

The Global
Contingent
Workforce **Cost**
Optimisation
Guide



Introduction

Workforce Costs Are Rising. Visibility Isn't Keeping Pace.

Contingent workforce programmes have become significantly more complex over the last few years. Contractors are now engaged across multiple suppliers, regions, business units, and workforce models. Hiring managers often move quickly to secure talent, introducing new vendors or engagement processes without central oversight. Workforce data becomes fragmented across systems, suppliers, and departments.

The result is not always visible immediately.

But underneath that activity, operational inefficiencies begin to build.

Supplier rates become inconsistent. Contractor onboarding varies across regions. Compliance oversight becomes reactive. Procurement teams spend more time correcting workforce issues than proactively managing workforce strategy.

This has become a major operational challenge for procurement and workforce leaders globally.

Research from Staffing Industry Analysts and Deloitte suggests contingent workers now make up between 40–50% of the global workforce in many enterprise organisations. At the same time, only 30–40% of organisations report having full visibility into contingent workforce spend.

That gap matters.

Because when visibility is limited, workforce cost control becomes reactive.

This guide explores:

- where workforce cost leakage typically occurs
- why supplier fragmentation increases spend
- how compliance issues quietly affect budgets
- where MSP, EOR, and Direct Sourcing improve workforce control
- practical actions procurement leaders can take now



SECTION 1

The hidden cost drivers most organisations miss

Most organisations track contractor rates carefully.

Far fewer track the operational inefficiencies surrounding contractor management itself.

That is where workforce cost leakage often builds.

Supplier fragmentation creates quiet cost growth

Supplier networks tend to grow organically over time.

A business unit adds a local supplier to support urgent hiring. A regional team negotiates a separate contract. Existing vendors continue operating under different pricing structures.

Over time, organisations often end up with:

- inconsistent contractor rates
- duplicate suppliers
- fragmented workforce reporting
- reduced negotiation leverage
- inconsistent onboarding processes

According to Everest Group research, contractor rate variance across suppliers can reach 15–25% for comparable roles.

This means organisations may unknowingly pay significantly different rates for the same skillset depending on supplier or location.

Actionable Tip

Conduct a Supplier Rationalisation Review

Procurement teams should assess:

- how many suppliers are actively engaged
- where supplier overlap exists
- whether rates differ across regions or business units
- which suppliers are delivering the highest contractor quality

Reducing supplier duplication often improves:

- visibility
- reporting consistency
- negotiation leverage
- workforce governance

Organisations introducing supplier consolidation strategies typically reduce contingent workforce costs by 5–15%.

Limited workforce visibility reduces cost control

Many organisations still cannot answer simple workforce questions consistently:

- How many contractors are currently active?
- Which suppliers are driving the highest spend?
- Where are contractor rates increasing fastest?
- Which business units are operating outside governance frameworks?

Without central visibility, procurement teams often spend more time collecting workforce data than analysing it.

This limits:

- workforce forecasting
- spend optimisation
- supplier performance management
- compliance oversight

Actionable Tip

Build One Central Workforce Reporting Structure

Even before introducing new workforce technology, organisations should define:

- standard workforce reporting categories
- supplier reporting expectations
- contractor engagement workflows
- approval structures

Visibility improves faster when reporting becomes consistent across suppliers and regions.

Manual workforce administration creates hidden operational cost

Workforce inefficiency is not limited to supplier pricing.

It also appears through:

- manual onboarding corrections
- invoice discrepancies
- payroll rework
- contractor extension approvals
- compliance remediation

Research from McKinsey suggests HR and procurement teams can spend up to 30% of their time managing manual workforce processes and correcting operational issues that could have been prevented earlier.

That operational effort rarely appears in workforce budgets directly, but it significantly affects productivity.



SECTION 2

Why workforce governance has become a financial issue

Workforce governance is often treated as a compliance responsibility alone. But governance failures create measurable financial consequences.

Poor governance increases operational friction

When contractor engagement processes differ across regions or suppliers, organisations often experience:

- onboarding delays
- inconsistent contractor experiences
- fragmented invoicing
- duplicate approvals
- limited audit readiness

The programme still functions, but it requires constant manual correction behind the scenes.

Compliance risk is also a cost risk

Worker misclassification and payroll compliance issues can create substantial financial exposure.

According to OECD and workforce compliance studies, penalties related to worker misclassification can exceed 20–40% of worker salary costs depending on the jurisdiction.

Beyond penalties themselves, organisations often face:

- legal review costs
- payroll corrections
- project disruption
- reputational risk
- operational delays

Actionable Tip

Review Workforce Governance Before Expanding Contractor Hiring

Before increasing contingent workforce scale, organisations should review:

- contractor classification processes
- onboarding workflows
- supplier governance standards
- payroll compliance procedures
- workforce reporting consistency

Scaling fragmented processes simply increases operational risk faster.

SECTION 3

The cost of supplier sprawl

Supplier sprawl is one of the biggest drivers of workforce inefficiency. And in most organisations, it develops gradually.

As workforce demands increase, suppliers are added quickly to meet hiring pressure. Over time, procurement teams inherit:

- overlapping vendor ecosystems
- inconsistent commercial terms
- fragmented reporting structures
- uncontrolled contractor rates

This reduces operational consistency across the workforce programme.

Real-world example

Renewable Energy Organisation

A global renewable energy company managing contractors across large-scale projects struggled with fragmented supplier management and inconsistent workforce reporting.

