



EXTENDED WORKFORCE TECHNOLOGY

ECOSYSTEM 1.0 EXPLAINED



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EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM 1.0

INTRODUCTION

We are delighted to release our first ever evaluation of the Extended Workforce Technology Ecosystem. Designed to provide clarity and insight for practitioners tasked with managing this labor category, the EW Ecosystem is a unique look at the technology tools used to support the rapidly evolving world of non-permanent labor. In this Explainer Report, we first describe the structure and major components of the Ecosystem and then discuss some of the key trends we've observed across the industry while putting it together.

The Ecosystem is organized by the “stages” that represent the typical steps in a hiring journey - Source, Engage, Select, and Hire. This simple framing belies an oftentimes incredibly complex (and heavily regulated) supply chain: staffing suppliers that source and employ talent on behalf of organizations, Managed Service Providers responsible for the structure, strategy, governance, and performance of programs, talent marketplaces of every stripe for engaging and paying on-demand talent around the globe, not to mention an incredibly complex global regulatory environment that poses significant financial and reputational risk to organizations that run afoul of the law.

The industry is experiencing tremendous shifts driven by changes in technology, candidate and client preferences, the economy, and improving AI capabilities.

The Extended Workforce Ecosystem includes 16 Verticals, 32 Sub-verticals, and 346 vendors. The Ecosystem is meant to be a representation of the market and thus does not include every vendor in every category.



EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM 1.0

Why a Standalone Technology Ecosystem for the Extended Workforce?

The universal workforce is a term we use to describe the entirety of talent that performs work at an organization, whether they are contractually “employed” by an organization or not. Historically, talent acquisition and HR teams are designed around the workflows and processes for attracting internal, permanent employees, while non-employed talent – the external or contingent workforce – is managed by procurement. The result is siloed operations and two sets of processes and technology stacks (often with overlapping capabilities).

For many organizations, their extended workforce represents a significant portion of their overall talent footprint – for some it is the majority by headcount. Because of the size and scale of this part of the workforce, there has been a massive shift in how organizations think about leveraging and managing such workers. Practically, this has started with being able to accurately measure and account for non-permanent workers to provide a holistic or “total talent” view, while leading organizations are beginning to think about how this channel can influence their overall workforce strategy.

Rather than being a sidebar to workforce strategy, our expectation is that the share of non-permanent workers will continue to grow as a proportion of the workforce, driven by demographic shifts, candidate preferences, and importantly, new enabling technologies. We historically included Extended Workforce tech in our Talent Acquisition Ecosystem. That said, we think this area is important enough to warrant its own standalone technology ecosystem that reflects the unique capabilities, nuances, and challenges associated with this category of labor, and we are delighted to finally release the first iteration.

Our hope is that the Extended Workforce Ecosystem reflects the importance and nuances of this sector, and we think launching a standalone Ecosystem for the extended workforce is aligned with **our mission of providing better clarity into how these tools are used, managed, and procured, and will help us more accurately reflect the right vendors in each sub-vertical.**



THE EXTENDED WORKFORCE IS BECOMING CORE TO WORKFORCE STRATEGY

For many organizations, their extended workforce represents a significant portion of their overall talent footprint — for some it is the majority by headcount. Because of the size and scale of this part of the workforce, there has been a massive shift in how organizations think about leveraging and managing such workers.

