Staffing and IT services industry report

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GLOSSARY OF ABBREVIATIONS USED

S. No	Abbreviation Used	Full Form
1	AI	Artificial Intelligence
2	AICOA	American Innovation and Choice Online Act
3	B	Billion
4	BNPL	Buy Now Pay Later
5	BPA	Blanket Purchase Agreement
6	CAGR	Compound Annual Growth Rate
7	CHIPS	Creating Helpful Incentives to Produce Semiconductors
8	COPPA	Children's Online Privacy Protection Act
9	CoPs	Community of Practice
10	CSP	Cloud Service Provider
11	CY	Current Year
12	DEI	Diversity, Equity, and Inclusion
13	DHS	Department of Homeland Security
14	DOGE	Department of Government Efficiency
15	DOL	Department of Labour
16	DOT	Department of Transportation
17	DoW	Department of War
18	EDP	Executive Development Plan
19	EHR	Electronic Health Record
20	ERP	Enterprise Resource Planning
21	ESG	Environmental, Social and Governance
22	FAR	Federal Acquisition Regulation
23	FedRAMP	Federal Risk and Authorization Management Program
24	FISMA	Federal Information Security Management Act
25	FY	Financial Year
26	GDP	Gross Domestic Product
27	GLBA	Gramm-Leach-Bliley Act
28	GSA	General Services Administration
29	GWAC	Government-Wide Acquisition Contract
30	HIPAA	Health Insurance Portability and Accountability Act
31	IDIQ	Indefinite Delivery, Indefinite Quantity
32	IDP	Individual Development Plan
33	ILO	International Labour Organisation
34	IMF	International Monetary Fund
35	INR	Indian Rupees
36	IoT	Internet of Things
37	M	Million
38	MSP	Managed Service Provider
39	NASPO	National Association of State Procurement Officials
40	OAMA	Open App Markets Act
41	OECD	Organisation for Economic Co-operation and Development
42	OFPP	Office of Federal Procurement Policy
43	OMB	Office of Management and Budget
44	OPM	Office of Personnel Management
45	PSPC	Public Services and Procurement Canada

46	RFP	Request for Proposal
47	RPA	Robotic Process Automation
48	RPO	Recruitment Process Outsourcing
49	SAM	System for Award Management
50	SDB	Small Disadvantaged Business
51	SES	Senior Executive Service
52	SIN	Special Item Number
53	SLED	State, Local and Education
54	SME	Small and Medium Enterprises
55	SOW	Statement of Work
56	SWSP	Sectoral Workforce Solutions Program
57	T	Trillion
58	TFW	Temporary Foreign Worker
59	THS	Temporary Help Services
60	UK	United Kingdom
61	UNCITRAL	United Nations Commission on International Trade Law
62	USA	United States of America
63	VA	Veterans Affairs
64	WHO	World Health Organisation
65	WIOA	Workforce Innovation and Opportunity Act
66	YoY	Year-on-Year

EXCHANGE RATE TABLE

Year (FY: Apr - Mar)	INR	EUR	YEN	Year (CY: Jan - Dec)	INR	EUR	YEN
FY16	66.33	0.88	120.10	CY16	67.95	0.95	108.79
FY17	64.84	0.93	108.36	CY17	63.93	0.83	112.15
FY18	65.04	0.81	110.81	CY18	68.36	0.88	110.41
FY19	69.17	0.89	110.85	CY19	69.89	0.89	109.02
FY20	70.49	0.93	108.73	CY20	74.18	0.83	106.78
FY21	73.2	0.85	106.03	CY21	74.5	0.83	109.78
FY22	74.5	0.86	112.34	CY22	76.1	0.91	131.33
FY23	80.32	0.96	135.36	CY23	82.31	0.93	140.46
FY24	82.78	0.93	144.49	CY24	83.67	0.92	151.43
FY25	84.56	0.93	152.47	CY25	86.09	0.91	148.11

Source: X-rate Monthly average

1. **Macroeconomic overview**

1.1. Global macroeconomic overview

The global economy has expanded by 3.4% in CY25, supported by post-pandemic recovery, despite ongoing geopolitical conflicts, and inflationary challenges. Commodity price volatility, energy market shifts, and evolving trade dynamics continue to influence business investment and hiring practices on a global scale. The responses of major economies, including fiscal support and adjustments to interest rates, are affecting how capital is allocated and the demand for labour. For companies, these broad trends highlight the necessity of being agile, maintaining cost efficiency, and implementing scalable workforce strategies. Growth in sectors such as technology, healthcare, and government initiatives offers resilient opportunities for organisations that can adapt to changing economic circumstances.

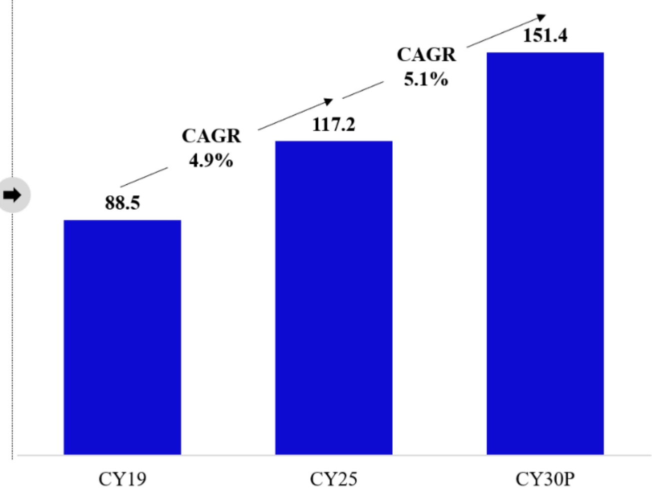
1.1.1. The real global GDP growth rate was 3.4% in CY25 and this growth rate is expected to be sustained until CY30P

Global real GDP grew by 3.4% in CY25, despite challenges such as higher interest rates, tighter financial conditions, and geopolitical tensions, including prolonged conflicts in Eastern Europe, rising instability in parts of the Middle East, including rising West-Asia conflict risks and the US CHIPS Act reshaping semiconductor supply chains as part of its strategic industrial competition with China. The US Economy showed a year-on-year increase of 2.1% in CY25 and is expected to grow at an average of 1.8% annually till CY30P.

Real GDP growth – India, China, Germany, USA, Japan, World
(Y-o-Y growth %, CY19-30P)

Top economies	USA	China	Germany	Japan	India	World
CY19	2.6%	6.1%	1.0%	-0.3%	3.9%	3.0%
CY20	-2.1%	2.3%	-4.1%	-4.3%	-5.8%	-2.7%
CY21	6.2%	8.6%	3.9%	3.6%	9.7%	6.7%
CY22	2.5%	3.1%	1.8%	1.3%	7.6%	3.8%
CY23	2.9%	5.4%	-0.9%	0.7%	7.2%	3.3%
CY24	2.8%	5.0%	-0.5%	-0.2%	7.1%	3.4%
CY25	2.1%	5.0%	0.2%	1.2%	7.6%	3.4%
CY26E	2.3%	4.4%	0.8%	0.7%	6.5%	3.1%
CY27P	2.1%	4.0%	1.2%	0.6%	6.5%	3.2%
CY28P	2.1%	4.0%	1.2%	0.6%	6.5%	3.2%
CY29P	1.9%	3.7%	0.9%	0.6%	6.5%	3.2%
CY30P	1.8%	3.3%	0.7%	0.6%	6.5%	3.1%

Nominal GDP at current prices - World
(US$ T, CY19-30P)



Note(s): In the analysis of global benchmarks, the timeline has been kept as CY and not FY
Source(s): International Monetary Fund (as of April 2026), 1Lattice analysis

1.2. Key factors impacting the global business environment: economic, political, and technological forces shaping global trade and business strategies

The global business environment is shaped by economic conditions, political and legal factors, technological advancements, social and cultural influences, environmental sustainability concerns, globalisation and trade dynamics, and the competitive landscape. These factors collectively shape market entry strategies, capital allocation decisions, and workforce models across industries.

1.2.1. Geopolitical situation and risks: evolving policies, regional dynamics, and global realignments influencing global markets and business strategies

Factors such as evolving policies and strategic initiatives are creating opportunities for businesses, while trade tensions, regional conflicts, and regulatory changes can create uncertainty and challenges for businesses operating internationally. These conditions can affect market access, supply chains, investment decisions, and overall business strategies. Recent geopolitical developments are shaping global economic patterns and prompting companies to adapt proactively to growth while managing potential disruption.

US trade tariffs	US CHIPS Act	European Green Deal	War situation
• In CY25, the US introduced reciprocal tariffs, a 10% baseline on all imports with higher duties on countries having major trade deficits	• The US CHIPS Act is reshaping global semiconductor supply chains, intensifying US–China competition, and driving allied industrial investments	• The European Green Deal drives climate-neutral growth, with EUR 275B in green investment and at least 55% emissions cut by CY30	• Major geopolitical risks from Russia-Ukraine war and West-Asia conflict, driving humanitarian crises and exposing vulnerabilities in global trade, capital flows, and energy markets
• The US tariffs disrupt trade, raise costs, and shift supply chains, reducing exports in China, Mexico, and Canada while boosting alternative suppliers	• It strengthens domestic chip capacity but intensifies global tech rivalry, reshaping trade, alliances, and long-term economic competition	• It is redefining global trade and energy, driving clean investments and compelling nations to align with EU climate standards	• Disrupting energy and trade flows, raising prices, slowing growth, increasing defence spending, and reshaping global supply chains and economic policies

1.2.2. Economic performance: inflation, interest rates, and currency shifts shaping demand, margins, hiring pace, and workforce mix

Economic factors influence purchasing power, supply, and demand dynamics, thus impacting overall business performance. Exchange rates influence import costs and global competitiveness, while wage fluctuations affect consumer spending and inflation rates. Interest rates influence borrowing costs and investment decisions, while recessions can lead to reduced profits and increased unemployment. For workforce-related decisions, these forces show up in pay rates, hiring pace, and the mix of full-time versus flexible staffing. Changes in laws, government policies, and tax rates also shape business operations and economic stability. Monitoring and adapting to these economic factors are essential for businesses to navigate challenges and capitalise on opportunities effectively.

1.2.3. Government policies and regulations: tax shifts, trade rules, and legal frameworks shaping global cross-border operations

Government policies and regulations, including political and legal factors, have a significant impact on businesses globally. Political decisions, such as changes in tax policies and trade agreements, have a direct impact on operations. The political environment also encompasses government actions in foreign markets, supporting or impeding business activities abroad. The legal environment governs trade agreements, contracts, organisational laws, and related matters, fostering international relations.

1.2.4. Technological factors: AI, automation, and digital platforms are transforming industries while driving innovation, workforce needs, and challenging cybersecurity

Technological advancements like AI, automation, big data, and IoT are revolutionising industries worldwide. However, the rise in cyberattacks, both in complexity and frequency, continues to test the capabilities of businesses and national security.

