

eBook

Vendor Management Systems

Optimizing your contingent workforce.



Table of Contents

Introduction	3
The Priority: Fill Skills Gaps and Increase Organizational Agility	5
The Priority: Mitigate Risks	7
The Priority: Beat Back Costs and Administrative Burden	8
The Priority: Maximize Engagement and Satisfaction	10
What to Look for in a VMS	11
A Modern Workforce Requires Modern Technology	12

Introduction.

As employers face fierce competition for talent and struggle to fill critical skills gaps, contingent workers make up an increasing—and increasingly vital—part of today’s workforce. But tapping the full potential of this nimble resource won’t happen with ad hoc systems and legacy software. Enter: the modern vendor management system.

The workforce is changing at a rapid clip. Hiring managers are up against a historically tight labor market, even as organizations push to work faster and more nimbly. At the same time, the pandemic-related burnout and collective craving for flexibility that fueled the “Great Resignation” introduced millions of once-salaried staff to the world of contingent work.

It’s estimated that one-third to nearly half of an average firm’s workforce is now contingent, and more than four in five large corporations say they plan to substantially increase their use of a flexible workforce. The extended workforce is here to stay, and it has clear benefits. For businesses, a robust contingent workforce can mean leaner operational overhead, more dynamic talent allocation capabilities, and the ability to leverage in-demand and on-demand skills.

But as the extended workforce grows bigger, managing it gets harder. Spreadsheets simply aren’t up to the task, and legacy technology that performs a single function, such as tracking workers or managing statements of work, falls short of companies’ expanding needs.

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Typically, the job of managing this significant area of resources and expenses falls on HR and procurement, in collaboration with finance and IT. But these teams tend to have discrete management systems and processes. Managing contingent workers with ad hoc, siloed systems ends up driving costs higher. It also leaves the company vulnerable to regulatory missteps and cybersecurity risks.

Companies looking to harness the full power of their extended workforce need a management solution that treats contingent workers more like talent and less like a procurement line item. Today's workforce requires a technology solution that supports real-time collaboration and offers robust, centralized management of contingent workers.

This solution is a vendor management system (VMS), helping organizations effectively and efficiently manage their extended workforce throughout a worker's entire journey. A VMS manages the end-to-end process: It lets companies easily find essential contingent workers, onboard them, provide their equipment, track their tenures, manage their time and invoices, and offboard them.

The impact goes way beyond streamlining paperwork. By managing every aspect of your extended workforce in one central system, a VMS can provide greater cohesion and visibility across the entire workforce, and power smarter, faster, and more strategic deployment of available talent. If contingent workers are the lifeblood of a modern workplace, the right VMS is the pumping heart behind the scenes.

Here is a look at some of the most pressing strategic priorities HR and procurement teams are up against—and how a state-of-the-art VMS can be the sought-after solution.



The priority: Fill skills gaps and increase organizational agility.

Agility separated industry winners from laggards during the pandemic. Fewer than half of business leaders (46%) say they are well equipped digitally to ensure business continuity in times of crisis, according to the 2022 Workday study [“Closing the Acceleration Gap.”](#) Among companies with fully accessible data, however, that figure climbs to more than three-quarters (76%).

As many companies strive toward a post-pandemic reality, the need to be nimble remains front of mind. More than three out of four business leaders report that in order to retain talent, their organization needs a more fluid approach to managing resources, according to a global [Workday study](#). The 2021 Deloitte chief procurement officer [survey](#) echoes that sentiment, showing high-performing organizations are actively investing in agility by leveraging “on-demand, hybrid service models,” such as teams augmented with contingent workers.

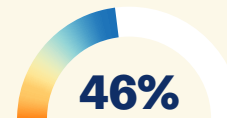
That forward-thinking ideology doesn’t align with the way many companies manage talent. Contingent workers and salaried employees are often tracked in separate silos, with HR helming the company’s human capital management (HCM) system and other teams—procurement, operations, lines of business—managing contingent workers through a patchwork of legacy systems and one-off solutions, sometimes alongside an outside managed service provider.

When hiring contingent workers, a company needs to quickly see who’s available and who has the needed skills, so it can then swiftly deploy them to projects and departments. All of that requires cross-departmental collaboration—which is tough to do when each department either tracks contingent workers in its own separate database or simply doesn’t track them at all.



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Workday, “Global Survey: Organizational Agility and Digital Growth”; 2022.



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The solution: Power agility with dynamic talent deployment.

With a cutting-edge VMS, companies gain a unified view of all contingent workers, ranging from nuts-and-bolts info (where they're located, how much they cost, which suppliers engage them) to detailed data on their capabilities and skills and the departments they've collaborated with in the past. Those managers tasked with deploying the right talent to the right project at the right time needn't worry that they're working with out-of-date or inaccurate information. That means they can make these decisions more swiftly and with greater confidence in reaching the desired outcomes.