THE EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM EXPLAINED

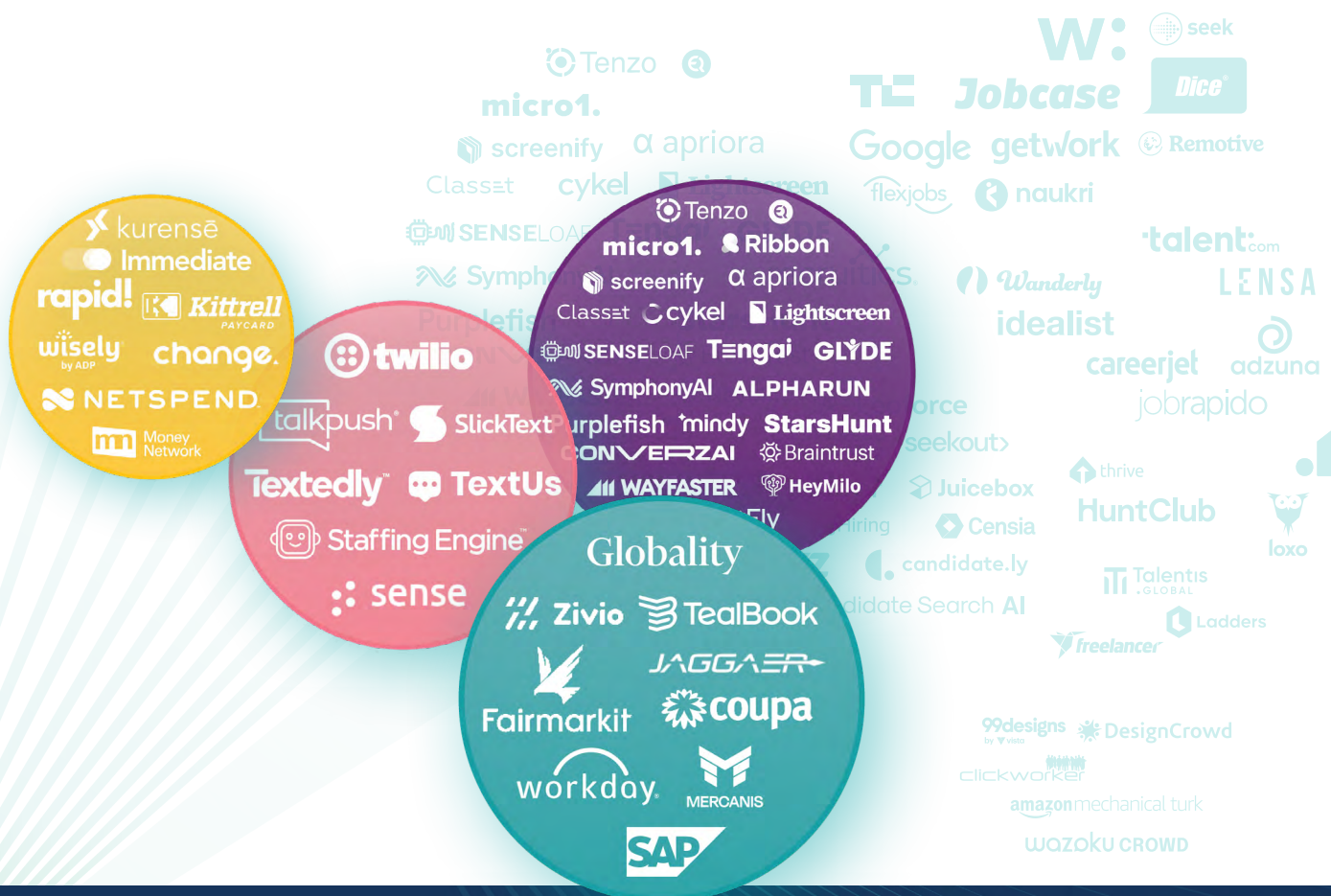
INTRODUCTION

The employment market of the past few years has been tumultuous, defined most recently by persistent relatively high interest rates, macro-economic and geopolitical uncertainty, and AI-driven disruption and transformation. The extended workforce has not been spared the turbulence; in fact, in many ways the extended workforce (as an inherently flexible labor model) has taken the brunt of corporate downsizing and similar initiatives designed to drive labor cost savings over the last three years.

The biggest upheaval in the market is generally available AI, which is transforming enterprise capabilities broadly and changing how organizations actually get work done. Solutions are proliferating across the talent function, and EW programs large and small are rethinking their technology and strategy in light of these new capabilities.

The regulatory environment continues to become more complex, as jurisdictions wrestle with new work models and worker preferences and an influx of AI solutions across talent applications.

Against this backdrop, vendors have continued to innovate, solutions continue to evolve, and clients continue to modernize their operations at one of the fastest paces we've ever seen. A full analysis of trends impacting the industry is provided later in this explainer report.



THE EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM EXPLAINED

Ecosystem Walkthrough

The Extended Workforce Technology Ecosystem includes a mix of categories that are wholly unique to EW as well as categories more synonymous with traditional talent acquisition (such as job advertising and assessments). In all cases, we've strived to include vendors that have experience servicing and supporting the extended workforce supply chain (e.g. Sense is included in Candidate Comms and Bots, while Paradox, a leading conversational AI provider in FTE hiring, is not included). Below we provide a walk through the first iteration of the Extended Workforce Technology Ecosystem, with a description of the categories and key trends in each.



AI Recruiters: Part of the “AI Solutions” vertical, AI Recruiters automate to varying degrees the sourcing, interviewing, and assessment of candidates. These tools are powered by large language models, and typically have voice-enabled capabilities (allowing, for example, an AI Recruiter to interview a candidate and ask follow-up questions based on their responses) as well as varying ability to “score” a candidate. This is an emerging category, with many rollouts done in pilot and vendors still experimenting with a variety of approaches and commercial models. Staffing firms have been early adopters and currently represent the majority of use in the EW space.

