
Program performance optimization	This involves helping enterprises' procurement and talent acquisition teams to benchmark their contingent workforce program against the best-in class programs, while also suggesting tools and techniques to optimize their programs	
Market intelligence consulting	This involves comparison and assessment of the local and global demographics, overall size and scale of talent pools, availability of skills in different areas, and aligning of talent utilizing traditional and digital mapping tools	
Skills consulting	This involves helping an enterprise understand how to build "roles of tomorrow" which are not readily available – through a combination of strategies (acquire / acquire and train / reskill or upskill)	

Consulting and value-added services (page 2 of 2)

Similar to Recruitment Process Outsourcing (RPO), CWM service providers are increasingly providing value-added services to buyers in addition to core recruitment processes

Employer branding	As more and more candidates are now looking to work as contingent workers, they are increasingly paying attention to softer aspects of enterprise such as culture, mission, vision, work-life balance, and values, before making a decision to apply for a role in the enterprise. Employer branding is aimed at creating a favorable perception of the employer in the market, which also includes past, current, and future employees' perception about working in the organization
Programmatic advertising	Service providers are automating the job advertising process by leveraging analytics for programmatic job campaigns and advertisements. This is used to analyze and modify the campaign strategy based on its performance and efficiency
Talent communities	CWM service providers help enterprises build a pool of candidates from where enterprises can source talent as and when a suitable role opens. This generally involves maintaining an extensive database of high potential candidates, keeping them engaged continuously, and sourcing them according to the requirement
Workforce planning	CWM service providers enable enterprises to assess the current and future needs of the enterprise in terms of manpower, skills required, and sourcing that manpower efficiently and effectively, both internally and externally
Market insights and analytics	Enterprises are now demanding more and more market and business intelligence to better understand the talent economy, the competition for talent, and how they are placed in the talent economy. As a result, CWM service providers are now offering comprehensive analytics dashboards to help enterprises measure various metrics and benchmark them against market data

Direct sourcing (page 1 of 2)

Direct sourcing is increasingly being leveraged by enterprises and service providers as an alternative sourcing mechanism due to its multiple benefits

Direct sourcing involves leveraging enterprises' employer brand to create internal and external talent pools to source candidates. The pool used to source talent can be internally managed by the enterprise or externally managed by a third-party provider

Internal plus external talent pool

The talent pool consists of internal candidates plus external talent from:

- Talent pool from permanent side including former employees, retirees, applicants from own Applicant Tracking System (ATS)
- Internal social networks
- Company career site
- Online talent platforms/ marketplaces
- Independent contractors/ freelancers
- VMS and FMS
- SOW workers
- Social media

Benefits of direct sourcing

Cost reduction	Reduced supplier management	Sourcing of niche talent	Smoother onboarding	Faster time to productivity
It helps enterprises save costs by providing readily available talent at lower costs and reduces the need for time-consuming recruiting activities	It minimizes the need to work with multiple suppliers and staffing firms, reducing the effort required to manage multiple suppliers	It helps build a pre-vetted talent pool that helps source and deploy skilled candidates as and when the need arises	It helps in smoother onboarding of employees as they are already well-versed with organizational structure, activities, and culture	It enables faster hire productivity in case of internal talent pools, as they are already comfortable with the organization's environment and working style

Direct sourcing (page 2 of 2)

Enterprises and service providers are investing in various solutions to enhance their direct sourcing capabilities

Tools for creating talent communities

Service providers and technology start-ups are developing AI sourcing and data tracking tools for effective-talent communication and engagement

Leveraging internal networks

The aim of the providers through direct sourcing is to source candidates through their MSP arm instead of sourcing candidates through its staffing suppliers. Thus, providers are leveraging their internal networks including permanent worker pipeline on the RPO side as a part of direct sourcing