Modern businesses heavily rely on technology for data management, communication, and tailored customer services, leading to a shift in labour toward tech-literate roles, oversight of automation, and data-driven decision-making. For example, the rise of e-commerce and online marketplace platforms has revolutionised global business operations. Understanding technology trends and consumer behaviour is key to developing effective marketing strategies and ensuring business growth in today's dynamic landscape.

1.2.5. Environmental factors: the shift to clean energy reduces emissions, lowers costs, and drives sustainable growth

Switching to eco-friendly power sources benefits businesses and the environment. Businesses can save on energy costs, comply with regulations, access new markets, improve brand reputation, and attract green investments. Globally, this transition reduces carbon emissions, pollution, and resource depletion, while preserving biodiversity and enhancing energy security. Overall, this transition drives sustainable economic growth and environmental protection.

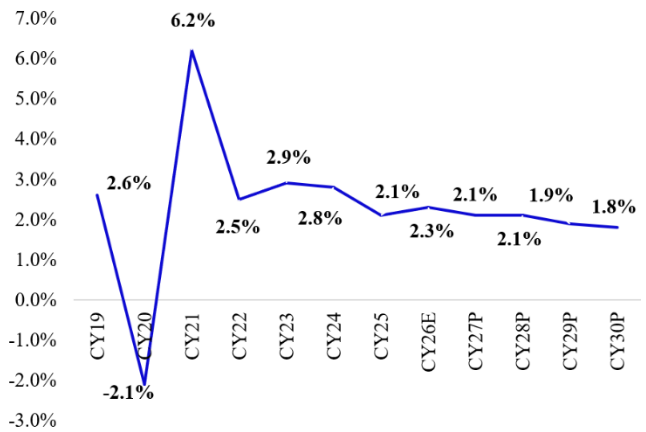
Fossil fuels like coal, oil, and gas contribute over 75% of global greenhouse gas emissions and nearly 90% of carbon dioxide emissions, driving climate change. Shifting to clean, accessible, and sustainable energy sources is crucial to reduce emissions and enhance energy security, fostering sustainable economic growth and environmental protection. This transition benefits businesses as well by cutting energy costs, complying with regulations, enhancing brand reputation, and attracting green investments.

1.3. USA macroeconomic overview

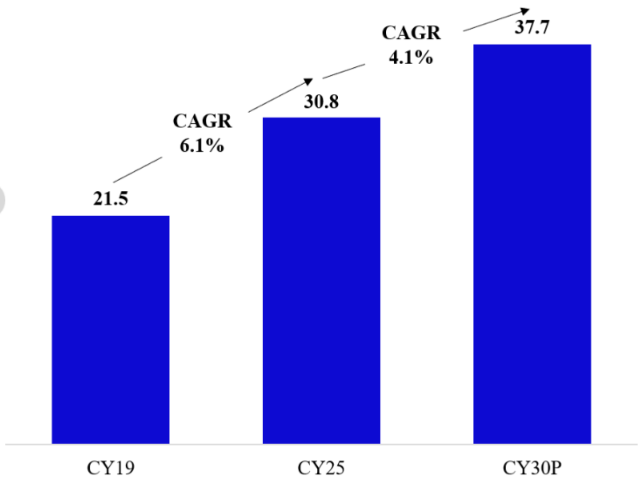
1.3.1. The real USA GDP growth rate was 2.1% in CY25, and it is expected to grow modestly at a CAGR of 1.8% in CY30P

USA real GDP grew by 2.1% in CY25, marking a return to steady growth after the post-pandemic rebound in CY21. The expansion was driven by resilient consumer spending and business investment. Over the medium term, GDP growth is projected to moderate to around 1.8% YoY by CY30P, reflecting the economy's long-term potential, supported by stable borrowing conditions and improved supply chains.

Real GDP growth – USA
(Y-o-Y growth %, CY19-30P)



USA GDP at current prices
(US$ T, CY19-30P)

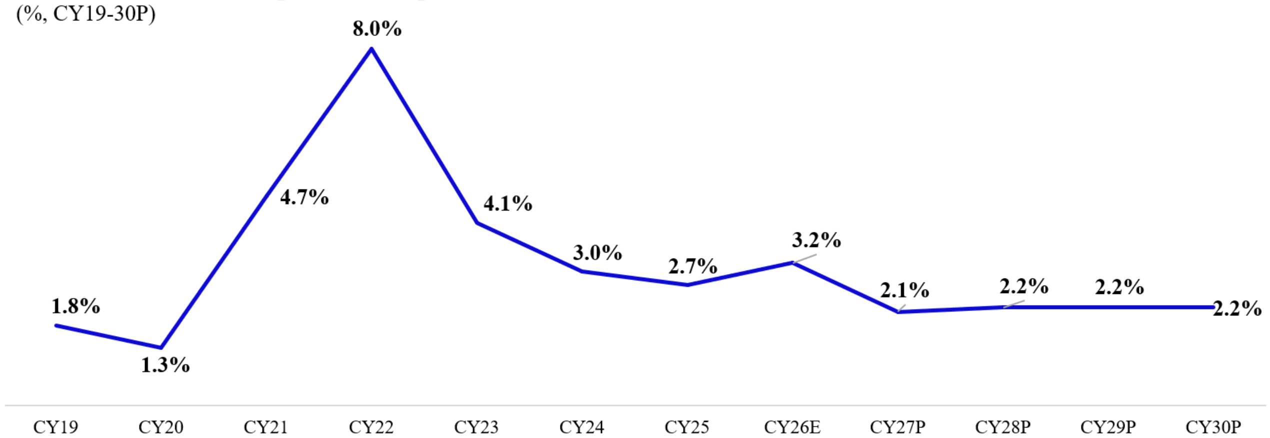


Source(s): International Monetary Fund, 1Lattice analysis

1.3.2. USA inflation peaked at 8.0% in CY22, which eased to ~3.2% in CY25, and is projected to be around 2.2% by CY30P

USA inflation rose sharply from 1.8% in CY19 to a peak of 8.0% in CY22, driven by reopening demand, supply bottlenecks, and energy shocks. As supply conditions improved, inflation eased to 3.2% in CY25. Recent oil shocks from the West Asia conflict are raising inflation and recession risks, with economists flagging emerging stagflation concerns. Inflation is expected to gradually decline to 2.2% by CY30P, broadly aligning with the US Federal Reserve's 2% target and supporting macroeconomic stability.

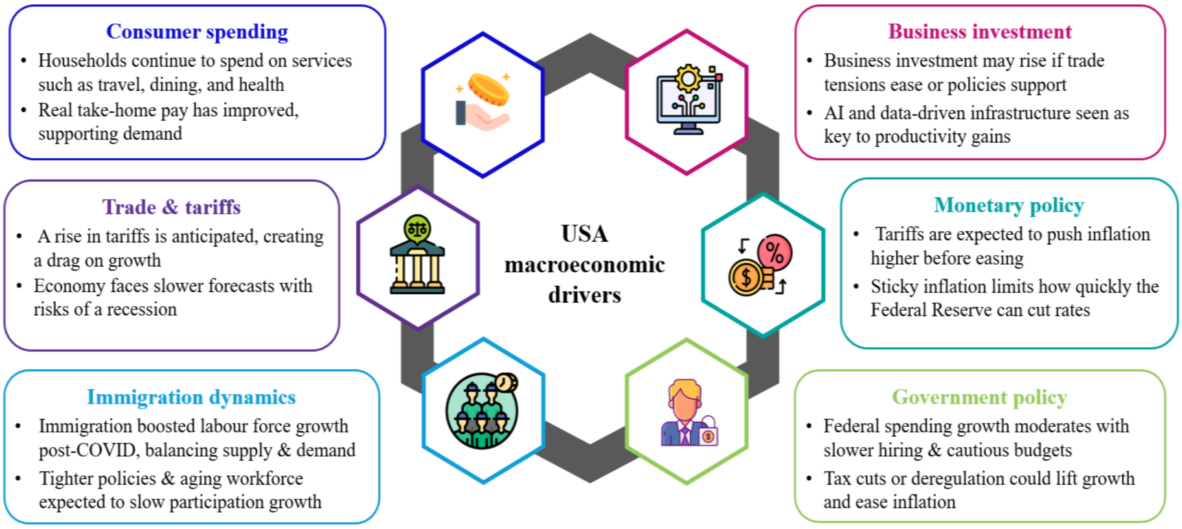
USA's inflation at average consumer prices
(%, CY19-30P)



Source(s): International Monetary Fund, 1Lattice analysis

1.3.3. USA's macroeconomic growth drivers: strong demand and investment, shaped by tariffs, immigration, and visa policies.

USA's growth is being fuelled by strong consumer spending on services such as travel and healthcare, rising corporate investments in data centres, clean-energy projects, and advanced manufacturing, and government funding for infrastructure, broadband, and healthcare. Adding to this momentum is a larger and more flexible labour pool, supported by early adoption of automation and AI. Together, these forces are driving investment and job creation across industries, creating sustained demand for licensed healthcare staff, skilled tradespeople, technicians, and digitally proficient talent.


Consumer spending
• Households continue to spend on services such as travel, dining, and health
• Real take-home pay has improved, supporting demand
Business investment
• Business investment may rise if trade tensions ease or policies support
• AI and data-driven infrastructure seen as key to productivity gains
Trade & tariffs
• A rise in tariffs is anticipated, creating a drag on growth
• Economy faces slower forecasts with risks of a recession
USA macroeconomic drivers
Monetary policy
• Tariffs are expected to push inflation higher before easing
• Sticky inflation limits how quickly the Federal Reserve can cut rates
Immigration dynamics
• Immigration boosted labour force growth post-COVID, balancing supply & demand
• Tighter policies & aging workforce expected to slow participation growth
Government policy
• Federal spending growth moderates with slower hiring & cautious budgets
• Tax cuts or deregulation could lift growth and ease inflation

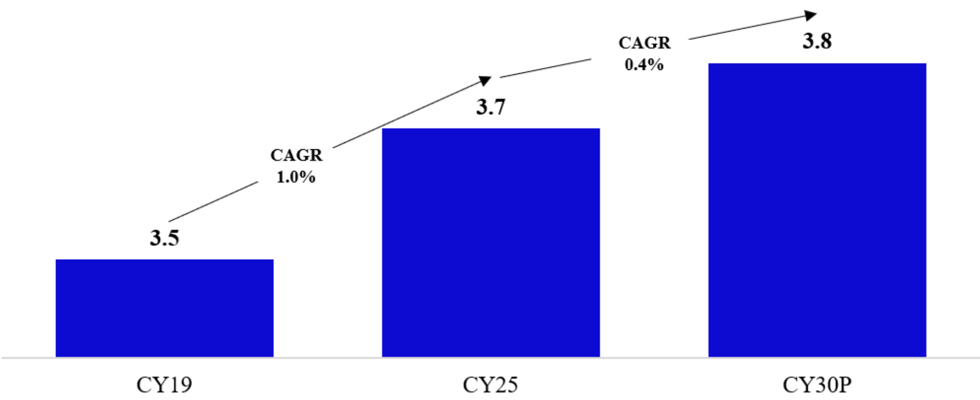
2. Global and US workforce market overview

The global workforce is expanding steadily, driven by digitisation, demographic changes, and shifting sectoral demands. Recent reports show technological advancements, particularly in AI and digital platforms, are reshaping skill requirements, creating significant demand for technology-driven roles, and influencing talent management worldwide. Demographic trends, including ageing populations in high-income economies and growing working-age populations in emerging markets, further affect employment patterns. In the United States, the labour market remains robust, with projected growth of 5.2M jobs from CY24 to CY34, particularly in healthcare and STEM sectors. Rising adoption of AI and public sector upskilling initiatives strengthen the country's position as a critical market for workforce solutions providers.