Some of the firms in this category such as Mercor, Micro1, and Seekout's Spot look very much like traditional staffing firms when examined in terms of their commercial model (with the caveat that they are using agentic AI capabilities to source and screen the candidates that are ultimately “hired”). In our view, this category of firm represents an evolution of the staffing supplier, and while most of these firms' contracts today are directly with employers (i.e. not included in an EW program) we think such capabilities will soon make their way into EW programs.

For a full analysis of AI Recruiting and related solutions across the workforce, please see our recently released report, [The Evolving World of AI and Agents in Talent Applications](#).

► AI Recruiters Are Redefining Staffing Models

Staffing firms have been early adopters of AI Recruiters, representing the majority of use in the EW space... These firms represent an evolution of the staffing supplier.

THE EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM EXPLAINED



Job Advertising: The Job Advertising vertical includes traditional Job Boards, Programmatic Job Advertising, and Job Board Aggregators. There has been significant upheaval in this space over the last few years, driven by the meteoric growth of LinkedIn and Indeed (which together account for about half of job ad spend globally) and a shifting desire to “go direct” from employers leading them to invest more heavily in their own employer brand and career site capabilities. This upheaval was most visibly demonstrated in the recent merger-followed-by-bankruptcy-filing of Monster and Careerbuilder, two former industry titans.

Job advertising is still an important category and responsible for billions of dollars of spend. That said, similar to direct employers, staffing companies and even some EW programs have been investing in their own community building activities, seeking to “go direct” to candidates by building an opt-in talent community from which then those candidates could be later sourced and hired.

Programmatic advertising had been one of the faster growing categories in the ecosystem, but more recently has been challenged with both an industry-wide pullback in job ad spend as well as quality issues from certain job board and aggregator market participants with arguably unscrupulous practices.



Online Staffing: Online Talent Marketplaces are websites and platforms where independent talent is curated and made available for hire on demand. We break this category into remote and onsite talent marketplaces, since vendors in the category tend to specialize in either one or the other (largely depending on the nature of work being facilitated: nurses need to be at a hospital, spreadsheet wizards can do their wizardry remotely). These platforms are unique from staffing in structure, transparency, and scale, though they typically monetize as a percent of wages similar to a staffing firm.

While use of these platforms is broad-based and growing, they have not made significant inroads in large Extended Workforce programs. This desire to cater to enterprises (many of which spend billions of dollars individually on contingent workers per year) likely motivated Upwork’s recent purchase of Bubty (an enterprise FMS) and Ascen (a tech-enabled AOR / EOR) which they bundled together and rebranded as Lifted. Over time, we think this category and FMS (which are basically mini-marketplaces of pre-vetted external talent and a bunch of tools to manage engagements) will probably merge into a holistic offering with a single display of “in-network” and “out-of-network” talent.

THE EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM EXPLAINED



The Crowdsourcing sub-vertical includes firms that offer “microservices” performed on-demand by a globally distributed network of freelancers and firms that facilitate contest-based work. The microservices model now basically consists of AI image tagging and equivalent kinds of work, and in our view will be one of the first victims of eventual displacement by intelligent AI agents. “Contest”-based awards can be interesting and sometimes impactful, but this model has not proven it can scale meaningfully and thus is mostly a novelty.



People Search and Matching: The vendors in this category aggregate publicly available data on hundreds of millions of candidates (including contact info) and make it accessible to recruiters and sourcers. Because these tools are trained on such a large dataset, they typically also have very strong matching capabilities, and many can be embedded into an ATS in order to either provide real-time data updates to existing candidate records, or power internal search and match capabilities.



Executive Search: A new category, Executive Search platforms are the systems that power Executive Search firms and the internal Executive Search function of organizations. Executive hiring has unique requirements around process and role confidentiality, research capabilities, and internal collaboration that are typically beyond the scope of traditional ATS and CRMs.



Referrals: Referral technology has a storied history in traditional talent acquisition, and well run referral programs can make up about a quarter to a third of hires for leading organizations, typically with significantly higher conversion rates relative to other sourcing channels. Their use in an extended workforce context is a newer concept. When deployed by staffing firm users, they tend to incent candidate-to-candidate referrals, with payouts controlled / tied to profitability of placements, i.e. paying out after milestones are hit (such as a certain time employed in a position). They can also be leveraged by self-managed programs looking to create a net-new sourcing channel (particularly in supply-constrained occupations such as healthcare).

THE EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM EXPLAINED



Candidate Enablement – Payment Solutions: A new category, and part of the newly launched Candidate Enablement Vertical, Payment Solutions vendors offer various forms of on-demand pay options for workers. Typically this involves a pay card that allows earned wage access, or the ability to access cash on the same day that it is earned (as opposed to at the end of a pay period). This can be a particularly important perk for hourly and on-demand workers, and mimics capabilities offered by many online work platforms.