Online marketplaces and FMS system

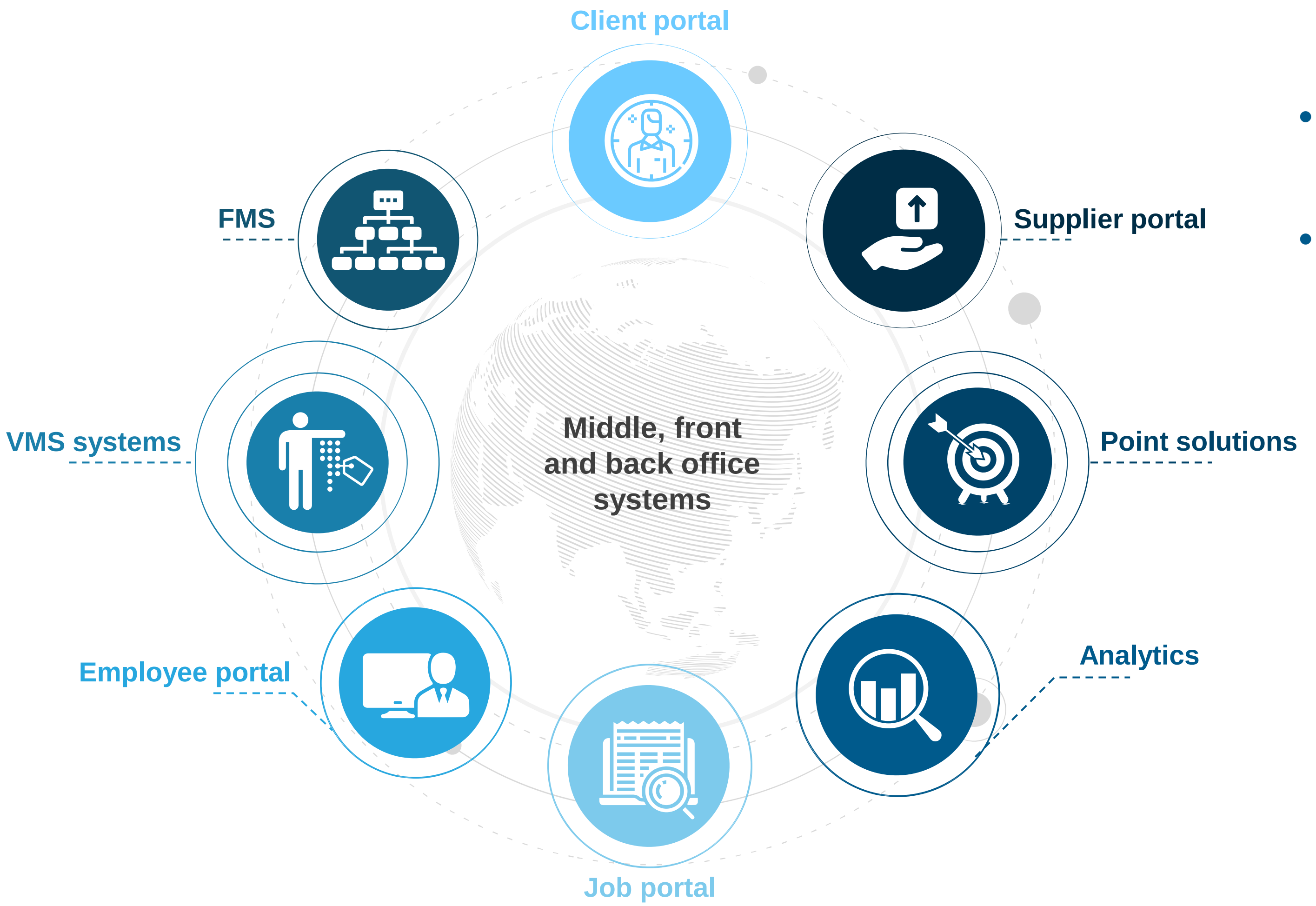
- Freelance Management System (FMS) is gaining steady prominence with an increasing number of companies deploying this technology
- It helps put talent into a usable space and provides an end-to-end solution to store talent, post and fill projects, and manage onboarding and invoicing
- The online talent marketplace consists of people (talent) providing services and making them available for purchase. Marketplaces are open to users selling their services, or a very specific skill that offers pre-qualified talent
- Some of these players are Upwork, Freelancer.com, and PeoplePerHour

Leveraging existing tools

Service providers and enterprises are leveraging their existing technology solutions such as ATS and VMS for automation of direct candidate sourcing