Different suppliers operated across regions with limited standardisation, creating:

- inconsistent contractor pricing
- reduced workforce visibility
- administrative inefficiency

By introducing a more structured MSP model, the organisation improved supplier governance and standardised workforce reporting.

Outcomes Included:

- improved workforce visibility
- stronger supplier accountability
- reduced administrative complexity
- greater reporting consistency across regions

[Read the full case study](#)

Actionable Tip

Identify Tail Spend Across Contractor Suppliers

Many procurement teams focus heavily on top suppliers while smaller vendors quietly create:

- uncontrolled spend
- inconsistent rates
- reporting gaps
- governance challenges

A supplier tail-spend review often identifies immediate consolidation opportunities.

SECTION 4

Why organisations are reviewing MSP, EOR, and direct sourcing models

As contingent workforce programmes grow, organisations increasingly recognise that operational structure matters as much as supplier cost.

Different workforce models solve different operational problems.

MSP (Managed Service Provider)

MSP models centralise contingent workforce management through:

- supplier governance
- workforce reporting
- contractor onboarding
- compliance oversight
- workforce administration

MSP programmes are often introduced when organisations experience:

- supplier sprawl
- poor workforce visibility
- inconsistent contractor engagement
- rising operational overhead

Industry research suggests MSP programmes commonly reduce contingent workforce costs by 5–15%. But the operational value usually extends beyond cost alone.

Actionable Tip

Assess Whether Your Workforce Programme Is Already Functioning Like an MSP Without Structure

Many organisations already perform:

- supplier coordination
- contractor governance
- workforce reporting
- compliance administration

internally through fragmented teams.

An MSP often consolidates these activities into one operational framework.

EOR (Employer of Record)

EOR supports compliant workforce engagement without requiring local legal entities.

This helps organisations:

- enter new markets faster
- reduce international setup costs
- simplify payroll and compliance administration

Entity setup can cost between USD \$20,000–\$100,000+ per country, excluding ongoing operational overhead.

EOR reduces that structural burden significantly.

Actionable Tip

Use EOR Strategically for Market Testing

EOR is often most effective when:

- entering new regions
- hiring project-based workers
- assessing market viability before entity setup

This reduces long-term operational exposure during early expansion phases.

Real-world example

University Workforce Expansion

An organisation managing workforce engagement across multiple countries faced increasing operational pressure around payroll administration and compliance management.

Introducing a structured EOR model simplified:

- payroll administration
- compliance oversight
- contractor engagement workflows

while improving workforce scalability across regions.

[Read the full case study](#)



Direct Sourcing

Direct Sourcing allows organisations to build private contractor talent pools and reduce dependency on staffing agencies.

This improves:

- workforce visibility
- contractor quality consistency
- hiring responsiveness
- long-term cost control

Direct sourcing programmes can reduce agency spend by 10–20%.

Real-world example

Boeing Workforce Strategy

A large enterprise managing technical contractor hiring relied heavily on staffing suppliers across multiple business units.

This created:

- rising agency costs
- inconsistent workforce visibility
- fragmented contractor engagement

A direct sourcing strategy improved workforce control while reducing agency dependency and improving contractor pipeline consistency.

[Read the full case study](#)



SECTION 5

Workforce stability creates financial stability

One of the biggest misconceptions in workforce management is that optimisation simply means reducing contractor rates.

In reality, workforce optimisation is often about reducing operational inconsistency.

Stable workforce programmes create:

- predictable supplier governance
- consistent onboarding
- improved reporting accuracy
- reduced administrative escalation
- stronger compliance oversight

This reduces the amount of manual correction required across procurement, HR, finance, and legal teams.

What stable workforce programmes usually have in common

High-performing workforce programmes typically include:

- centralised reporting structures
- defined supplier governance frameworks
- standardised onboarding processes
- workforce visibility across regions
- clear contractor approval workflows

The result is not necessarily dramatic operational change.

It is operational predictability.

And operational predictability reduces cost over time.

Actionable Tip

Measure Workforce Friction, Not Just Workforce Spend

Most organisations track supplier spend carefully.

Far fewer measure:

- onboarding delays
- approval bottlenecks
- invoice correction frequency
- contractor extension rework
- supplier duplication

These operational inefficiencies often create larger long-term costs than supplier pricing alone.

Cost optimisation

starts with workforce structure

Contingent workforce costs rarely increase because of one isolated issue.

They grow gradually through:

- fragmented supplier ecosystems
- inconsistent governance
- limited workforce visibility
- manual operational processes
- reactive compliance management

That is why workforce optimisation is becoming less about isolated cost-cutting initiatives and more about creating workforce programmes that remain stable, visible, and manageable as they scale.

When workforce structure improves:

- supplier accountability improves
- workforce visibility improves
- operational friction reduces
- compliance becomes easier to manage
- workforce costs become easier to control

The organisations gaining the most control over workforce spend are not simply reducing contractor numbers.

They are reducing the inefficiency surrounding the workforce itself.

Review the Structure Behind Your Workforce Costs

If your organisation is struggling with supplier inconsistency, workforce visibility gaps, rising contractor spend, or operational complexity, it may be time to review the structure behind the programme.

CXC helps organisations improve contingent workforce governance through MSP, EOR, Direct Sourcing, and contractor management solutions designed to create more stable workforce operations globally.

Because workforce cost control starts long before invoice approval.

It starts with better structure.

[Let's talk](#)

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