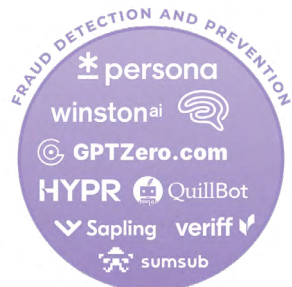
Candidate Comms and Chatbots: Vendors in the Candidate Communications and Chatbots sub-vertical specialize in either text- or messaging app-based communications, or in conversational AI designed to engage candidates at different stages of the hiring process. In the simplest case, solutions integrate into the ATS so that users can communicate with candidates via their preferred messaging channel. In more advanced cases, a bot can take on significant portions of the candidate interaction, made more powerful recently using LLMs that can respond contextually to conversations or even be voice-enabled.



Contingent CRM: Traditional Candidate Relationship Management (CRM) platforms specialize in candidate engagement (typically pre-apply), silver medalist re-engagement, talent pooling, and often include a host of ancillary features such as candidate scoring, hosted apply, interview scheduling, and referral program management. They are used to engage candidates before and after they apply, and are often thought of as the “system of engagement.” While the “features and functionalities” of TA-focused CRMs are in fact quite similar to those in Contingent CRM, we’ve found there is typically a service-level expertise that is missing from organizations that do not have experience servicing this segment. Thus, the firms we’ve included in this category have specific experience supporting either staffing firms or extended workforce programs for the engagement and “hiring” of non-permanent workers.

Unique to the Extended Workforce, most staffing firm ATS’s (such as Bullhorn, Avionte, RecruitCRM, and others) have many “CRM-like” capabilities built into their products natively, and in many cases even market themselves as a CRM. That said, we have categorized such firms as “ATS-Staffing,” which are discussed a bit further in this section.

THE EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM EXPLAINED



Fraud Detection and Prevention: A new category, Fraud Detection and Prevention vendors offer various forms of identity management and applicant fraud detection capabilities designed to help organizations protect themselves from fraudulent applicants. The extended workforce has always been a target for candidate fraud, and the fragmented nature of the supply chain offers additional vulnerabilities that must be accounted for (e.g. ensuring a candidate who is screened by a staffing agency is the same individual interviewed by a hiring manager at a client organization). These tools employ a variety of techniques and verification processes throughout the application process to flag high-risk candidates and activities. We also include firms that review candidate submitted content to flag for likelihood of being LLM-generated.



Background Checks and References: One of the larger categories in terms of vendor count, firms in this category are used to verify the background, work history, criminal and employment records of candidates. There are several areas of innovation across this highly fragmented category, from ongoing background checking to API integration into common systems of record to automated flagging of candidate-submitted data to publicly available information to using the reference check process as a candidate generation / sourcing activity.



Assessments: There are hundreds of assessment providers offering all manner of behavioral and skills assessments and approaches. We have included vendors with known experience servicing the extended workforce. Innovations in this category include increasingly fluid or “on-demand” job simulation creation, increasingly sophisticated AI-driven proctoring (to combat candidate fraud and cheating), as well as new forms of shorter-form assessments designed to provide a better candidate experience.



Interview Management: Vendors in the Interview Management sub-vertical handle everything from interview scheduling, to dynamic or structured interview guide creation, to AI-driven interview intelligence (providing feedback and insights around individual interviews). Interview scheduling continues to be a largely manual process for many organizations (and one of the areas with a directly measurable ROI for automation). While still in early stages of adoption, the firms that have deployed an interview intelligence solution have almost universally reported positive sentiments around its use.

THE EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM EXPLAINED



Resource Management: A new category, Resource Management vendors help organizations manage skilled resources across projects. These tools are used by organizations selling project work to clients (e.g. management consulting firms or system implementors) as well as clients who may be staffing / managing projects internally (via a variety of both internal and external resources). They provide tools for managing team structure and composition, timelines, milestones, and costs.



SOW and Procurement Solutions: SOW labor spend is a significantly larger category of work (in total dollar value spent) than temporary staffing and freelancing combined. SOW and Procurement Solutions vendors help organizations with automated sourcing capabilities, RFP / RFI management / analysis, SOW creation, automated workflows and analytics.



Contractor Payroll - AOR / EOR: One of the larger and fastest-growing categories in the Ecosystem, AOR / EOR firms are experiencing a technological renaissance, offering organizations the ability to compliantly hire, onboard, and pay employees and contractors globally via a simple online user interface. These firms have become a common piece of infrastructure for both client organizations and online work platforms (which use them to ensure workers engaged on their platforms are engaged in compliance with the regulations of the jurisdictions involved).