Digital in talent acquisition | tech ecosystem

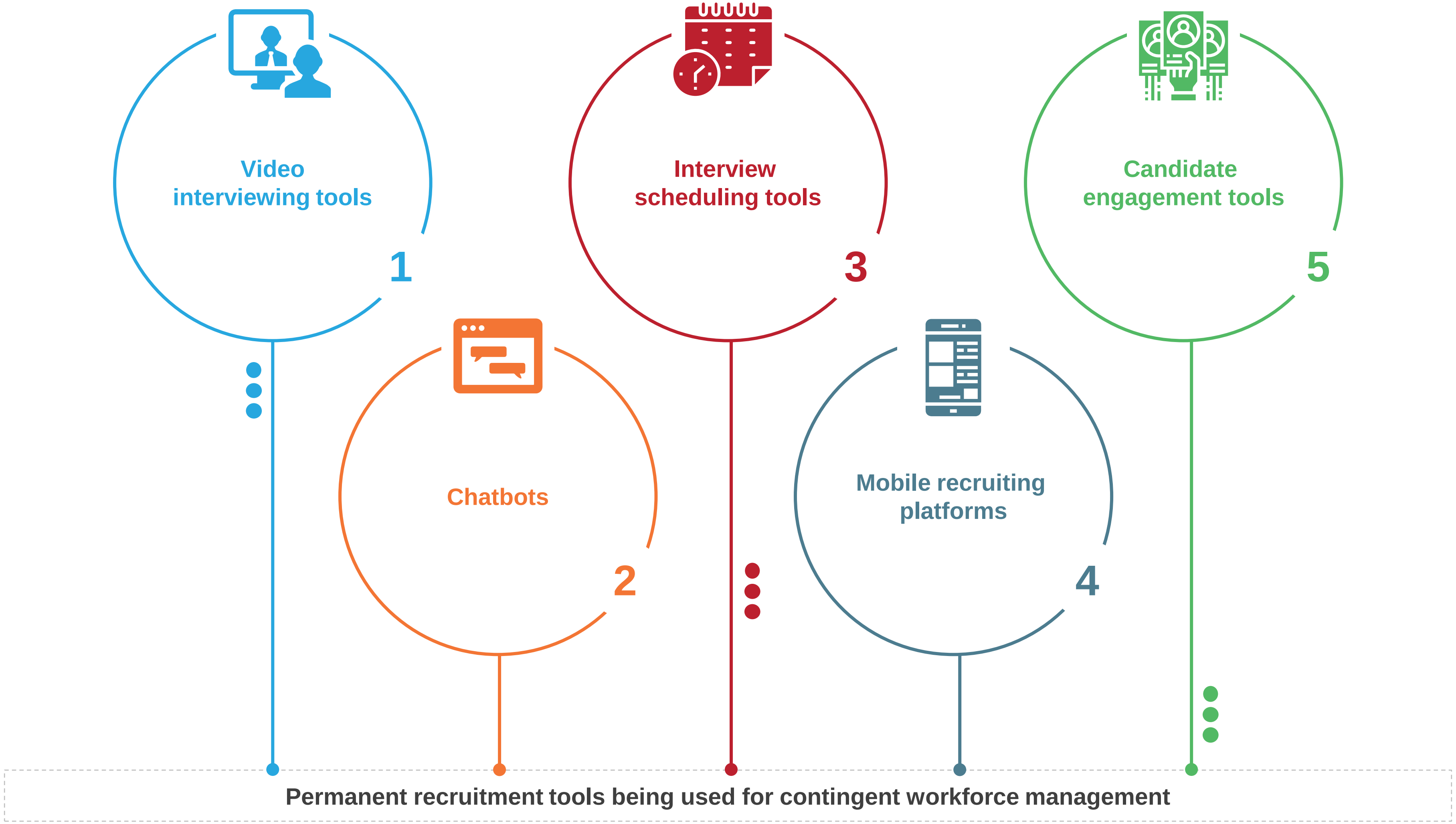
Service providers are leveraging automation to form a one-stop-solution of various tools and technologies. The aim of the ecosystem is to provide a seamless experience throughout the process chain



