

Contingent Workforce Management (CWM) and Vendor Management System (VMS) State of the Market 2023 – Adapting to the Ever-evolving Economic and Business Environment

January 2024: Complimentary Abstract / Table of Contents



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- ▶ Software Product Engineering Services
- ▶ Supply Chain Management (SCM) Services
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Background of the CWM/MSP and VMS research

The CWM/MSP and VMS industry is growing significantly, and the aftermath of the pandemic, leading to increasing demand for contingent workforce, has further fueled this expansion. However, providers are cautious about the potential economic slowdown. To ensure resilience, CWM and VMS providers are investing in improving services delivery capabilities, process digitalization, Total Talent Acquisition (TTA), and newer talent acquisition models such as services procurement, independent contractors / freelancers, and direct sourcing. Additionally, VMSs have not only enhanced the features and functionalities of core technology but have built capabilities to serve specialized client needs across geographies and industries. This report examines the dynamics of global CWM/MSP and VMS providers and their impact on the market. It also explores the future trajectory of the market, which is being led by the current market conditions, provider landscape, and buyer expectations.

In this research, we examine:

- Evolution of CWM/MSP and VMS market
- Geographical variations in the CWM/MSP and VMS market
- CWM/MSP and VMS market size and growth
- Buyer adoption and demand trends
- Key trends shaping the future of CWM/MSP and VMS market

Scope of this report



Geography
Global



Industry
All industries



Services
CWM, services
procurement, and VMS

Overview and abbreviated summary of key messages

This report examines the dynamics of the global CWM/MSP and VMS vendors, and their impact on the market. It also sheds light on the future trajectory of the CWM/MSP and VMS market, which is being led by the current market conditions, service provider landscape, and buyer expectations

Some of the findings in this report, among others, are:

CWM and VMS market growth and projections

- Following a stagnation in 2020 due to the pandemic, the global CWM/MSP and the VMS markets has experienced a strong double-digit growth in Spend Under Management (SUM) during the years 2021 and 2022.
- Despite the economic slowdown in 2023, the CWM/MSP and VMS market is projected to grow by 3-6% due to inherent benefits of flexible workforce models
- Small-market clients of VMSs, with contingent workers' needs confined to a single country, often opt for self-managed programs in which enterprises do not outsource their CWM to MSPs
- North America, with the strong double-digit growth, remains the largest adopter of CWM/MSP and VMS, and EMEA continues to be second largest region, but realized a slight decline in CWM/MSP market share due to its relatively slower growth. APAC constitutes a smaller portion of the CMW/MSP and VMS markets, but is expected to have faster growth rate compared to other regions

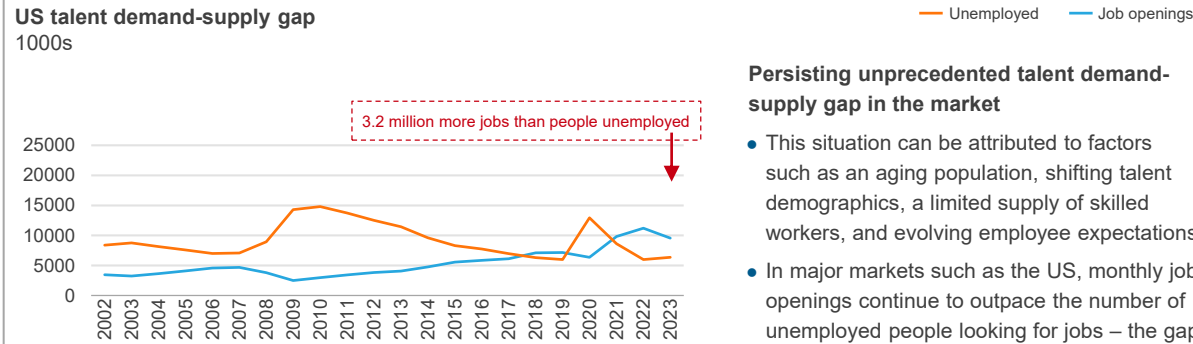
CWM and VMS market key trends

- The future growth of CWM and VMS markets is projected to be primarily driven by the nontraditional contingent talent acquisition model such as services procurement, independent contractors / freelancers, and direct sourcing
- While many enterprises use talent pooling features within VMS, there is a potential for VMS providers to gain traction for deals involving direct sourcing. Consequently, CWM/MSP providers need to get involved in the strategic parts of direct sourcing
- Technology advisory and implementation, DE&I, assessment and selection, EVP and brand, and analytics and insights are high-demand HR advisory/consulting segments. A few providers are rapidly investing in building standalone/dedicated consulting and advisory practices
- Providers are investing in analytics, integration, and automation for developing end-to-end CWM capabilities and providing holistic insights into CWM programs. They are also investing in building job-role-specific capabilities like shift scheduling and compliance management

This study offers distinct chapters providing a deep dive into key aspects of MSP/CWM and VMS market; below are four charts to illustrate the depth of the report