Freelance Management Systems: Freelance Management Systems (FMS) are enterprise-focused applications designed to help organizations engage with pre-identified and vetted talent. They are the Extended Workforce version of Talent Management's "Internal Talent Marketplace." Many firms in this category now have embedded AOR / EOR capabilities to facilitate smoother hiring and compliant payments of individuals hosted on their platforms.



**Contractor Payroll
(AOR / EOR) Is One of the
Fastest-Growing Categories**

**Tech-enabled AOR / EOR has
been a massive growth area...
driven by easier-to-deploy
global compliance capabilities
and a surge in venture
funding.**

THE EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM EXPLAINED



ATS - Staffing: Often the core system of record staffing firms use to run their candidate sourcing and applicant tracking activities. Since staffing firms employ the workers they place at their clients, these tools often have many unique capabilities relative to their corporate counterparts (such as bill-pay analysis, compensation / bonus management, timesheet management, and integration into back-office / accounting software). Many firms also varying degrees of “sales-enablement” capabilities, offering things such as insights into organizations that are hiring. Staffing ATS are also unique in they almost always have “CRM-like” capabilities baked in; i.e. candidate engagement, sequencing, and talent pooling are much more common among staffing firm ATS than they are in their TA-focused counterparts.

Innovations in this category include embedded use of AI (typically powered by LLMs) to automate search and screen processes, expanding partner integrations / ecosystems, industry- / occupation-specific enhancements (such as credential management in healthcare), and candidate portals.



Staffing Platforms: Staffing Platforms is a category designed to help staffing firms modernize and digitize their service delivery via an “app” or a “talent marketplace.” Essentially, these firms white-label a service to turn a staffing firm into an “app” that workers can use to find shifts, track work, and staffing firms and clients can use to distribute work and better allocate resources. Two of the largest firms in the category were acquired by leading Staffing-ATS companies: WorkN by Avionte and Sirenum by Bullhorn.



Direct Sourcing: Direct Sourcing platforms are designed to help organizations tap into pre-identified talent and engage them directly as opposed to through a staffing firm (with the subsequent markup). In reality, these tools tend to be a mix of both service and technology, with tools designed to support sourcing (such as job distribution or programmatic advertising), selection (interview management and assessments or AI-based matching), and talent rediscovery (dynamic talent pooling). Once thought to be a “disruptor,” many staffing firms and MSPs have come to discover that this particular solution category is actually a growth driver and has been one of the bright spots in recent years in an otherwise bleak business environment.

THE EXTENDED WORKFORCE TECHNOLOGY ECOSYSTEM EXPLAINED

Vendor Management Systems: Vendor Management Systems are the cornerstone of the Extended Workforce Ecosystem – the Extended Workforce’s HRIS. These enterprise tools facilitate all aspects of a program, from job req distribution to suppliers to time tracking candidate evaluation to time and location tracking once onboarded. We organize the VMS Vertical by corporate affiliation:



HCM-affiliated: These VMS are affiliated with a large HCM (e.g. SAP SuccessFactors and Workday VNDLY), and typically sold in a bundled package to clients. Sales tend to be driven by the HCM affiliation and the benefits (costs and integration) of consolidating in a single ecosystem.



MSP-affiliated: These tools are owned and developed by MSPs themselves (e.g. Magnit, AgileOne). As such, they are proprietary to the MSP, and typically only used in the programs that that MSP operates.



Independent: These VMS do not have any corporate affiliation (other than financial, e.g. many are venture-backed or PE-owned). This is the largest category by number of vendors (and the largest by total spend), and where most of the (admittedly limited) innovation in the category is happening, particularly at the emerging end of the market.

There are many other ways to segment the VMS market: by customer focus (e.g. mid-market, enterprise), global speciality (e.g. North America, Europe, Asia Pacific, or Global), or by industry served (niche, general / multi-industry).

Arguably the biggest trend of the last few years has been the significant investments made by VMS vendors into SOW management capabilities. While significant strides have been made in this area, recent evaluations suggest that there is still much room to improve. Another major trend, similar to other large enterprise systems, is investments in building out embedded AI to enhance capabilities and workflows in-system (typically powered by LLMs).

TRENDS SHAPING THE EXTENDED WORKFORCE ECOSYSTEM

INTRODUCTION

The Ecosystem represents a snapshot in time, though like any ecosystem — biological or otherwise — it is constantly evolving, and today change is happening faster than ever. It is useful to step back and consider bigger-picture trends affecting the evolution of the ecosystem itself. Below are some of the major trends we observed when putting this year's ecosystem together.