- Service providers are building a holistic technology ecosystem that integrates and augments different technologies for different stakeholders including candidates, hiring managers, and suppliers
- Some important features and functionalities that services providers can focus on to build a holistic technology solution are:
  - **"Middleware" as an integration source:** A middleware platform that integrates all CWM related tools and technologies, and acts as a single source for assimilating and analyzing data from all the integrated systems
  - **Sourcing the ideal talent:** A one-stop-shop for sourcing all types of contingent talent from various sources such as job boards, social media platforms, career landing pages, and internal (silver medalists, alumni, interns, etc.) and passive talent pools
  - **Enhanced visibility and in-depth insights:** Descriptive and prescriptive analytics that can help provide visibility related to different contingent talent, analytics around supplier performance, and market trends
  - **End-to-end talent acquisition experience:** Intelligently leverage standalone tools to streamline candidate and hiring manager experience. Some of such tools include chatbots, real-time interview scheduling, and video interviewing

Digital in talent acquisition

To improve stakeholder experience, permanent recruitment-oriented tools are increasingly being leveraged for contingent workforce management



Digital in talent acquisition | advanced analytics

Enterprises are demanding advanced analytics solutions to gain greater spend visibility and make better-informed decisions

Low ◔ ● High

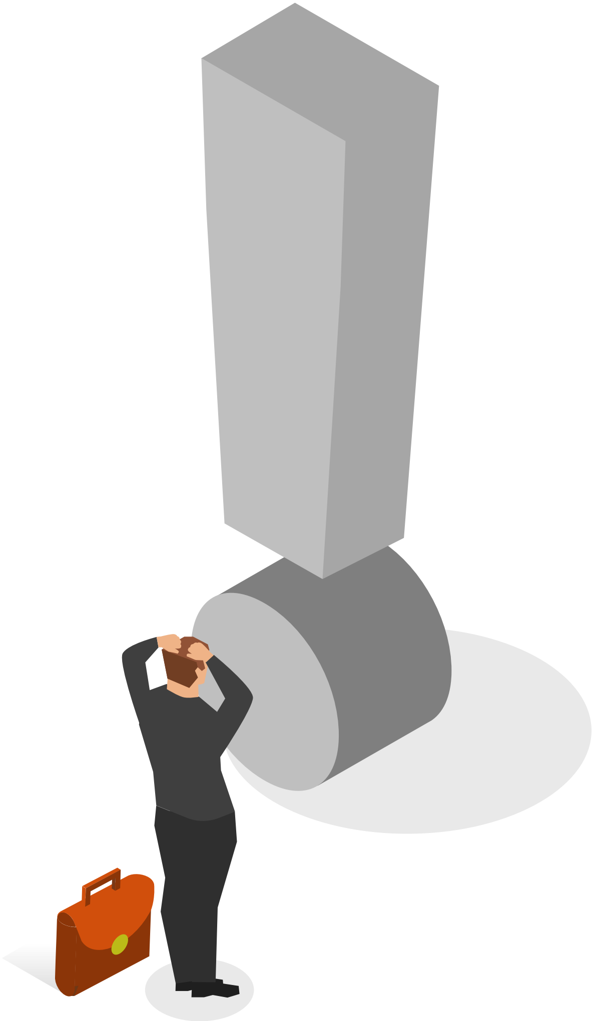
Type of analytics	Description	Future adoption
Supplier analytics	This involves optimizing the supply base and helping organizations select the best-fit supplier by reviewing KPIs ranging from supplier fill rate analysis, rate card compliance, assignment performance, and billing and payments	◑
Workforce analytics	This is done to optimize workforce capabilities ranging from headcount tracking, requisition and time to fill, candidate compliance, turnover, source to hire, and candidate quality analysis	◑
Spend analytics	Analysis to get deeper insights into the overall spend being made by an organization on its contingent workforce. This includes rate card analysis, spend analysis, services procurement analysis, and overtime analysis	◕
Peer benchmarking	This involves benchmarking of Key Performance Indicators (KPIs) such as bill rates across programs, workforce performance, supplier performance, various sources of hiring, and turnover rate externally against industry standards for program optimization	◑
Location analytics	This involves comparison and assessment of the local and global demographics, overall size and scale of talent pools, availability of skills in different areas, and mapping of talent utilizing traditional and digital mapping tools	◔

06

Future trajectory of the CWM market

- For service providers
- For enterprises

Current economic challenges are unprecedented and were unforeseeable; service providers must transform their processes to overcome them