2.1 Global workforce grew from 3.5B in CY19 to 3.7B in CY25 at a CAGR of 1.1%, and is projected to expand further by CY30P, driven by emerging markets, healthcare, digital services and other sectors

The global workforce has grown steadily in recent years and is expected to keep expanding. Employment increased from 3.5B in CY19 to 3.7B in CY25, reflecting a CAGR of 1.1%. By CY30P, the workforce is projected to reach 3.8B, growing at a CAGR of 0.5%. However, this growth will vary across regions. The decline in the global workforce's CAGR is a direct consequence of ageing populations. As more individuals retire and fewer enter the workforce, countries face challenges in maintaining economic growth, while emerging markets continue to add workers at a strong pace. Much of this expansion will come from sectors such as healthcare, digital services and clean energy, and sustainable jobs. Together, these shifts point to a changing world of work, where new industries and fast-growing regions will shape the next phase of global employment.

Workforce employment trend - Global
(#B, CY19-30P)

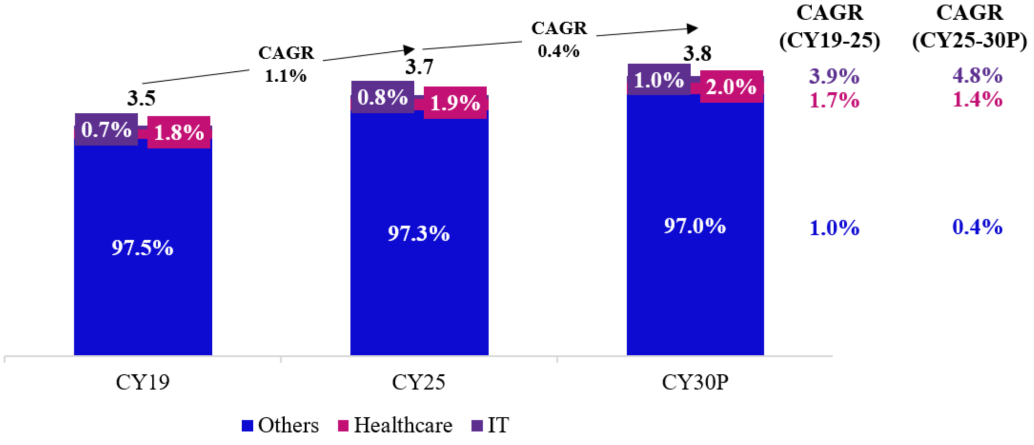


Source(s): World Bank, 1Lattice analysis

2.1.1 During CY19-30P, healthcare and IT are expected to steadily expand their share of the global workforce, though other sectors will remain the dominant employer

In CY19, the global workforce was primarily employed in other industries, which accounted for 97.5% of total jobs, while healthcare and IT contributed 1.8% and 0.7%, respectively. By CY25, the share of the workforce in healthcare rose to 1.9%, and in IT to 0.8%, reflecting increasing demand for skilled professionals in these areas. While the proportion of workers in other industries is projected to ease to 97.3%, they will continue to employ most of the global workforce. By CY30P, the share of the workforce in other sectors will ease to 97.0% of the total jobs, while healthcare and IT will continue to grow to 2.0% and 1.0% respectively. This trend highlights a structural shift, where traditional industries continue to employ the majority, but the growing influence of healthcare and digital services is redefining the future of work, making specialised skills central to workforce strategies.

Global workforce trend: split by industry
(US$ B, CY19-30P)

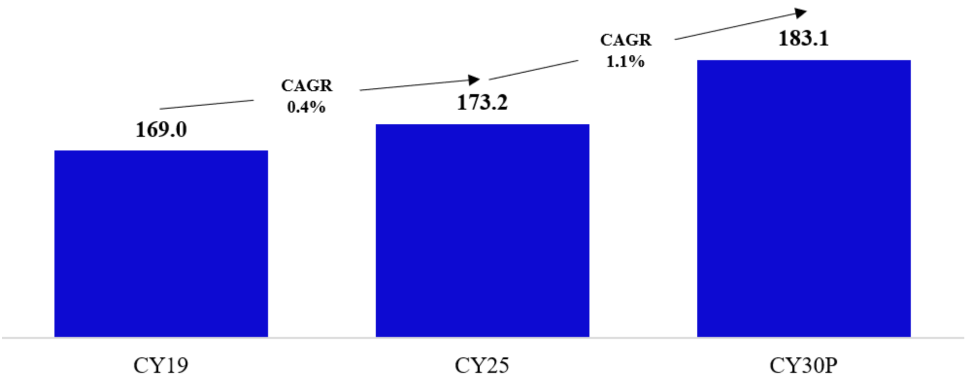


Source(s): World Bank, 1Lattice analysis

2.1.2 Global migrant workforce share increased from 169.0M in CY19 to 173.2M in CY25 and is projected to reach 183.1M further by CY30P, reflecting global labour market demands

The global migrant workforce share grew from 169.0M in CY19 to 173.2M in CY25, growing at a CAGR of 0.4%, reflecting post-pandemic recovery trends and structural labour shortages. Recent tightening of immigration policies in the US, including stricter visa regulations and enforcement measures, may moderate migrant inflows in the near term. At the same time, strong global labour demand and structural workforce shortages are expected to sustain overall migration trends.

Migrant workforce trends - Global
(#M, CY19-30P)



Source(s): 1Lattice analysis

By CY30P, it will grow to 183.1M, reflecting an annual growth rate of 1.1%. Beyond filling immediate labour gaps, migration has strategic implications. For advanced economies, it offsets ageing populations and shrinking labour pools, sustaining productivity and growth. Globally, migration strengthens market interdependence, making talent mobility not only a social necessity but also a competitive advantage for countries and businesses that can effectively attract and integrate migrant workers.

2.2 Rising global demand for workforce solutions: Driven by skills gaps, labour shortages, and evolving business needs

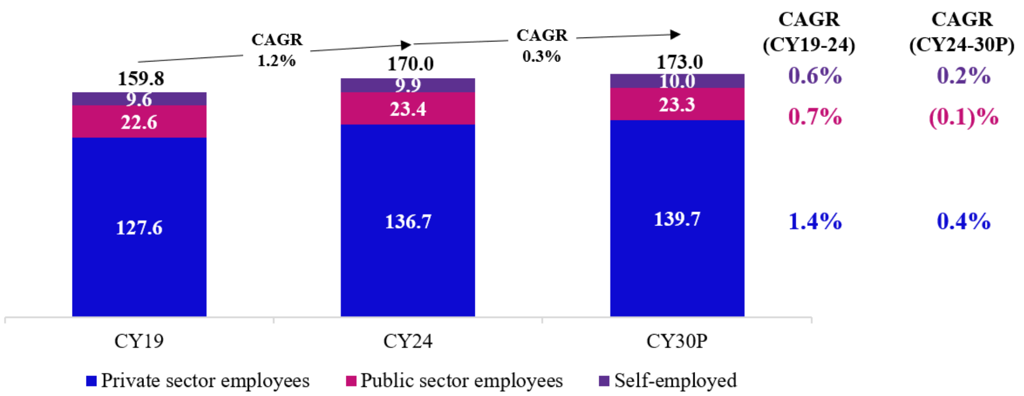
The global workforce is steadily expanding, with demand for flexible staffing and workforce solutions growing across industries. Healthcare, technology, and professional services are driving much of this demand, while persistent skills gaps and labour shortages are increasing reliance on staffing providers to deliver targeted talent quickly. Investments in sectors such as clean energy, digital infrastructure, and advanced manufacturing are creating new job opportunities, while workforce solutions, including recruitment, reskilling, and temporary staffing, are helping organisations adapt to evolving business needs. Overall, these trends reflect a global shift toward a more dynamic, solution-oriented approach to workforce management, highlighting the critical role of staffing and talent providers in meeting changing labour market demands.

Key factors	Insights
Demographics	• Advanced economies are seeing more older workers staying in the labour force, while many regions still struggle with high youth unemployment
Technology & automation	• AI and automation are reshaping jobs, especially through sourcing, screening, and matching candidates • Companies must balance efficiency with fairness & compliance
Globalisation & reshoring	• Reshoring and friend-shoring are shifting where jobs are created, opening new roles in advanced manufacturing and supply chain services
Immigration & mobility	• Migration to OECD countries helps ease labour shortages • Governments also push domestic mobility through veteran hiring and workforce programs
Climate & energy transition	• Renewable energy is expected to create millions of new jobs by CY30, especially in green tech, engineering, and skilled trades
Education & skill gap	• Employers are shifting from degree requirements to skill-first hiring • Upskilling, reskilling, and skills assessment frameworks are becoming vital
Policy and regulations	• Labour laws, wage policies, and return-to-office mandates are shaping job access, often clashing with demand for flexible or hybrid work models
Geopolitics & economic shocks	• Conflicts, recessions, and inflation create uncertainty, making talent retention and good candidate experience a key differentiator

2.3 The US workforce grew from 159.8M in CY19 to 170.0M in CY24, led by private sector growth, and is projected to reach 173.0M by CY30P with rising demand in tech, healthcare, and professional services

The US workforce totalled 159.8M in CY19, which grew to 170.0M in CY24, with a steady rise in public, private and self-employed personnel. This expansion was driven by targeted government investments and supportive policy environments. Private sector employment has been the largest driver of job creation in the US, largely because private businesses respond to market opportunities and empower individuals through job creation.