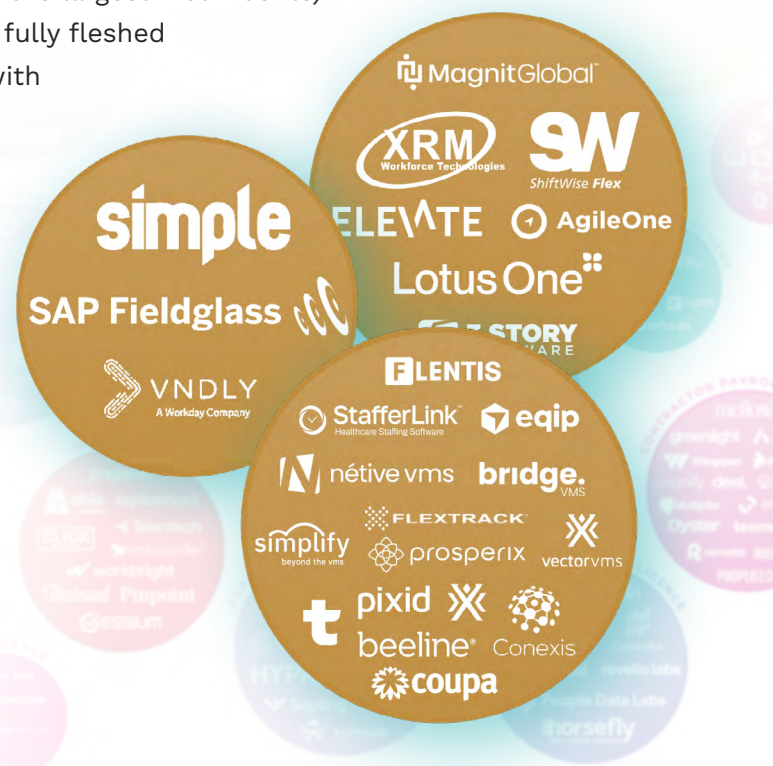
Operating in an Uncertain Macroeconomic Environment

In our recently released [Talent Acquisition Technology Ecosystem 13 Explainer Report](#) we wrote, “Organizations today are dealing with a cocktail of macroeconomic uncertainty, relatively high interest rates, technological change and disruption, and geopolitical uncertainty.”

Arguably no industry has taken these headwinds on the nose harder than the Extended Workforce. Because of the inherently flexible talent model, many organizations have cut contingent staff (before doing the same to their internal employees), and for the most part cuts have not been met with subsequent re-hires, but rather automation initiatives (typically on the back of various AI-based pilots or investments). While these dynamics have been extremely challenging for everyone up and down the supply chain, they also highlight the benefit of flexible labor models in uncertain times.

A Mature Ecosystem: Many of the categories in the Extended Workforce Ecosystem are very mature and new product roadmaps are relatively slow, particularly for some of the most important categories like VMS and ATS. Luckily, there are pockets of innovation (and new vendors are putting competitive pressure on the largest incumbents) but newer, more innovative vendors tend to not be as fully fleshed out from a “nuts and bolts” perspective, particularly with regards to global capabilities.

For the VMS landscape in particular, in many ways it boils down to weighing the value of innovation and service versus “nuts and bolts” capabilities built over typically decades (as well as picking something that works with whatever HCM an organization happens to use). While we've observed lots of apparent “the grass is greener on the other side” from clients looking at potential new solutions, in our view, at least as far as VMS is concerned, everyone's lawn has some brown spots.



TRENDS SHAPING THE EXTENDED WORKFORCE ECOSYSTEM

A Category on the Rise – Contractor Payroll & AOR / EOR:

Tech-enabled AOR / EOR has been a massive growth area for the last few years, primarily in our view a result of aggregating formerly disparate service providers / offerings under a better and easier to buy and deploy UX (not to mention phenomenal amounts of venture funding). One of the biggest barriers to online work platforms and global talent marketplaces has been the desire from large corporations for regulatory compliance with local labor laws, and these firms help solve that (a factor which likely motivated Upwork's recent acquisition of Ascen). Growing appetite for global hiring and comfortability with using contractors as a "core" part of the workforce also probably helps, though we note that this is more common with smaller to midsize organizations.



Talent Marketplaces Growing Despite a Challenging Environment: Talent Marketplaces haven't "disrupted" the staffing industry (as many pundits predicted), but they are growing at a fair clip faster than the industry at large. For example, over the last three years, Upwork and Fiverr (which are both publicly traded) have reported annual growth in low double digits (and many private companies have reported significantly higher growth rates from smaller bases) while many publicly-traded staffing firms reported single- to double-digit annual declines over the same period. The solution space of Talent Marketplace vendors has largely verticalized around occupations (with the exception of Upwork and Fiverr which are the two dominant "generalist" global talent platforms), and since marketplaces tend to be a "winner takes most" business model, we expect we will probably see 1-3 dominant players emerge in each occupational vertical over time.