Partnership and consultative approach

Buyer and service provider relationship needs to evolve beyond the traditional term and head toward a strategic partnership. Demand for services such as services procurement and technology consulting are expected to increase, thus, service providers should develop/offer consulting/advisory services

Accelerate investments in digital

Organizations should consider digital solutions including automation to reduce the time to hire and improve the quality of candidates sourced. This will result in reducing hiring costs and ensuring business continuity by providing a higher degree of automation and ability to work remotely from target geography

Build services procurement management capability

Services procurement management is becoming a major growth driver for CWM providers. Service providers should focus on building specialized capability to target services procurement-related deals as the capability required to manage services procurement is different from what is needed to manage other contingent workers

Leverage direct sourcing

Service providers should increasingly leverage direct sourcing as an alternate sourcing mechanism for its multiple benefits. They should focus on developing the necessary capabilities and skills needed for direct sourcing

Achieve internal organization realignment

Service providers should focus on realigning their RPO and MSP functions to create a holistic talent strategy and help organizations save cost and improve the Talent Acquisition (TA) cycle time

Enterprises should transform their standard operating procedures to effectively counter the impact on business

Accept centralization and offshoring

To deal with the price pressure and new working conditions, enterprises will have to accept centralization and offshoring for transactional as well as complicated processes

Embrace digitalization

To enable new delivery models and process efficiency, organizations will have to build technological capabilities to enable automation of processes and work from remote locations capability

Better relationship between HR and procurement

Traditional organizational silos between the HR and procurement teams should give way to a relationship that focuses on close co-ordination. This will enable organizations to leverage economies of scale by joint management of temporary and permanent workforce and achieve true total talent visibility

Evaluate service providers separately for traditional CWM and services procurement

The capability required to manage services procurement is different from what is needed to manage other contingent talent types. Thus, enterprises should have different parameters to assess service providers when outsourcing services procurement

07 Appendix

- Glossary
- Research calendar

Glossary of key terms used in this report

ACV	Annualized Contract Value is calculated by dividing the Total Contract Value (TCV) by the term of the contract
ATS	An Applicant Tracking System is a software application that enables the electronic handling of recruitment needs. An ATS system can be implemented on an enterprise or small business level, depending on the needs of the company
Best-of-breed	Best-of-breed solutions are point solutions for specific process or subprocess
Blended talent acquisition model	The blended talent acquisition model is inclusion of both permanent and contingent hiring within a single service provider contract
Buyer	The company/entity that purchases outsourcing services from a provider of such services
Global deal	Global deal refers to a deal where delivery occurs in multiple continents
Global sourcing	Global sourcing refers to a strategy wherein services are sourced from a country (or countries), different from the country (or countries), where the company receiving the services is located. It includes both offshoring and nearshoring
Managed spend / spend under management	Managed spend refers to the expenditure incurred by a company to procure services (and goods), and is actively managed by the MSP or PO provider
MSP	Managed Service Provider (MSP) is the transfer of ownership of all or a part of the management of an organization's contingent/temporary staffing activities on an ongoing basis
PO	Procurement Outsourcing (PO) is the transfer of ownership of all or a part of procurement processes or activities on an ongoing basis
RPO	Recruitment Process Outsourcing (RPO) is the transfer of ownership of all or a part of recruitment processes or activities on an ongoing basis, and must include permanent hires
SaaS	Software-as-a-Service is a software that is deployed on Internet and/or is run behind a firewall in the local area network or personal computer
TCO	Total Cost of Ownership
TCV	Total Contract Value is the potential revenue associated with the transaction and estimated at the commencement of the contract (e.g., sum total of revenue accrued to the service provider from the transaction over the entire transaction term, usually measured in millions of dollars)
VMS	Vendor Management System (VMS) is a software application that helps manage and procure contingent labor through staffing agencies