Workforce employment trend - US
(#M, CY19-30P)



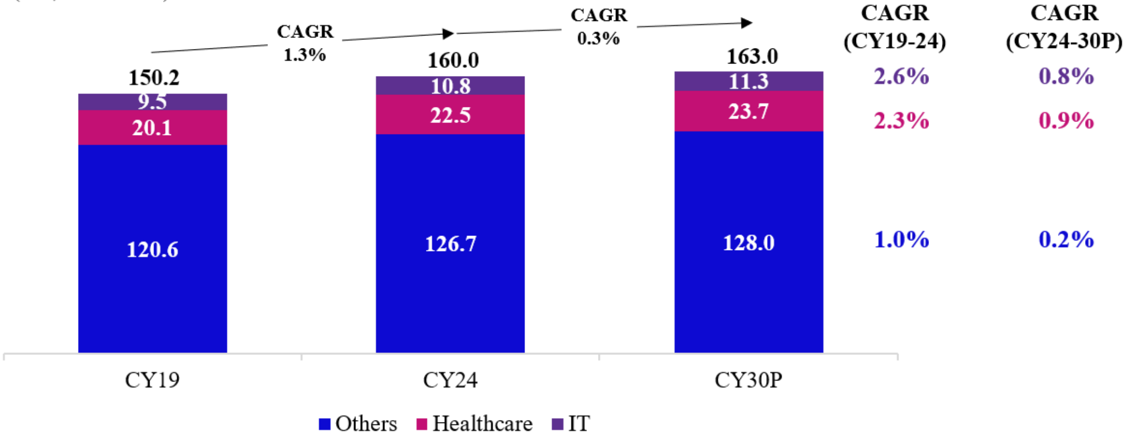
Source(s): U.S. Bureau of Labour Statistics, 1Lattice analysis

Across these sectors, companies are turning to contingent and contract workers to address skill shortages, scale rapidly, and meet project-specific demands. Alongside growth in permanent placements, temporary, gig, and excepted services (appointed under the President) staffing solutions have become increasingly critical for organisations navigating talent shortages and changing skill requirements. Looking ahead, the US workforce is projected to grow to 173.0M by CY30P, with the public sector showing a dip to 23.3M at -0.1% CAGR, whereas the private sector can rise to 139.7M at a growth rate of 0.4% and the self-employed to 10.0M at a CAGR of 0.2%.

2.3.1 US workforce, excluding self-employed personnels, growth to be driven by IT services and rapidly expanding healthcare sector, while other sectors are to witness slower growth trends

The US workforce, excluding self-employed personnels, grew from 150.2M in CY19 to 160.0M in CY24 at an annual growth rate of 1.3%, driven by rising demand in healthcare and IT services at a CAGR of 2.3% and 2.6% respectively, during the COVID-19 period, while other sectors grew annually by 1.0%.

US workforce trend, excluding self-employed: split by industry
(#M, CY19-30P)



Source(s): U.S. Bureau of Labour Statistics, 1Lattice analysis

With the public health emergency officially ending in CY23, healthcare and IT are projected to collectively account for 21.5% of total employment, reaching 163.0M by CY30P. The share of workers in these sectors is expected to rise by 0.9% and 0.8%, respectively, reflecting a structural shift in employee composition toward higher-growth industries. While most of the employees will continue to be employed in other sectors, which are projected to grow at a modest CAGR of 0.2%, several industries, such as retail trade and manufacturing, are expected to experience slower growth or remain stagnant. This shift is driven by automation, changing consumer demand, and productivity improvements, underscoring the employee's gradual transition toward high-demand, knowledge and skill-intensive sectors.

2.3.2 Minimum wage set by the federal government is US$ 7.25 per hour, while a few states raise rates to address higher local costs, inflation indexing, and income inequality

The federal government has set a minimum wage of US$ 7.25 per hour for all non-tipped employees. States may establish their own higher minimum wage standards, and in such cases, the higher rate applies. For tipped employees, such as bartenders and servers, the federal cash wage is US$ 2.1 per hour. If an employee's tips combined with the employer's direct wages of at least US$ 2.1 per hour do not equal the federal minimum hourly wage, the employer must make up the difference.

State-level labour laws and wage regulations in the US show significant variation across the country. While the federal minimum wage of US$ 7.25/hour serves as the baseline in states without their own laws, many states have set higher standards. States such as California (US$ 16.9), Washington (US$ 17.1), and D.C. (US$ 17.5) have the highest minimum wages. Some states, including Florida, Maine, and Vermont, adjust wages annually using inflation indexing, while others, like New York and Oregon, implement tiered or regional wage structures. These variations are driven by factors such as cost of living, workforce demand, and efforts to reduce income inequality. Overall, the trend shows a move toward higher and inflation-adjusted minimum wages, supporting workers' purchasing power while encouraging states to tailor labour policies to local economic conditions.

2.3.3 US unemployment remained stable at ~4% through CY24-25, while the ageing healthcare workforce and rising education IT investments highlight emerging skill and talent realignment

As of February CY26, there were 7.6M individuals unemployed in the US, and the unemployment rate showed a rise from 3.9% to 4.4% since May CY24. The healthcare workforce is ageing rapidly, with only about 17% of active physicians under the age of 40 in CY22. At the same time, registered nurses have an average age of 43.4, which raises concerns about shortages as retirements increase and demand for care expands. Nursing supply shows improvement with newly licensed registered nurses rising by 36.1% between CY19 and CY23, and medical school enrolment increasing 6% between CY19 and CY24, which indicates continued interest in healthcare careers. Amid these workforce shifts, public institutions are also scaling their technology infrastructure to strengthen education and skill development systems by increasing their IT budgets. These investments by universities focus on modernising institutional IT infrastructure through stronger cybersecurity, upgraded data and network systems, and enhanced digital support for research, administration, and student services.

FY24-25 education IT budget

University	IT budget	Top areas of IT spending/Key initiatives
University of Michigan	US$ 523M	• Enhanced enterprise IT security, increased support for data visualisation software and stronger IT support for the research enterprise
UCLA	US$ 422M	• Application modernisation to replace its aging mainframe-based financial aid system, among other modernisation activities
Chicago Public Schools	US$ 169M	• Technology wiring/cabling and voice network maintenance and support. Upgrading or replacing existing ERP[1] system and firewall replacement and related services

Note(s): [1]Enterprise Resource Planning
Source(s): Avendus

Several state-led initiatives in the US highlight the growing adoption of digital workforce and education solutions. The Michigan Department of Technology, Management and Budget allocated about US$ 180M towards statewide assessment management and performance reporting systems. The Pennsylvania State System of Higher Education invested approximately US$ 55M in developing learning management platforms and help desk support to improve digital access and efficiency.

2.3.4 Government initiatives: Legislative reforms and targeted funding driving workforce readiness and digital inclusion

Several US government initiatives have focused on strengthening reskilling and upskilling, using legislative reforms and targeted funding programmes to align workforce capabilities with employer demand, and these initiatives do play a meaningful role in advancing reskilling and upskilling:

- **Workforce Innovation and Opportunity Act (WIOA) –** Introduced in CY14 and strengthened in CY24, it improved alignment between worker skills and employer needs by directing funds toward training and accountability.
- **Good Jobs Challenge (2022) –** Allocated US$ 500M to regional sector partnerships, which accelerated talent pipelines in healthcare, IT, and manufacturing.
- **Community College Grants (2023) –** Expanded short-term, employer-linked training programmes, improving access to technical skills.
- **CHIPS and Science Act Workforce Programmes (2022 onwards) –** Mobilised billions of dollars to build a skilled semiconductor talent pipeline.
- **Digital Equity Grants (2023) –** Enhanced workforce participation by improving digital access for underserved populations.

2.3.5 Key US government policies: Redesigned workforce programmes around reskilling, apprenticeships, and industry alignment

The US government is reshaping workforce programmes by aligning skills with industry demand, closing gaps in trades and advanced sectors, expanding apprenticeships, and modernising systems, though funding disparities remain a challenge.

Reshoring & workforce modernisation

- Trump's executive order pushes labour, education, and commerce to align workforce programs with reshoring, advanced manufacturing, and AI
- It highlights funding gaps, with **US$ 700B** for higher education against only **US$ 4.1B** for WIOA and **US$ 1.4B** for Perkins

Apprenticeships to close skills gap

- In CY24, the US faced shortages in construction and durable goods, with a projected annual gap of **500,000** skilled trades
- The administration aims to refocus on core sectors and add over **1M** apprenticeships annually

Industry-aligned workforce system

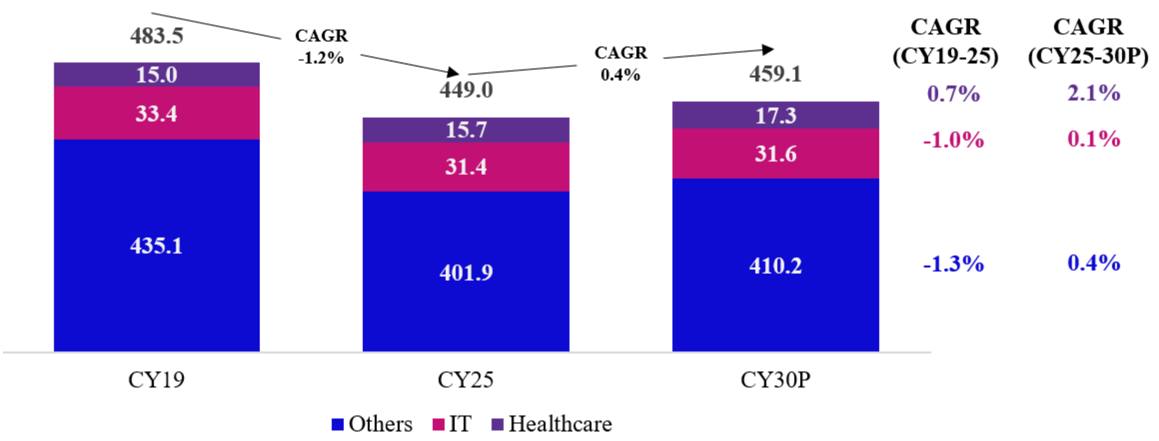
- The Trump administration's **"America's Talent Strategy"** aims to unify federal workforce programs under the Department of Labor
- The plan focuses on **minimising redundancy, aligning with industry requirements, and improving service efficiency**

2.4 US government contracting and staffing market shaped by massive public employment, short-term fluctuations, and a steady long-term outlook

As of March CY2, the US government employed 23.3M people across federal, state, and local levels, including ~2.7M in federal roles. Government procurement activity, measured by the total number of bids and RFPs, was 483.5K in CY19, adjusted to 409.0K in CY20 due to pandemic-related impacts, and rebounded to 449.0K in CY25. Government contracting is expected to remain steady, reaching 459.1K by CY30P, reflecting a CAGR of 0.4%. While growth in government staff compensation has moderated in recent years, overall SLED spending continues to expand, indicating a shift in spending composition rather than a reduction in total public-sector expenditure. As a result, governments often rely more on contract staffing, workforce augmentation, and outsourced digital services to maintain service delivery without increasing permanent headcount.

In terms of number of annual bids and RFPs issued across sectors, healthcare increased from 15.0K in CY19 to 15.7K in CY25 (0.7% CAGR) and is projected to reach 17.3K by CY30P (2.1% CAGR), while IT services shifted from 33.4K in CY19 to 31.4K in CY25 (-1.0% CAGR) and is expected to recover to 31.6K by CY30P (0.1% CAGR). These patterns highlight steady growth in healthcare alongside a gradual rebound in IT, illustrating ongoing adjustments and sector-specific trends within the government as digital transformation programmes and the need for specialised technical capabilities continue to support demand for outsourced workforce and digital service providers.