When talent managers spot a gap that requires onboarding new contingent talent, getting those workers up and running—which includes everything from providing their badges to giving them systems access—can be supercharged as well. Cloud-native VMS solutions integrate seamlessly with any technology stack, forming a streamlined technology ecosystem that supports both full-time and extended workers. A single, comprehensive onboarding process can span HR, procurement, and IT teams—which would otherwise be a slog if a company uses multiple or manual systems.

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External management, internal benefits.

Cloud-native VMS solutions are easy to implement. They're also easy to configure, use, and scale. So they can be fully integrated with existing technology ecosystems—without overtaxing the IT department.

Although procurement teams often bear the brunt of managing contingent workers, they're not the only ones who benefit from shifting to a cloud-based solution. The best VMS solutions are intuitive enough to use across HR, IT, finance, and compliance teams. That consolidated view can drive richer insights and more cross-functional collaboration.



The priority: Mitigate risks.

Companies continually face new and changing labor laws, and staying on top of those changes becomes exponentially more challenging as the number of contingent workers—and where they're located—multiplies. From freelance limitations to COVID-19 vaccination requirements, pay-parity pressure, and fair-wage requirements, the challenge is real.

Disconnected management systems drastically increase the risk of missing regulatory and compliance requirements, or falling short of documenting such compliance.

But the regulatory landscape isn't the only outside element in need of attention: Data breaches can be as costly as they are difficult to contain. From 2020 to 2021, the average [data breach cost](#) rose from \$3.9 million to \$4.2 million. And every new worker—on staff or otherwise—is a potential vulnerability for cybercriminals to target. Just as siloed or manual data poses a risk to proper compliance, sloppy or ad hoc offboarding can create unintended cybersecurity risks that put company data in the crosshairs.

The solution: Consolidate and automate to minimize vulnerabilities.

With a VMS, employers can more easily comply with regulations and requirements even as they change. As a result, a VMS helps minimize employers' vulnerability to violations and substantial fees. The technology centralizes information and leverages artificial intelligence to make data-driven decisions and reduce risk.

This type of cloud-based system manages to be both highly specific—tracking various regulations tied to the contingent worker's location—and universal in its application. HR and procurement can easily ensure the entire workforce is in line with company policies and processes, thanks to self-serve reports on contingent labor data.

A VMS also helps companies manage the risk of security breaches, with continuous monitoring that protects sensitive data 24/7. Because security concerns don't magically end when a contingent worker's contract ends, a modern VMS can help ensure every contingent worker goes through appropriate offboarding. Simple checklists, for instance, can help guarantee former contractors have returned equipment and been promptly removed from the systems they could access. These might seem like minor matters—but if unchecked, they could lead to costly breaches.



The priority: Beat back costs and administrative burden.

An extended workforce can do wonders for an organization's ability to capacity flex. But it also requires people who can manage that talent and have visibility into the associated costs. Labor costs are a tremendous expense for any company: In the United States, labor expenses account for over [70%](#) of all private-sector employer costs.

Many of the expenses for contingent workers get buried in one-off contracts owned by stakeholders in various lines of business. In fact, procurement teams occasionally don't know about contingent workers until the bill arrives, while HR sometimes has no view beyond regular employees. That makes it difficult to ascertain how much is being spent overall—and to negotiate better costs.

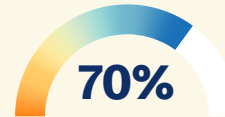
Understandably, HR and procurement often want to pull contractor management out of individual departments or stakeholders and into their purview. Without the right digital tools in place, however, that can quickly become a time- and resource-intensive undertaking. It's also worth noting that HR already faces the challenge of filling open staff positions while managing attrition, and procurement has the tough task of managing costs in an inflationary environment while proactively managing resources.

HR leaders aren't wooed by first-generation, set-it-and-forget-it automation. As the Workday study [“Closing the Acceleration Gap”](#) notes, the new imperative is digitalization that can enable swifter and stronger decision-making.



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Workday, “Closing the Acceleration Gap: Toward Sustainable Digital Transformation”; 2022.



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The solution: Rely on digital tools to contain costs without overburdening teams.

Rather than treating the management of the extended workforce as just a side dish placed onto current teams' already full plates, a VMS integrates contingent-worker management into your HCM system and your overall talent management strategy. So your business can run smoothly and adapt to changing needs.

A VMS provides visibility into contingent labor costs across all business units. It paints a complete picture: who the contingent workers are, where they are, how many there are, what they're doing, and how much they cost. A VMS offers better budgetary oversight and control.

A VMS can deliver other efficiencies—and savings. For instance, a VMS provides valuable data that helps companies negotiate better payment rates with suppliers. A VMS can leverage cohesive talent pools, helping to reduce the time it takes to find and hire people. Also, with rate cards configured for each job title, a VMS can automatically apply the right rates to the right time cards, eliminating human error.