Research calendar

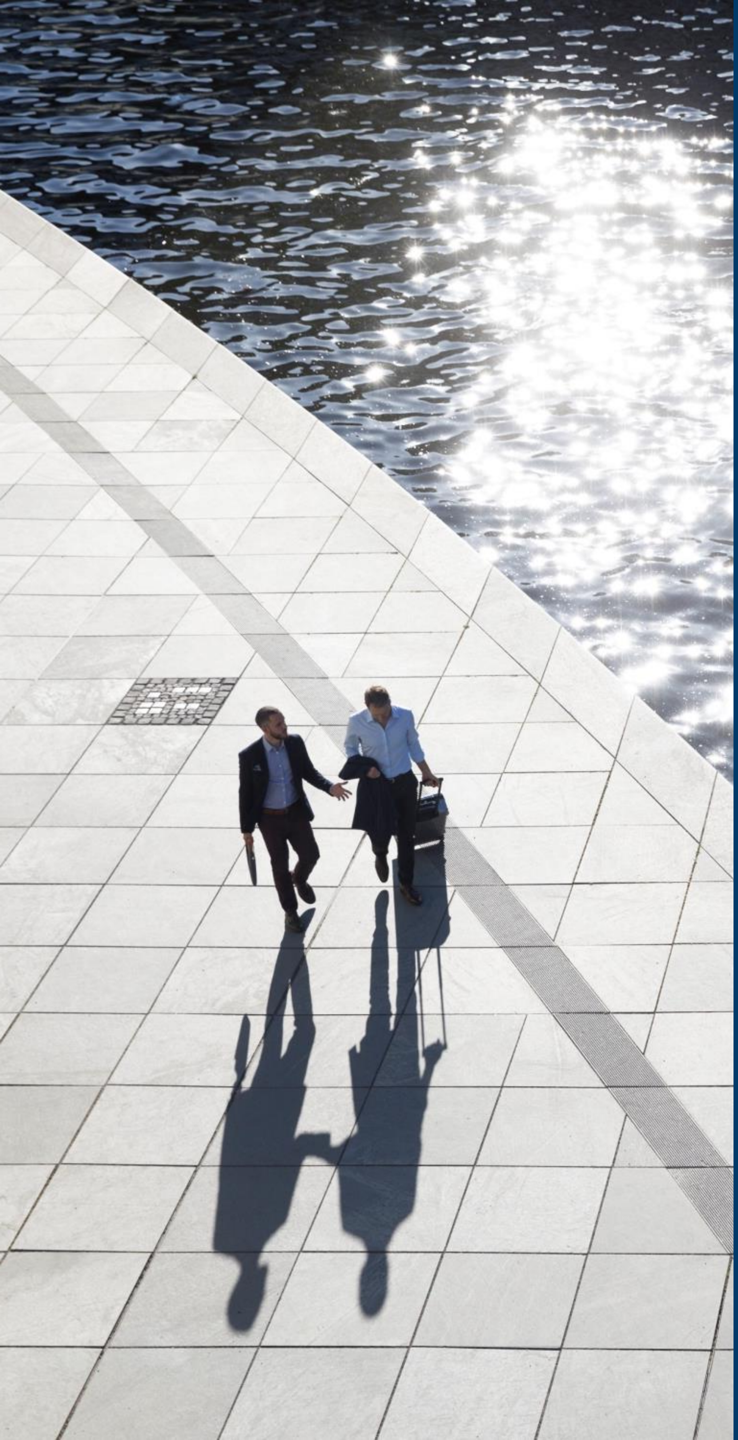
Contingent Workforce Management

Published Planned Current release

Flagship CWM reports	Release date
Managed Service Provider (MSP) Service Provider Landscape with PEAK™ Matrix Assessment 2019	June 2019
Managed Service Provider (MSP) Annual Report 2020: Leading Through Disruption	October 2019
Services Procurement – Service Provider Landscape with PEAK Matrix® Assessment 2020: Unlocking the True Potential of Services Procurement	April 2019
Contingent Workforce Management (CWM) – Service Provider Landscape with Services PEAK Matrix® Assessment 2020	August 2020
CWM – Service Provider Profile Compendium 2020	October 2020
Tackling the Global Pandemic: Contingent Workforce Management (CWM) State of the Market Report 2021	**October 2020**

Thematic CWM reports	Release date
In pursuit of best in class MSP program	January 2020
Data & Analytics – Foundational Pillars for Efficient Services Procurement Management	March 2020
Collaboration to beat disruption – Future of CWM	July 2020
Total Talent Acquisition (TTA) viewpoint	Q4 2020

Note: For a list of all of our published Contingent Workforce Management reports, please refer to our website page



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