Annual bids & RFPs issued - US
(#K, CY19-30P)



Source(s): GovWin Deltek, 1Lattice analysis

2.4.1 US government employed 23.3M as of March CY26, with rising payrolls and strong State, Local, and Education (SLED) demand sustaining jobs in healthcare, education, and public services

As per US Bureau of Labor Statistics March CY26, the US government employed 23.3M people across federal, state, and local levels. Of this, the federal workforce of ~2.7M is highly concentrated in defence, postal and civil administrative roles, while the state and local segment together employing 20.6M people, forming the operational backbone of public service delivery. SLED is a large and diversified market consisting of 100,000+ entities (50 states, 3,000+ counties, 36,000+ municipalities, 13,600+ public school systems, 7,000+ higher educational institutions, 38,000+ special districts. Local governments, which account for ~15.2M (73.8%) are heavily staffed in education, healthcare and public safety. In contrast, state governments employ a smaller but critical share of ~5.4M (26.2%) employees focused on statewide administration.

The US government structure operates across two distinct yet interlinked tiers: Federal and SLED, each characterised by different administrative and procurement models. The Federal tier functions through centralised oversight led by the Office of Personnel Management (OPM), the Office of Management and Budget (OMB), and compliance frameworks such as the Federal Acquisition Regulation (FAR). In contrast, SLED entities are highly decentralised, governed by individual state and local procurement codes, with contracting often enabled through state master contracts and cooperative purchasing mechanisms.

US Government overview		
Aspect	**US Federal Government**	**US SLED Government**
Workforce scale	• ~2.7M civilian employees across agencies	• ~20.6M civilian employees across agencies, with local education covering the major share
Structure	• Centralised administration via OPM[1], OMB[2], agency HR offices	• Highly decentralised, with each state, county, and district operating its own HR and procurement body
Procurement governance	• Governed by FAR[3], OFPP[4] & OMB[2] policies	• Governed by individual state & local procurement codes, with some aligning with federal regulations
Procurement vehicles	• GSA[8] multiple award schedules, GWACs[5] & IDIQs[6]	• State master contracts & cooperative purchasing like NASPO[7] ValuePoint
Mission focus	• Focus at national scale (e.g. federal programmes, national IT, etc) with regulatory layers	• Focus on local delivery, education, public safety, and community services and often leverage cooperative purchasing to save time and ensure local relevance

Note(s): [1]Office of Personnel Management; [2]Office of management & Budget; [3]Federal Acquisition Regulation; [4]Office of Federal Procurement Policy; [5]Government-Wide Acquisition Contract; [6]Indefinite Delivery, Indefinite Quantity; [7]National Association of State Procurement Officials; [8]General Services Administration

The SLED segment is a significant part of the US workforce landscape, employing individuals across healthcare, education, public safety, and infrastructure. This scale ensures stable workforce demand, even in times of economic or policy uncertainty.

Workforce composition is evolving, with temporary and contract roles growing faster while permanent positions continue to provide stability and benefits. Diversity and inclusion initiatives, technology-driven hiring, and rising demand for specialised skills in healthcare, IT, public services, and public safety are reshaping government employment. In the SLED market, this creates steady demand in areas such as healthcare and environmental services, while funding-linked slowdowns in education and construction highlight the need for flexible staffing and outsourcing. For workforce solution providers, SLED remains a large, recurring, and resilient market where payroll and staffing are central to budgets.

The SLED procurement reports indicate a temporary 5.4% decline in bid activity during Q4 CY25 due to the wind-down of pandemic stimulus funding and short-term disruptions such as the federal government shutdown. However, government spending continues to grow, and procurement activity is expected to stabilise from CY26. Structural factors, including large public-sector workforce requirements and reliance on contract staffing, continue to support long-term demand for workforce solutions providers.

2.5 Emerging skills and roles in the US workforce: Rising demand across technology, healthcare, and the green economy

Shifts in technology, healthcare, and sustainability are shaping the future demand for skills in the US workforce. There is a rising demand for software developers, data scientists, cybersecurity analysts, cloud architects, engineers, and healthcare professionals, such as nurses and therapists, which is also reflected in leading H-1B visa applications.

Emerging roles in healthcare

- **Medical and health services managers** – They plan, direct, and coordinate operational aspects of healthcare institutions, making sure that hospitals, clinics, and nursing homes operate effectively while adhering to regulations.
- **Clinical data analysts** – Genomic sequencing and Electronic Health Record (EHR) generate massive datasets, and analysts turn them into actionable insights like personalised cancer treatment plans.
- **Epidemiologists** – They study patterns and causes of diseases in populations, providing data and strategies to prevent outbreaks and improve public health policies.

Emerging roles in IT

- **Information security analysts** – Safeguard organisations against cyber threats by monitoring networks, testing defences, and responding to breaches.
- **Data scientists** – Examine large datasets to identify patterns, build predictive models, and guide business or policy decisions.
- **Computer and information research scientists** – Develop new computing techniques, algorithms, and technologies that drive progress in areas such as AI, quantum computing, and advanced networking.

Emerging roles in other sectors

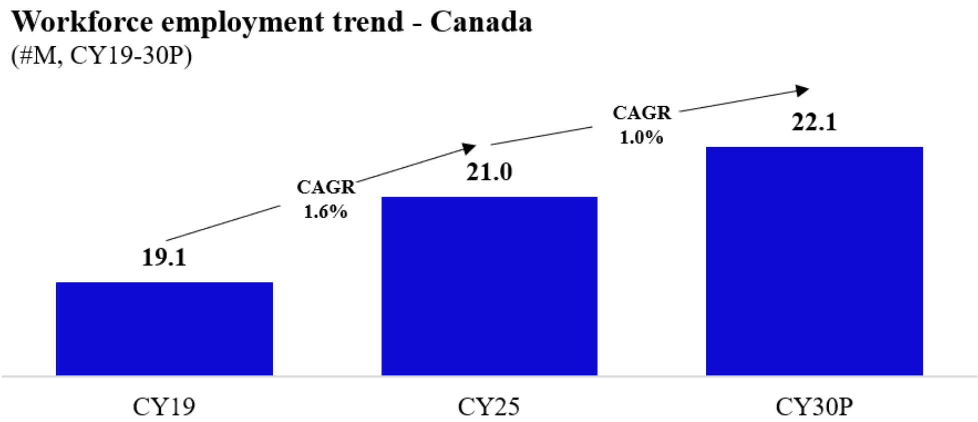
- **Operations research analysts** – Use math and data modelling to solve complex problems, like optimising airline routes or streamlining supply chains.

- **Actuaries** – Apply statistics and financial theory to assess risk, crucial for insurance pricing, pension planning, and long-term financial forecasting.
- **Logisticians** – Manage the movement of goods and materials, ensuring supply chains run smoothly from manufacturers to consumers, vital in retail, defence, and disaster response.

Alongside this, new positions related to the green economy and digital transformation are surfacing, such as AI experts, renewable energy technicians, and advanced data analysts. Employers increasingly value not only technical skills but also adaptability, problem-solving abilities, and ongoing reskilling, which are now considered crucial for addressing the changing needs of the workforce.

2.6 Canada's labour force is steadily expanding across public and private sectors, while self-employment remains stable, reflecting balanced workforce growth through CY30P

Canada's labour force has grown steadily from 19.1M in CY19 to 21.0M in CY25, at a CAGR of 1.6%, with steady growth across public and private sectors. Public sector employment rose from 3.7M to 4.6M, supporting essential services such as healthcare, public safety, education, and social services, while private sector jobs increased from 12.5M to 13.8M, driven by technology, healthcare, and professional services. Self-employment remained stable around 2.6-2.8M during CY19-25. This expansion is accompanied by rising demand for specialised skills and flexible work arrangements.



Source(s): Statistics Canada, 1Lattice analysis

Over the next few years, Canada's workforce is expected to reach 22.1M by CY30P. The evolving labour market is expected to create continued demand for adaptive workforce solutions and targeted talent strategies across sectors.

2.7 Overview of Canada's government staffing and contracting trends: Participation of small and women-owned enterprises

The Government of Canada manages most of its purchasing and staffing needs through Public Services and Procurement Canada (PSPC). PSPC uses standing offers and supply arrangements to pre-qualify suppliers for goods and services. For short-term needs, departments rely on Temporary Help Services (THS), which allow hiring for up to 48 weeks to cover absences, workload peaks, or projects. These services are divided into office support, operational, and professional categories, and spending on them is published in the public accounts under "Professional and special services." These frameworks not only ensure efficiency and transparency in staffing but also encourage participation from small businesses and women-owned enterprises, reinforcing inclusivity in federal procurement practices.

2.7.1 Role of federal and state governments: Driving employment and ensuring labour market stability

The public sector is a major source of employment across the country. In CY24, Statistics Canada (the Canadian government's agency) recorded 4.4M public sector employees, an increase of 156,000 or 3.7% from CY23. Most of this growth came from healthcare, social assistance, and education, which are primarily under provincial responsibility. Compared to their private-sector counterparts, public sector employees are more likely to benefit from pensions, union representation, and comprehensive medical and dental coverage, underscoring the sector's role in promoting workforce stability and security. These dynamics highlight the government's dual function of directly shaping employment outcomes while also influencing broader labour market resilience through policy and procurement strategies.

2.7.2 Canada's government employment trends: Shifting toward temporary and contract staffing, with rising reliance on flexible roles and non-advertised hires

Canada's public sector is relying more on temporary, contract, and non-advertised roles to meet staffing needs. At the same time, workforce inclusion and long-term stability remain key focus areas.

Accelerate growth & flexible staffing

- The public sector is growing with greater reliance on temporary and contract roles in services and technology
- Overall employment rises with temporary staffing rising by **2.6%** in CY25, signalling shifting hiring trends

Temporary staffing still significant

- Canada's staffing and recruitment sector provides support for **~2.0M** temporary employees, representing **13.6%** of the total workforce in CY25

Advancing workforce inclusion

- The Public Service Commission of Canada found that **1 in 5** temporary contracts were long-term and continuous, while only **1 in 10** workers secured permanent roles within **180 days** of contract end

Rise of non-advertised staffing action

- Non-advertised appointment share climbed to **66.0%** by FY22-23, including **51.0%** of new hires, signalling a shift toward internal, less transparent staffing

2.8 Evolving staffing models: Driven by hybrid work, AI integration, and renewed focus on permanent roles

Staffing models are rapidly adapting to modern technologies and workplace expectations, with hybrid work environments and AI-powered hiring processes reshaping the industry landscape. Permanent roles are becoming increasingly important for companies aiming to build a stable, high-performing workforce in a competitive market.

- **US staffing industry:** It is valued at **US$ 189B** in CY24 and expected to grow by **5%** in CY25, propelled by increases in IT and healthcare recruitment
- **AI adoption:** It is changing the way staffing works. Companies use it for tasks **like screening resumes and predicting hiring needs**, and it has helped cut hiring time by about **30%** compared to traditional methods
- **Hybrid work:** It has become a staple of workplace culture, with around **55%** of employees in roles suitable for remote work engaged in hybrid models by early CY23
- **Permanent staffing:** It is gaining traction in a gig-centric environment, seeking stability, and align talent with long-term goals. Hiring trends show **cost-effectiveness & compliance**, **engagement** & **strong workplace culture**

The staffing industry is transitioning from traditional recruitment to specialised outsourcing models, such as Recruitment Process Outsourcing (RPO) and Managed Service Provider (MSP). RPO providers take responsibility for some or all aspects of a company's permanent recruitment process, which includes everything from sourcing candidates to onboarding them. Worldwide, the use of RPO is increasing as businesses seek greater scalability, cost-effectiveness, and access to a broader range of talent.

