The Most Expensive Workforce Nobody Manages

Your contingent workforce is a strategy, not a stopgap

By Bruce W. Ferguson

Ask a simple question

Here’s a question I like to ask executives: how many contractors, temps, and freelancers are working for your company today, and what are you spending on them this year?

Most can tell me their full-time headcount to the person. They know their payroll to the dollar. But ask about the contingent side and you often get a pause, then a guess, then “I’d have to check.”

That pause tells you a lot. Companies treat contingent labor as a stopgap: something you reach for when a project runs hot, somebody goes on leave, or there’s a hiring freeze but the work keeps coming. Because it’s “temporary,” nobody really owns it, and nobody invests in it.

This isn’t a side expense anymore

If contingent work were a rounding error, I wouldn’t be writing about it. It isn’t.

Staffing Industry Analysts, the research firm that tracks this market more closely than anyone, estimates that spending on the contingent workforce in the Americas reached $4.6 trillion in 2025, about $4 trillion of it in the United States. That figure is broad. It counts temporary staffing, independent contractors, freelancers, and statement-of-work services. It’s all labor, though, and it’s all money going out the door.

Employers themselves estimate that about 21% of their workforce is contingent, and they expect that share to reach 23% within two years and 26% within ten, according to SIA’s 2025 survey of contingent workforce buyers. If one in five people doing your work isn’t on your payroll, you have a second workforce, whether you planned for one or not.

Why we keep them at arm’s length

There are a few reasons companies treat their contingent workers differently, and some of them are perfectly fair.

The first is the word itself. “Temporary” tells everyone this relationship is short, so why invest in it the way you would with a full-time employee? That logic holds for someone who’s in for two weeks. It falls apart when you look at how long many of these people actually stay. Plenty of contractors and temps are on assignment for months, and some for years, doing core work right next to your employees.

The second reason is regulatory, and it’s real. Companies worry, rightly, about co-employment and joint-employer risk. If you treat a staffing firm’s worker exactly like your own employee, you can end up with an employee’s obligations without meaning to. So companies draw a line. Contingent workers don’t get invited to the training, the team offsite, or the conversation about where the business is headed, and nobody wants to be the manager who crossed that line.

The cautionary tale everyone in my industry knows is Microsoft. In the 1990s, Microsoft brought on thousands of long-term workers through staffing agencies who did the same jobs as its employees, at the same desks, often for years. They sued, arguing they’d been denied benefits employees received. In December 2000, Microsoft agreed to pay about $97 million to settle, and it capped temporary assignments at 12 months with a 100-day break before rehiring.

Microsoft’s fix was a tenure cap, and much of the industry followed. Today, 71% of companies in the Americas limit how long a contingent worker can stay on assignment, according to SIA. I think that’s the wrong lesson.

Tenure limits won’t save you

I’m not a big believer in tenure limits, and I know that puts me at odds with a lot of programs. Tenure isn’t what keeps you safe from regulatory trouble. What matters is what the person is doing, how they’re being paid, and who handles the employment side of the relationship.

In most temp staffing, the client directs the day-to-day work. That’s normal, and it’s how the model is supposed to work. But the staffing firm is the employer, and the HR issues belong to it. Late time reports, a sexual harassment complaint, discipline, and termination should all be handled by the staffing firm and communicated to the worker by the staffing firm, not by the client.

A contractor who has been with you for 14 months, employed and paid by their staffing firm, doing clearly defined work, with every HR issue going through that firm, is in a very different position from one who’s been with you for 9 months but gets written up and eventually fired by your own managers like any other employee. A calendar can’t tell those two apart.

Meanwhile, the limits do real damage. We've had a number of clients with long-term IT contracts. A contractor hits the one-year limit in the middle of the project, gets terminated, and typically can't come back for six months or so. All of that work and all of that knowledge walks out the door at the worst possible moment, and the client pays to bring someone new up to speed.

Then there's the workaround. When a valued contractor hits their tenure limit, a lot of companies quietly move that person over to a statement-of-work arrangement, thinking that somehow protects them from a co-employment or joint-employment claim. It won't. If the person is doing the same work, for the same managers, in the same way, the paperwork doesn't change the facts.

My bigger concern is that these companies are hiding a problem from themselves. The SOW move takes the worker out of the program's view right when you most need to be watching. The right answer is the opposite: keep visibility on long-term contingent workers so you can make sure you don't run into a problem, and decide on purpose whether that person should be converted, restructured, or released.

There's a big difference between managing a legal boundary and treating people as disposable. Too many companies do the second and call it the first.

Who's minding the store

There's another shift that explains a lot. Temporary labor used to be handled by human resources or recruiting, and at plenty of companies it still is. But at many organizations today, procurement runs it.

I want to be careful here, because I've worked with a lot of excellent procurement professionals. Their job is to control cost, and an unmanaged contingent program badly needs someone controlling cost. But when the program is run purely as a purchasing exercise, labor starts getting bought like office supplies: find the lowest price per unit and move on. People aren't office supplies. The lowest rate and the best value are not always the same thing.

What a $10 discount really costs

Here's how it plays out.

A client needs an IT professional. The staffing firm says the right person for the job costs $85 an hour. The client says, "We're only willing to pay $75."

The role doesn't change, and the work doesn't get easier. What happens is that the staffing firm goes and finds someone it can place at $75. That's usually a less experienced, less capable person. The $85 person might have finished the work faster, needed less supervision, and done it right the

first time. For an extra $10 an hour, you'd have gotten more than $10 an hour of value. Instead you got the cheaper rate and paid for it in quality.