Macro trends from the global talent market

US talent demand-supply gap
1000s

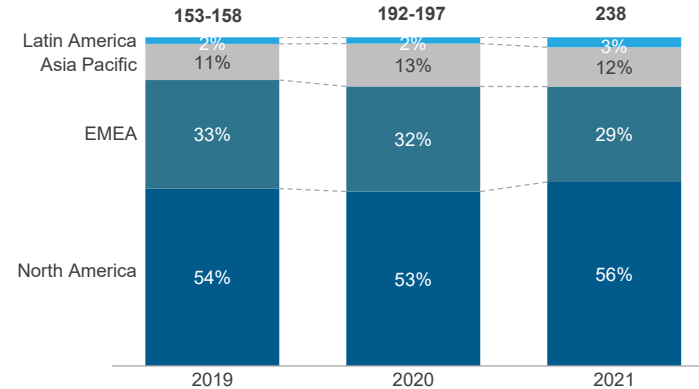


Persisting unprecedented talent demand-supply gap in the market

- This situation can be attributed to factors such as an aging population, shifting talent demographics, a limited supply of skilled workers, and evolving employee expectations
- In major markets such as the US, monthly job openings continue to outpace the number of unemployed people looking for jobs – the gap was about 3.2 million in September 2023

Geographical variations in the CWM market

CWM outsourcing market size by geographic region
US\$ billion



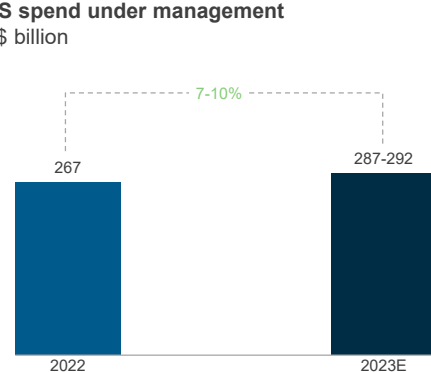
Key trends shaping the future of CWM/MSP and VMS market

- Newer talent acquisition categories/models**
 Enterprises are looking beyond staff augmentation and increasing their adoption of flexible and innovative contingent talent acquisition options such as direct sourcing, IC/freelancers, and SoW
- TTA and management**
 TTA deals are growing, and organizations are taking various approaches toward TTA and TTM, including single provider for permanent and contingent talent, integrating HCM with VMS, total talent analytics, and talent channel guidance
- Consulting and advisory**
 Mature buyers are increasingly looking for advisory services as part of CWM/MSP deals. Also, there is a substantial rise in the number of standalone consulting deals by MSP providers
- Technology and analytics**
 Holistic insights into the CWM program by using multiple data sources, developing an integrated technology ecosystem, and leveraging next-generation technologies and AI are some of the key focus areas for MSPs and VMSs
- DE&I**
 In recent years, contingent workforce DE&I has increasingly become the focus area for enterprises and many of them are now seeking external help to begin or improve their DE&I practices and become an inclusive employer



Global VMS market size

VMS spend under management
US\$ billion



- XX% YoY growth**
 • The VMS market bounced back and experienced a strong double-digit growth in 2021 in 2022 due to the following reasons:
 - Rise in the number of active VMS deals owing to increasing focus on digital transformation and enterprises' demand to enhance spend visibility and improve compliance
 - Higher adoption from small-market enterprises due to increased availability of cost-effective and specially tailored light VMS solutions in the market
 - Expansion of the scope of the already existing VMS deals to other geographies and worker types including services procurement / SoW and independent contractors
- In 2023, VMS market is expected to post a lower single-digit growth rate as enterprises are cautious about the implications of the ongoing economic slowdown

Research calendar

Contingent Workforce Management

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
Beeline Acquires Utmost: Enabling a Platform-driven Model for Total Talent Visibility	January 2023
Contingent Workforce – a Strategic Lever to Drive Resilience and Sustainable Agility	March 2023
Operationalizing the Total Talent Acquisition (TTA) Model	April 2023
Vendor Management System (VMS) Products PEAK Matrix® Assessment 2023	May 2023
Vendor Management Systems (VMS) – Technology Provider Compendium 2023	August 2023
Contingent Workforce Management (CWM) / Managed Service Provider (MSP) and Services Procurement / SOW PEAK Matrix® Assessments 2023	August 2023
CWM / MSP and Services Procurement / SOW – Service Provider Compendium 2023 Updated	October 2023
Aligning Stakeholders and Technology in Contingent Workforce Management (CWM)	October 2023
Contingent Workforce Management (CWM) and Vendor Management System (VMS) State of the Market 2023 – Adapting to the Ever-evolving Economic and Business Environment	January 2024
Avionté Acquires SimpleVMS: Forging an End-to-end Integrated Platform for Contingent Talent Acquisition and Management	Q1 2024
What Do Buyers Want from Talent Acquisition Service Providers?	Q1 2024
Vendor Management Systems (VMS) – Vendor Landscape with PEAK Matrix® Assessment 2024	Q2 2024
Vendor Management Systems (VMS) – Vendor Profile Compendium 2024	Q2 2024
Contingent Workforce Management (CWM) / Managed Service Provider (MSP) and Services Procurement / Statement of Work (SOW) PEAK Matrix® Assessments 2024	Q2 2024
Contingent Workforce Management and Statement of Work Service Provider Profile Compendium 2024	Q3 2024

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