Plays well with others.

A VMS isn't worth much if it forces your teams to use it in ways that don't work for them. Highly configurable solutions can work well in conjunction with a variety of workforce management models:

- **Self-managed:** An internal team manages the extended workforce. This is either a dedicated team or a cross-departmental team comprising members from HR, procurement, and IT.
- **Managed service provider (MSP):** This model outsources the management of the contingent workforce. As an extension of existing HR teams, MSPs bring a wide range of experience—with everything from negotiating better rates with staffing agencies to consulting on technology. They're also VMS experts, which can make VMS implementation quicker and easier—so you can achieve savings and efficiencies faster.
- **Hybrid:** This model combines aspects of both the self-managed and MSP models. It brings together an internal team that manages the extended workforce with an MSP that provides support where and when it's needed. A hybrid approach can be most useful for companies that have security or compliance concerns requiring them to keep some parts of workforce management internal.

The priority: Maximize engagement and satisfaction.

Contingent workers often get treated as a line-item expense. But they need to be managed and developed as would any important part of your talent pipeline. That's not easy for procurement systems, which are designed to manage contracts and costs—not people.

It's no secret that bolstering employee engagement yields a worthwhile ROI. [Gallup](#) research shows highly engaged employees are more productive and drive stronger business outcomes. Why assume contingent workers would be any different?

As the number of contingent workers steadily grows at many companies, it's worth considering the impact these workers can have on a company's culture. Contingent workers who feel supported to perform their best can bring that strong morale to their teams. Likewise, those who spend an outsized amount of time chasing answers to contract questions or company processes may have a hard time containing their frustration.

The experience a contract worker has at your company—from the first impressions of outreach through work performance and offboarding—creates a brand opinion that the contingent worker carries with them into conversations with their professional networks. A so-so experience with one worker may very well hamper a company's ability to attract other top talent—whether contingent or permanent.

The solution: Signal support and fuel engagement, right from the start.

A strong VMS offers robust customer support and intuitive self-service tools, so contingent workers don't have to turn to your internal teams every time they have a question or need a form. Instead, they have answers and information available right at their fingertips, so they feel more empowered to do the work you hired them to do.

It's not just the company's internal teams that benefit from a VMS. The platform also makes work and life better for the contingent workforce. Contingent workers aren't employees, after all. So giving them the tools they need to succeed can help motivate them to take on work when you need them to.

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What to look for in a VMS.

Not all VMS solutions are the same. A legacy VMS might be little better than a clunky database, but a modern VMS leverages the power of the cloud for better data, greater collaboration, and stronger self-service capabilities. A future-ready VMS also integrates with your HCM system to provide total talent management of both permanent and contingent workers—not just one or the other.

Here are some questions to consider when sizing up a potential VMS solution:

- **Who built it?** Many VMS solutions were created by staffing agencies, with employees of those agencies in mind. A VMS built by a forward-thinking technology company is developed for all potential users of the platform. A technology company can quickly pivot and integrate new, essential features.
- **Does it cover all the bases?** A VMS should provide these fundamental features:
 - Extended employee visibility
 - Time sheet functionality
 - Centralized reporting and data
 - Onboarding and offboarding support
 - Direct sourcing solutions
 - Simplified workflow and processes
 - Integrations with third-party systems
- **How intuitive is the interface?** For a VMS to deliver value, people have to actually use it. An exasperating user experience almost guarantees abandonment. Prioritize solutions with a contemporary interface that makes it simple and intuitive not only for individuals to submit requests but also for staffing agencies to respond to them easily and quickly.
- **Does the solution support diversity, equity, and inclusion (DEI) efforts?** To meet your company's strategic DEI goals, you need a solution that makes it easy to report pay parity and diversity numbers, as well as look at large talent pools and find workers from underrepresented groups.
- **What does implementation entail?** Faster and easier is better, of course. But you also want to ensure any implementation plan includes creating and testing the new environment, as well as helping to train people so they can hit the ground running.
- **Does the VMS offer customer support?** You want to self-manage the technology to some extent—so you don't have to rely on the VMS support team every time you want to make a configuration change. But support should be there to solve unexpected problems.

A modern workforce requires modern technology.

As the extended workforce continues to grow, forward-thinking companies need a centralized, integrated management system to power their people goals: dynamically deploying engaged contingent talent as and where it's needed, staying well ahead of compliance and security risks, and containing costs without overburdening their HR and procurement teams.

A VMS can partner and integrate with other technology solutions to create an aligned ecosystem of different platforms that harmoniously work together to support the overall business. The future of VMS lies in this alignment.

Start your own VMS journey by first determining what your business requires from the technology. Identify the people within your organization who would use the VMS, and ask them what they want from it. Once you know what your business needs, you can start researching the available VMS solutions to find the right one for you.

[Request a demo](#) to learn more.



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