The whole category of "Staffing Platforms" were designed to help staffing firms navigate to a digital- / online-first delivery offering (e.g. where shifts can be brokered via an Uber-like experience on a mobile app, or candidates sourced directly in an Amazon-like fashion on a talent marketplace), though with the exception of Aya Healthcare (which built or acquired all of its own technology capabilities), we have yet to really see a staffing firm nail the transition. In our view, many of the staffing firms that have gone down this path have gained some improvements in efficiency and perhaps built a slightly better mousetrap, but not fundamentally transformed their business model or operations.

TRENDS SHAPING THE EXTENDED WORKFORCE ECOSYSTEM

Self-managed Programs Rise in Popularity and Capability: The toolset available to practitioners that wish to self-manage their extended workforce program (as opposed to outsourcing its management to an MSP) is getting better, and organizations are getting more sophisticated in their capabilities. That said, the toolset is not one-size-fits-all and categories like Direct Sourcing (which typically combine elements of talent sourcing, engagement, assessment, selection, and payroll) aren't typically even themselves a "one vendor solution," and thus many organizations underestimate the volume and complexity of work in actually building and administering a good internal program from both a process and technology perspective.

Despite the challenge, many organizations have a desire to self-manage (typically driven by cost or quality considerations), and the number of organizations that self-manage is on the rise from an already significant level. We expect that the number of companies which self-manage will continue to rise. Against that backdrop, we've seen the emergence of a "modular MSP" model, where the client owns the majority of the program and technology infrastructure, but a partner handles some of the more complex or administrative parts.

From a technology perspective, self-managed programs arguably have the greatest opportunity to leverage technology to achieve transformative results. Since they own the strategy, technology selection, process, and contracts with vendors directly, they have the greatest agency to push the envelope in terms of innovation.

Cracks Beginning to Show in Talent Silos: At most organizations, there is still very little overlap in holistic strategy and planning for FTE and the extended workforce; i.e. most organizations operate in talent silos with distinct technology, workforce plans, goals, and analytics. Despite more than a decade of rallying calls for "Total Talent Management," the reality is that for most organizations it remains the (extremely rare) exception rather than the rule. The downside of this is that disconnected processes and technology result in duplicative investments, sub-optimal talent strategies, and misinformed business decisions and workforce strategy.

The good news is we are beginning to see some cracks in the silos. First, reporting structures increasingly include the extended workforce as a connected part of the talent function (Talent Acquisition or HR), as opposed to solely run by finance or procurement. Second, we've observed many organizations including the extended workforce (and its accompanying processes, technology, and supply chain) when evaluating organizational-wide talent strategies. These are promising developments.



**"Cracks
Are Beginning
to Show" in Talent Silos**
**Despite more than a decade
of rallying calls for Total Talent
Management, most organizations
still operate in silos — but
we're starting to see them
break down.**

TRENDS SHAPING THE EXTENDED WORKFORCE ECOSYSTEM

We've discussed at length the benefits to organizations of combining talent acquisition and management strategies and their accompanying technology infrastructure, and we've seen organizations reap the rewards when they do so. In our view, the extended workforce offers an unprecedented opportunity to take advantage of entirely new talent strategies, work models, and synergies across the talent continuum.

Extended Workforce on the Front Lines of Fraud Prevention: The prevalence and acuity of candidate fraud is escalating quickly, driven by the rise in remote / virtual hiring and the preponderance of new candidate-focused AI tools that make cheating easier than it's ever been. This ranges from the relatively benign (candidates lying about their skillset and experience) to the extremely severe (foreign actors infiltrating an organization). The Extended Workforce may be seen as a backdoor for hiring (and is in many ways a more complex supply chain), so while candidate fraud is also prevalent in FTE hiring situations, it seems especially acute in the extended workforce. As a result, we are seeing a rise in the number and types of solutions designed to combat such fraud, as well as an almost universal concerted effort at organizations (particularly large ones) to counteract this increase. The problem is so bad that some organizations have reverted to requiring in-person interactions / interviews as part of the hiring process.



► Fraud Prevention Has Become a Top Priority

The prevalence and acuity of candidate fraud is escalating quickly... The Extended Workforce may be seen as a backdoor for hiring, making it especially vulnerable.

Practically speaking, from a technology perspective, the first lines of defense lay in identity management solutions and (typically AI-assisted) assessment proctoring. These are typically bespoke / separate offerings, but we have seen examples where vendors are now bundling such solutions together. Since assessment technology was typically purchased in an age where literal fraud prevention was not the primary motivator of the purchase, many organizations may need to go back to the drawing board on their interview and assessment strategy and technology to account for a world where candidate fraud and misrepresentation are the norm rather than the exception.