It gets worse when a company cuts rates on people who are already in place. Say you have a strong contractor at $85 an hour and you push the staffing firm down to $75. That firm isn't going to absorb the cut forever. If it can place the same person with another client at the full $85, it will. Your best contractor gets reassigned, and you get a lower-quality backfill and lose all the knowledge the original person had built up about your business. On paper, you saved money. In reality, you swapped a proven performer for an unknown and paid for the ramp-up all over again.

Going for the lowest number is not the same as getting the best value.

Where else the money leaks

Rate pressure is only one problem. When nobody manages the whole program, the waste is usually a thousand small decisions nobody is watching. Sometimes it's not small at all.

We once worked with a client that had grown through a series of roll-up acquisitions. Every company it bought came with its own way of using contractors, so its contingent labor was completely unmanaged and all over the map. Two things we found there have stuck with me.

First, the client's own recruiters were managing the staffing relationships, and some of them had negotiated themselves into the deals. We found recruiters making over $500,000 a year on base salaries of around $100,000, because the staffing firms were paying them on the back end. Nobody at the company had noticed, because nobody was looking.

Second, in a couple of cases, the client was paying $100 an hour for a contractor who was being paid $45 an hour. The worker had been passed through four different staffing companies, each one taking its own cut. The client was paying more than double the worker's wage, and the extra went to middlemen who added nothing.

Those are extreme examples, but the conditions that created them are common: no central visibility, no one accountable, and every manager doing their own deals.

You see the same thing in the research. In SIA's 2025 buyer survey, the median company estimated that 11% to 20% of its contingent spending happens outside its own authorized program. Nearly one in ten said more than half of it does. And those are companies that have a program.

Then there's supplier sprawl. Every hiring manager has a favorite agency, and pretty soon you have dozens of staffing vendors, each with its own contract, markup, and terms, and no real leverage with any of them. Add contractors who get onboarded without a clear scope, an end date,

or anyone measuring whether the work is getting done, and the money disappears quietly. Statement-of-work projects are often the hardest to see.

Your best hire may already be working for you

This is the part I feel most strongly about.

When you treat your contingent workforce as throwaway labor, you miss one of the best recruiting opportunities you'll ever have. Every contractor and temp in your building is in a months-long working interview, in both directions. You get to see how they actually work, how they handle pressure, and how they fit with your team. That's far more than you'll ever learn from a resume and three rounds of interviews.

The smartest companies use that. They watch for the standouts and bring the best of the best on full-time. Even when they can't, they treat contingent workers well enough that people leave thinking, "Boy, if I could ever get a full-time job there, I'd take it in a heartbeat."

That reputation is worth real money. Those people talk. They come back. They refer their friends. And the staffing firms notice which clients their best people want to work for, and they send their best people there first.

You can do all of this and still respect the legal boundaries. Respect, clear communication, decent onboarding, and an honest path to full-time employment don't create co-employment risk. Ignoring people does create a reputation risk.

What managing it actually looks like

This is where a managed service provider, or MSP, comes in. I'll be upfront that this is a big part of what my company does, so weigh my enthusiasm accordingly. But the logic stands on its own.

An MSP is an outside partner that runs your contingent workforce program: one set of rules, one process for requesting workers, a managed roster of suppliers competing for your business, and usually a vendor management system that puts every worker, rate, and invoice in one place.

A good one balances the two sides I've been describing, cost discipline and talent quality, instead of picking one.

The first thing you get is visibility. You can finally answer my opening question: who's here, what they cost, and when they're scheduled to leave. You know exactly who you're paying, what the worker actually earns, and what the markup is, so there's no room for stacked suppliers or side deals.

Rates get benchmarked against the real market for the skill, so you're not overpaying, and you're not underpaying your way into weak candidates either. You work with fewer, better suppliers, and they're measured on quality and retention, not just on who came in cheapest.

Compliance gets real, too. Instead of relying on a calendar, someone looks at what each worker is doing, how they're paid, and whether HR issues are going through the staffing firm, and flags problems early. And converting your best contractors to full-time becomes something you plan instead of something that happens by accident.

The market has noticed. SIA reports that global spend under MSP management reached $244 billion in 2025, and 57% of staffing buyers now use an MSP.

An MSP isn't the only answer. A smaller company might run its own program with good software and one accountable person. What matters is that someone owns it, and that they're measured on value, not just on rate.

Stopgap thinking vs. strategy

The difference between a stopgap and a strategy is intention.

Stopgap thinking says: we're short-handed, call an agency, get the lowest rate. Strategic thinking says: what work do we want to own permanently, what work is better done by specialists we bring in, how do we get the best people at a fair price, and which of them do we want to keep?

Companies that think this way scale up for a big project and back down without layoffs. They bring in expertise they can't justify full-time. They use contract work to find and test future employees. And they know, at any moment, what it all costs.

Run that way, your contingent workforce stops being a line item you tolerate and starts being an advantage your competitors don't have.

Start with one question

If you're a leader reading this, start where I started. Ask your team how many contingent workers you have, what you're spending, who's responsible for it, and how many of your best full-time people started as contractors. If the answers take more than a day to come back, or come back as three different numbers, you already know where to begin.

Your contractors and temps are doing real work for your company. Manage them like it, and treat them like people you might want to hire.