On the contrary, MSP models emphasise the management of contingent and temporary staffing providers. As companies become more dependent on flexible workforces, MSPs assist in enhancing vendor performance, ensuring compliance, and controlling costs.

2.9 Impact of technology and automation: Transforming staffing operations, efficiency, and talent acquisition outcomes

Technology adoption is rapidly transforming staffing operations, making AI and automation central to recruitment strategies. Automation is also streamlining back-office functions, reducing repetitive HR tasks and enabling recruiters to focus on higher-value activities such as strategy and relationship-building. In the coming years, IT staffing is expected to be heavily automation-led, with nearly half of firms integrating AI to achieve faster placements and significant cost savings.

Remote staffing

- Greater flexibility, global reach & diverse working models

Skills-based hiring

- Broader talent access, emphasis on practical capabilities

Sector focused

- Strategic vertical focus, capitalising on fastest-growing markets

Diversity, equity and inclusion

- Attraction & retention of diverse talent cohorts

Economic uncertainty

- Efficiency & cost-control will drive operational choices

Future models

- Hybrid human-AI workflows & platform-based staffing

3. Global and USA strategic workforce solutions market overview

The global staffing solutions market has evolved into a comprehensive ecosystem encompassing temporary and contract staffing, permanent placement, Recruitment Process Outsourcing (RPO), Managed Service Provider (MSP), Statement of Work (SOW) management, and increasingly, digital talent platforms. This shift reflects employers' demand for flexibility, scalability, and compliance support rather than purely transactional hiring. Within this landscape, the United States is recognised as the most mature staffing solutions market, having developed large-scale MSP and RPO models that now set global benchmarks. US employers have reported among the strongest hiring intentions worldwide, compared to a global average. This demonstrates robust and sustained demand for staffing solutions in the US market.

3.1. Evolving staffing models: Integration of permanent, contract, and gig talent through data-driven recruitment and workforce management

The staffing and workforce solutions industry has evolved over the decades, moving from simple temporary staffing agency models to integrated, technology-driven talent strategies. The timeline below highlights the key milestones in this transformation.

1990s	2000s	2010s	2020s
• During this period, temporary staffing agencies were in demand • Organisations relied on local staffing agencies to fill temporary or short-term positions • These needs were particularly focused on clerical and light industrial roles	• During this period, MSPs centralised the management of contingent labour • Companies faced rising demand for temporary labour across regions • To address this, companies increasingly use MSPs to centralise supplier management and standardise workforce practices	• During this period, RPO models streamlined and scaled permanent recruitment • Workforce models diversified with freelancers, gig workers, and Statement of Work (SOW) engagements • The expansion of digital platforms and remote work boosted flexibility	• During this period, blended solutions integrated permanent, contingent, and digital talent • Organisations used integrated workforce models of RPO and MSP under a single governance framework • These models managed all categories of workers, including permanent, temporary, and freelance

Workforce models have evolved with the rise of remote work, gig platforms, independent contractors, and Statement of Work (SOW) engagements, driving demand for consolidated governance, thus shifting to blended solutions that unify permanent, contingent, and digital talent. As a result, providers now deliver strategic, value-added offerings that enhance agility, compliance, and workforce planning rather than just filling roles.

3.2. Advanced workforce transformation: Leveraging technology and automation to streamline HR functions and enable data-driven decision-making

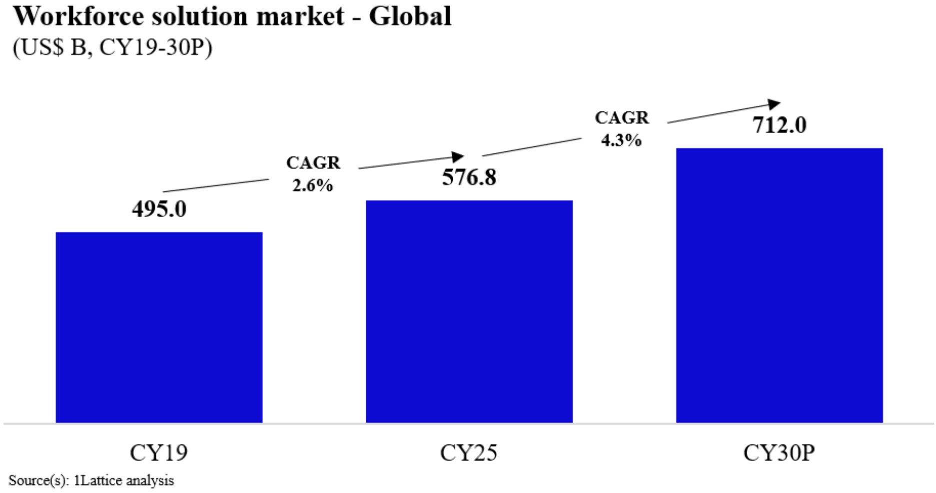
AI, automation, analytics, and cloud platforms, are shifting from experimental use to standard practice across various industries, and enabling faster hiring, improved compliance, and data-driven decision-making. It is reshaping the entire talent lifecycle. Hiring is now faster, more accurate, and cost-efficient, moving beyond simple staffing to holistic talent management. Manual processes are being replaced with data-driven approaches that prioritise compliance, reduce bias, and protect privacy. Recruiters are evolving into tech-enabled advisors, while investments increasingly focus on analytics, automation, and skills development, driving tangible improvements across HR functions, from efficiency and predictive insights to employee engagement and retention.

Transformation areas	Impact on HR function
Efficiency gains	• AI and automation handle repetitive tasks such as Curriculum Vitae (CV) screening and scheduling, freeing HR to focus on workforce planning and talent development
Predictive insights	• Data-driven analytics help forecast hiring needs, spot high-potential employees, and predict attrition, enabling HR to move from a reactive to a proactive approach
Personalised experience	• Cloud and AI-powered tools enable personalised onboarding, continuous learning, and real-time chatbot support, driving higher employee engagement and overall satisfaction
Scalable systems	• Cloud-based HR platforms scale seamlessly with organisational needs, reduce infrastructure costs, and provide the flexibility to manage both remote and hybrid workforces effectively
Error reduction	• Automated systems minimise payroll and compliance errors while ensuring accurate, timely, and transparent record-keeping
Retention support	• AI-powered insights enable organisations to monitor employee engagement, personalise career development paths, and streamline feedback processes, fostering a more motivated and committed workforce

AI, analytics, and automation now enable staffing firms to manage the entire talent journey, from scheduling interviews and onboarding to training, payroll, compliance, engagement, and retention. What was once limited to staffing has now evolved into end-to-end workforce management that adapts to every stage of the employee lifecycle.

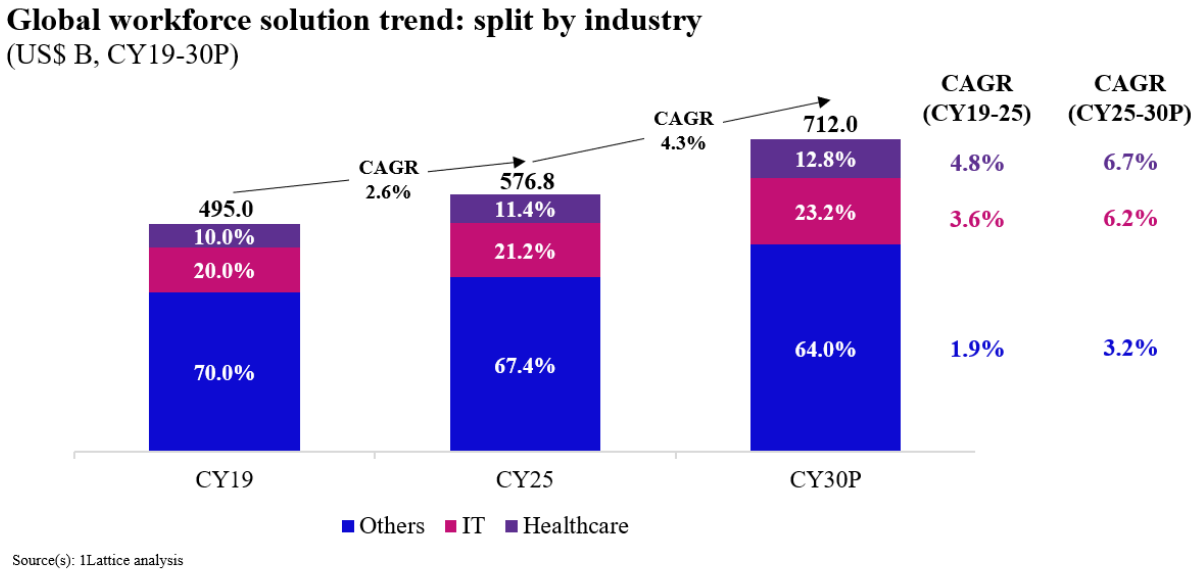
3.3. Global workforce solutions market rises from US$ 495.0B in CY19 to US$ 576.8B in CY25, projected to reach US$ 712.0B by CY30P as AI adoption, remote work, and flexible staffing reshape talent ecosystems

The global workforce solutions market grew from US$ 495.0B in CY19 to US$ 576.8B in CY25, driven by continued reliance on contract-based staffing for government programmes despite the volatile nature of government budgeting cycles, fiscal discipline across public sector agencies, and lengthy procurement and contracting processes. While geopolitical tensions and macroeconomic uncertainty influence hiring trends, demand for government workforce solutions remains supported by contract-based staffing for programme deliveries, and it is projected to reach US$ 712.0B by CY30P. The market recorded a CAGR of 2.6% between CY19 and CY25, with growth expected to accelerate to 4.3% from CY25 to CY30P. This expansion is expected to be supported by increasing government investments in digital transformation initiatives, cybersecurity modernisation, and infrastructure and defence programmes. Healthcare continues to depend on flexible staffing, while IT remains a key focus as agencies actively place tech talent through online platforms.



3.3.1 During CY19-30P, healthcare and IT will expand their share of the global workforce solution market, though other industries will continue to account for the largest demand

In CY19, the global workforce solutions market was primarily driven by other industries, which accounted for 70.0% of total demand, while IT and healthcare contributed 20.0% and 10.0%, respectively. In CY25, the share of the workforce solution in healthcare rose to 11.4%, and in IT to 21.2%, while other industries eased to 67.4% which reflects an increase in demand for skilled professionals in these areas. This is due to labour shortages and operational needs in other sectors, rising staffing demand and regulatory pressures in healthcare along with growing healthcare demand driven by ageing populations and increasing need for medical services and long-term care, and the IT sector's need to manage a global, skilled workforce efficiently.