TRENDS SHAPING THE EXTENDED WORKFORCE ECOSYSTEM

AI is Changing the World (and the Extended Workforce): Marc Andreessen wrote in 2012 that “Software is eating the world,” and today AI is eating the workforce. In our recently-released [Talent Acquisition Technology Ecosystem Explainer Report](#) we included five sub-verticals related to AI in talent applications – Foundational Models, AI Infrastructure, AI Workers, AI Recruiters, and Candidate AI Tools. For the Extended Workforce Ecosystem, we opted to include AI Recruiters and AI Workers, as the former are used extensively by staffing suppliers (and some vendors may themselves actually be a new, “evolved” version of staffing supplier), and the latter represent a new “labor” category that one day may fall under the purview of Extended Workforce programs.

We believe there are several direct impacts that current developments with AI are going to have around Extended Workforce management:

1

At some point AI workers and agents will become a formally defined labor category, and we think the Extended Workforce programs may be a good place to track, manage, and govern the deployment and outcomes of those resources.

2

Similarly, we think it is probably just a matter of time before the large service providers such as MSPs and RPOs start offering AI workers themselves or partnering with firms that have built them to deploy in client’s workforces. If you think of it in terms of engaging a partner to get work done, does it matter if the “work” is done by a person or an AI?

3

Advances in Large Language Models and their wide availability (and relatively cheap cost to access) have sped up vendor development capabilities significantly. Thus, new solutions are coming to market at an unprecedented rate, and even legacy categories and companies are adding features more quickly than in recent memory. LLMs also specifically enable new kinds of applications that were previously not possible (or possible at scale) such as conversationally-enabled talent orchestration.

4

The role of recruiters, sourcers, coordinators, and even program executives is going to change as AI takes over more of those processes over time. This is not the end of employment, but roles and responsibilities are going to change, and organizations must be proactive in leading that managing that change.

For those interested in exploring our research on AI and its impact across the talent function, please see our AI Lab Note: [The Evolving World of AI and Agents in Talent Applications](#).

TRENDS SHAPING THE EXTENDED WORKFORCE ECOSYSTEM

EW Programs have an Opportunity to Lead on Skills: In our view, Extended Workforce programs operationalized skills-based strategies before “skills” were “cool” (dynamic talent pooling and task-based work deconstruction being a couple examples). Skills-based strategies are the ‘rage’ now among many talent leaders looking to ‘transform’ their companies into a “skills-based organization.” As those capabilities propagate there will be a lot better insight into workforce mix and capabilities and better ways to manage / optimize existing EW programs and enable new strategies.

Putting it in Perspective:

In putting together this first iteration of the Extended Workforce Technology Ecosystem we learned a great deal. We think we are in the beginning stages of a long-term shift in how work is done and managed, and there will likely be significant shakeup in the vendor landscape over the next few years.

The entire Extended Workforce supply chain is undergoing transformation, but with change comes a catalyst to pursue new strategies, try new ways of doing things, and leverage technology to unlock new opportunities. Many challenges for practitioners will persist: how to put together an integrated suite of tools that seamlessly works together and provides a good candidate and hiring manager experience, the difficulty of assessing vendor fit and capabilities (particularly when foundational AI is a commodity), staying compliant in an ever changing regulatory environment, and change management and adoption of new tools and capabilities will continue to be issues that organizations must wrestle with.

We hope the Extended Workforce Technology Ecosystem helps practitioners as they navigate their organization’s talent strategies.



ABOUT TALENT TECH LABS

Talent Tech Labs is an independent, unbiased research and advisory firm focused on analyzing technological developments in the field of talent technology, including talent acquisition, talent management and extended workforce innovation. Founded over a decade ago with a mission to bring clarity to the complex talent technology landscape, Talent Tech Labs has since evaluated thousands of solutions and delivers actionable insights into technologies that power every stage of the employee lifecycle.

The company helps buyers and users of talent technology gain a deeper understanding of the complex market, learn about future trends and influences shaping the market, and provides them the strategic direction to transform their business through the intelligent use of talent technology today and in the future. To learn more about Talent Tech Labs, visit our website here [here](#).

ADDITIONAL RESOURCES

ECOSYSTEMS

[Extended Workforce Technology Ecosystem 1.0](#)

[Talent Acquisition Ecosystem 13 Infographic](#)

[Talent Management Ecosystem 2.0](#)

ADDITIONAL REPORTS

- ▶ [The Impact of Generative AI on Talent, Technology and Human Capital](#)
- ▶ [Inside the Minds of Global HR Leaders: Top Talent and AI Priorities for 2025](#)
- ▶ [Managing Opportunities and Risks in an AI World](#)

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