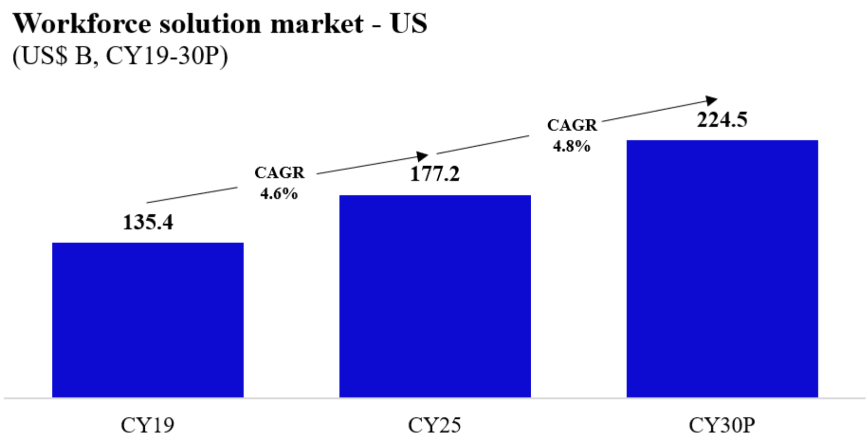
By CY30P, the global workforce solutions market is expected to be driven by other industries, with an annual growth rate of 3.4%, due to labour shortages, operational efficiency needs, and AI adoption. Healthcare demand is expected to rise by 6.7%, fuelled by staffing shortages, regulatory compliance, and growing care needs. The IT sector drives growth through digital transformation, remote work management, and continuous skill development, is expected to grow at 6.2%

annually, as organisations increasingly adopt AI tools and digital transformation initiatives requiring specialised contract-based IT talent.

3.4. The US workforce solutions market is expected to grow from US$ 135.4B in CY19 to US$ 224.5 B by CY30P, driven by IT, healthcare, finance, and remote work adoption

The US workforce solutions market grew from US$ 135.4B in CY19 to US$ 177.2B in CY25 at a CAGR of 4.6%, fuelled by persistent labour shortages across sectors such as healthcare, IT and skilled trades, along with increasing reliance on contract-based staffing models by both private sector organisations and government agencies. The geopolitical uncertainties have also influenced hiring trends, demand for government workforce solutions has been resilient due to the mission-critical nature of public sector programmes.

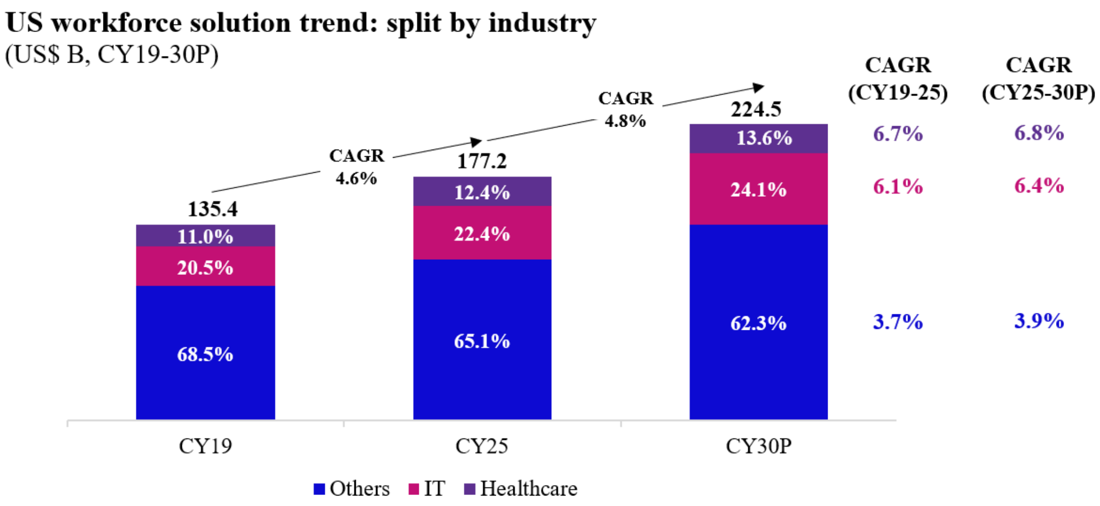
The US workforce solution market is projected to reach US$ 224.5B at a CAGR of 4.8% during CY25-30P, driven by rising federal investments across defence, cybersecurity, healthcare and digital modernisation programmes. Large-scale federal healthcare and infrastructure initiatives continue to rely on outsourced workforce solutions providers to address talent shortages and ensure timely execution, while IT modernisation, cloud migration and cybersecurity mandates are driving demand for specialised contractors with relevant skill sets across these areas.



Source(s): 1Lattice analysis

3.4.1 During CY19-30P, the US workforce solutions market is expected to be driven by healthcare and IT services, while other sectors are to witness steady growth trends

The US workforce solution grew from US$ 135.4B in CY19 to US$ 177.2B in CY25 at an annual growth rate of 4.6%, driven by rising demand in healthcare and IT services at a CAGR of 6.7% and 6.1%, respectively, while others grew at 3.7% annually. This is driving strong growth in healthcare and IT staffing driven by rising healthcare utilisation, persistent shortages of nurses and allied healthcare professionals, and increasing reliance on temporary staffing solutions. In IT, enterprise adoption of generative AI and expanding investments in cloud and digital infrastructure are increasing demand for specialised talent such as AI engineers, data scientists, and cybersecurity professionals.



Source(s): 1Lattice analysis

By CY30P, the US workforce solutions market is expected to grow at a CAGR of 4.8% driven by strong growth across IT (6.4%), healthcare (6.8%), and slower growth in other sectors (3.9%). This is supported by continued shortages of healthcare professionals and increasing dependence of hospitals on travel nurses and flexible staffing solutions to manage workforce gaps. In IT, sustained enterprise investments in AI infrastructure, cloud platforms, and cybersecurity, along with limited availability of specialised talent and H-1B visa constraints, are expected to further increase reliance on technology staffing providers. Other industries are expected to expand due to economic recovery, labour shortages, and ongoing workforce upskilling requirements.

3.4.2 Government mandates and policies: Establishing compliance, trust, and operational integrity in workforce solutions

Federal and state regulations establish the rules for how organisations hire, compensate, and manage workforce risk. Compliance is mandatory and auditable, with significant penalties for violations. For workforce solutions providers, these requirements are not just legal obligations, they shape how jobs are scoped, rates are set, candidates are screened, and operations are managed, making compliance a key driver of reliability and trust. Within this regulatory and operational context, contract dynamics also differ across government levels. Federal contracts typically have a higher margin profile than SLED contracts. This distinction shows the importance of understanding varying compliance expectations, funding mechanisms, and procurement cycles when serving different tiers of government. Laws and regulations establish the foundation for how organisations hire, compensate, and manage workforce risks.

Key federal requirements include:

- **Workforce planning** – Agencies need to match current workforce skills with mission goals consistently. This requires identifying gaps, predicting upcoming requirements, and planning strategies for hiring and retaining talent among HR, budget, IT, and operations teams.
- **Data, analytics and performance metrics** – It is essential to have frameworks for evaluating workforce performance, such as the balanced scorecard and programme logic models. Additionally, having clear metrics like the accuracy of staffing projections or the preparedness of managers' decisions is important.
- **Competency modelling** – Define what each role requires and use that to inform hiring, career pathing, performance reviews, and workforce realignment.
- **Career development** – Individual Development Plans (IDPs) align employee goals with agency needs. Executive Development Plans (EDPs) are required for Senior Executive Service (SES) staff and are legally mandated.
- **Innovation and emerging technologies** – Workforce systems need AI, automation, flexible methodologies, transparent decision-making, ethical safeguards, and infrastructure modernisation.

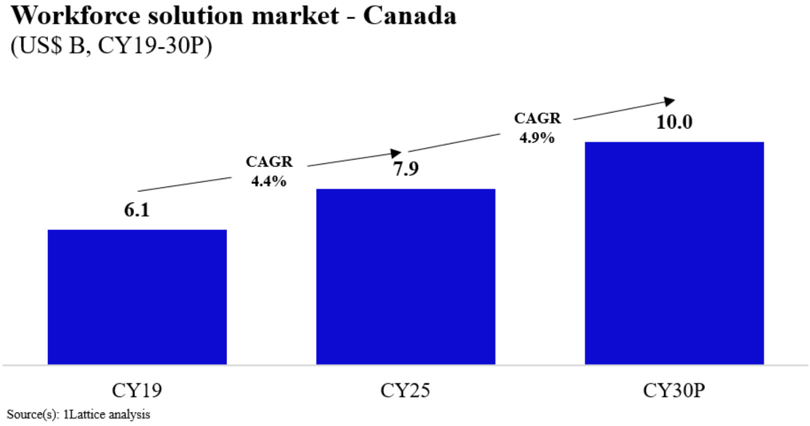
Key state requirements include:

- **Unified state plan (every 4 years) –** It must be submitted to the Department of Labor (DOL) for funding eligibility. It should include state labour market analysis, economic trends, workforce demographics, and sector priorities.
- **State workforce development board –** It oversees programme coordination, sets statewide priorities, engages employers, and approves performance targets.
- **Local governance and regional plans –** States assign local workforce boards and planning areas to align with workforce initiatives with industry sectors and employer needs.

Federal and state mandates establish a clear compliance framework for workforce solutions providers. They cover workforce planning, competency modelling, career development, and technology modernisation. Providers must align with state-level boards and local governance structures. Compliance also requires transparent audit trails, strong controls, and the ability to operate across multiple jurisdictions. In this evolving fiscal environment, where recent federal budget adjustments have shifted funding priorities away from certain clean energy and electric vehicle initiatives toward AI-driven transformation, market exposure has become an important consideration for service providers. Workforce solutions providers such as Tryfacta, Inc. primarily operates across core services sectors such as IT and healthcare and not present in segments such as electric vehicle infrastructure and green energy programmes which has been impacted by these recent adjustments. While federal contracting activity often experiences fluctuations driven by policy shifts and budget cycles, the SLED market remains comparatively stable due to its independent modus operandi. Providers that meet both federal and state standards gain credibility and trust with government agencies. Such providers are well-positioned to capture a significant share of the multi-billion-dollar budgets allocated to public-sector workforce development.

3.5. Canada workforce solutions market rising from US$ 6.1B in CY19 to US$ 10.0B by CY30P, fuelled by sector demand, AI adoption, and evolving workforce expectations

The Canadian workforce solutions market rose from US$ 6.1B CY19 to US$ 7.9B in CY25, growing at a CAGR of 4.4%. Expanding North American supply chain integration and near-shoring trends are expected to further support demand for contract and project-based workforce solutions across Canada. In response to these structural shifts in labour demand, the market has seen increasing adoption of digital and AI-enabled tools for hybrid workforces, expanded Temporary Foreign Worker (TFW) programmes, rising outplacement demand, and increased healthcare workforce management adoption. It is projected to reach US$ 10.0B by CY30P at an annual growth rate of 4.9%, fuelled by the Sectoral Workforce Solutions Program (SWSP), which addresses emerging talent needs, and by the adoption of AI-driven workforce analytics that improve forecasting and staffing decisions.



3.5.1 Canada's Workforce Shift: Rapid tech adoption, government intervention, and demographic pressures reshape talent management

Canada's workforce is experiencing a pivotal moment, shaped by rapid technological change, shifting demographics, and persistent skill shortages. Employers are rethinking how they should source and manage talent, while the federal government plays a dual role as regulator and major employer, shaping demand for compliant and scalable workforce practices. Together, these forces are not only redefining how talent is sourced and managed but also setting the stage for a more resilient and inclusive Canadian workforce.

Key trends in Canada workforce solutions and government-led demand	
AI impact	• About **60%** of Canadian workers are in jobs that could be heavily affected by AI. Among workers with a bachelor's degree or higher, **83-90%** are in AI-exposed roles, which drops to **38%** for high school graduates
Sectoral training	• In CY24, Canada's Sectoral Workforce Solutions Program (SWSP) allocated **US$ 50M** over 4 years, starting in CY25, for AI-related retraining and **US$ 10M** over 2 years, starting in CY24, for Early Childhood Educator (ECE) training
Foreign workers	• To ensure workforce availability, construction and healthcare employers may hire up to **30%** via the TFW program, while others face a reduction under the low-wage stream
Skill gaps	• **57%** of businesses that reported skill gaps highlighted technical, practical, and job-specific skills. Problem-solving was next at **49%**, followed by critical thinking at **36%** and customer service at **35%**
Demographic strain	• Youth unemployment hit **13.5%** in June CY24, while Indigenous unemployment (age 25–54 yrs) was **7.7%** compared to **4.5%** for non-Indigenous

3.6. Government contracting workforce solutions market

The government contracting workforce solutions market involves sourcing specialised talent through staffing firms or consultants to meet public-sector needs that go beyond traditional permanent employment, particularly in areas requiring rapid scalability, strict compliance, or technical expertise.

Globally, government contracting represents a significant portion of public-sector workforce sourcing due to the complexity and variability of government requirements, such as emergency response, specialised IT, or infrastructure projects. In the US, the federal government alone obligated ~US$ 755B in contracts in FY24, representing a modest year-on-year moderation after inflation adjustments, amid broader macroeconomic and geopolitical dynamics, while continuing to reflect the substantial scale of government contracting activities.

3.6.1 US government workforce solutions market shaped by efficiency reforms, evolving procurement models, and budget realignments

The US government workforce solutions landscape operates through two distinct segments, federal and SLED, each defined by its own procurement framework and governance structure. While the federal market functions under centralised systems such as the GSA Multiple Award Schedule (MAS) and standardised policy oversight with contracts often exceeding US$ 1M in size, the SLED market remains highly decentralised, with procurement managed by thousands of independent entities or cooperative networks and these contracts are typically smaller but more frequent, with high renewal rates and predictable funding. SLED market has emerged as a US$ 2T annual government contract spending market with 449.0K competitive opportunities in CY25, after bid volumes peaked at 479.0K in CY23. It got moderated to current levels due to geopolitical uncertainties, fiscal realignments, and evolving procurement frameworks, and are expected to reach 453.0K by CY27, indicating budgetary volatility in the US government workforce solution market.

US Government workforce solution overview		
Aspect	**US Federal Government**	**US SLED Government**
Diverse & scalable market	• GSA[1] multiple award schedule offers thousands of pre-qualified human capital vendors which supports both small and enterprise task orders	• Thousands of SLED entities procure staffing services independently or through cooperatives
Long-term contract Structures	• Federal multiple award schedule contracts are IDIQs[2] with 5-year terms that support long-term workforce service engagements through task orders and BPAs[3]	• State/local cooperative contracts and BPAs likewise provide multi-year ordering mechanisms for sustained services
Governance & policy shifts	• OMB[4]/OFPP[5] 2025 guidance promotes centralised procurement and category management, boosting standardised workforce vehicles	• States are mirroring this trend via statewide shared contracts and HR modernisation initiatives
Cooperative purchasing	• GSA[1]'s cooperative purchasing programme extends certain federal schedules to state/local buyers	• Widespread use of NASPO[9], OMNIA Partners, and sourcewell contracts enables local participation and economies of scale
Compliance & pre-qualification	• Requires SAM[6] registration, FAR[7] compliance, and specific SINs[8]	• States use pre-qualified vendor lists or accept GSA[1]-approved vendors via cooperative routes
Market trends	• Increased use of shared service models, centralised talent acquisition, and AI-enabled workforce analytics	• Growing reliance on cooperative contracts for faster hiring and digital HR modernisation across education and local government

Note(s): [1]General Services Administration; [2]Indefinite Delivery, Indefinite Quantity; [3]Blanket Purchase Agreement; [4]Office of Management & Budget; [5]Office of Federal Procurement Policy; [6]System for Award Management; [7]Federal Acquisition Regulation; [8]Special Item Number; [9]National Association of State Procurement Officials

The structural differences between federal and SLED directly influence market scalability, contract duration, and vendor participation. Federal workforce contracts typically operate through GSA multiple award schedules, IDIQs, and BPAs that support large, multi-year engagements under standardised governance (OMB/OFPP). Conversely, SLED agencies utilise state-level cooperative contracts and partnerships, enabling faster onboarding, localised execution, and shared service delivery across education and community sectors.

The US government increasingly relies on Indefinite Delivery, Indefinite Quantity (IDIQ) contracts and other multi-award contracts, which have resulted in greater competition and increased pricing pressure. This growth is supported by the federal contracts, which are expected to expand further through sustained technology investments and multi-year agreements, offering predictable revenue, while SLED growth will be supported by urbanisation, smart city initiatives, and continued federal support for state and local programmes.

The enacted expenditure on professional services (including workforce solutions) through the federal government was US$ 67.2B in CY25. The top 10 departments represent 90% of the federal professional services. Department of Homeland Security (DHS), Veterans Affairs (VA) and Department of Transportation (DOT) are poised for significant increases (79%, 547% and 25%, respectively) in the budget requested by the Trump administration for CY26, while the administration plans a reduction in the budget for most other departments. Several workforce solution providers serving the impacted departments will be adversely affected due to the reduction in budget allocations, potentially leading to decreased contract renewals, downsizing, or reduced project scopes.

Within the federal segment, unprecedented workforce reductions across agencies are reshaping demand for employee-related services, including HR consulting, leadership training, coaching, and Diversity, Equity, and Inclusion (DEI) programmes. Simultaneously, the Department of War (DOW), under its acquisition reform initiatives, is pursuing insourcing of IT consulting and management services. New contracts and task orders in these areas now require higher-level approval, with input from the Department of Government Efficiency (DOGE) as part of the review process, further tightening procurement oversight and reshaping contractor engagement models.

3.6.2 Vendor requirements: Meeting registration, certification, compliance, and security standards to compete for US government workforce contracts

The staffing industry comprises many enterprises ranging from small, niche-oriented companies to multi-billion-dollar corporations that serve many government and commercial customers. In FY24, small businesses won the majority of federal contracts, securing a record US$ 183.3B (~28.8% of total awards). They were followed by Small Disadvantaged Businesses (SDBs) with over US$ 78.1B and women-owned businesses with about US$ 31.8B in prime contracts. This highlights how federal set-aside programmes strongly favour diverse firms. Tryfacta, Inc. is among the providers of strategic workforce staffing solutions and professional services in the US.

To engage effectively with the US federal government, vendors must meet the general requirements that establish their eligibility and then comply with federal-specific mandates that define how contracts are executed and monitored. Together, these form the essential foundation for any firm aiming to qualify as a trusted government vendor.

Vendor requirements	
System for Award Management (SAM) registration	• Vendors are required to keep their registration in the SAM up to date and renew it every year. This is essential to remain eligible to bid for federal contracts
Socioeconomic certification	• Vendors should be certified as small businesses, woman-owned, veteran-owned, or HUBZone, when applicable, providing proof of ownership, control, and oversight by qualifying individuals
Size standards	• Demonstrate compliance with the Small Business Administration (SBA) size standards associated with NAICS[1] codes relevant to the contract opportunity
Security clearance	• For individuals working on federal contracts, especially in defence sector, it is essential to have and verify appropriate security clearances. The clearance process can affect staffing schedules, and vendors need to handle sponsorship and compliance for personnel with clearances

Notes(s): [1]North America Industry Classification System

Contract & compliance needs	
Federal Acquisition Regulation (FAR)	• The FAR regulates every aspect of procurement, including contract structure, pricing, and subcontracting. It is routinely updated, with current reforms focused on simplification, but still maintaining statutory requirements
Cost Accounting Standards (CAS)	• Contractors must follow CAS to allocate and document costs on federal work
Labour laws	• Compliance with federal wage, safety, non-discrimination, and affirmative action rules remains mandatory, but federal enforcement of DEI[1] standards has been reduced
Cybersecurity	• For contractors in the IT and digital services sectors, it is essential to comply with federal cybersecurity regulations, particularly the NIST[2] standards and CMMC[3]
Trade Agreements Act (TAA)	• Vendors need to ensure the products they supply comply with TAA requirements to qualify for government contracts, ensuring fair trade and security
Contract vehicle	• With ongoing consolidation of contract vehicles like GSA[4] and OTAs[5], vendors must maintain eligibility and adapt to changing acquisition strategies, including the OASIS+[6] programme

Notes(s): [1]Diversity, Equity & Inclusion; [2]National Institute of Standards and Technology; [3]Cybersecurity Maturity Model Certification; [4]General Services Administration; [5]Other Transaction Agreement; [6]One Acquisition Solution for Integrated Services Plus

US government agencies are operating in an increasingly complex and rapidly evolving regulatory and compliance environment. Amid this landscape, government agencies face a persistent and escalating threat from sophisticated cyber adversaries, creating a critical need to strengthen cybersecurity capabilities through advanced detection, response, and resilience measures. At the same time, as agencies implement digital transformation in line with federal AI governance, there is a significant market opportunity for solutions and services that leverage AI to enhance regulatory compliance, improve operational efficiency. As government agencies accelerate their digital transformation initiatives, the demand for secure, compliant, and resilient data centre solutions has become paramount.

Vendors aiming to succeed in the federal marketplace must establish a solid foundation by meeting general requirements and then build upon that with federal-specific compliance measures. This approach not only ensures eligibility but also positions vendors as reliable and competitive partners in the federal procurement ecosystem.

3.6.3 Government staffing models: Long-term workforce needs with flexible, project-based roles, distributing cost and risk differently across approaches

Governments use a variety of models to hire talent and procure services, each differing in how work is defined, pricing is structured, and cost risk is allocated. Some models are better suited for steady, ongoing internal roles, while others are ideal for projects with clearly defined or evolving scopes.

Staffing models adopted by the government

Competitive service

- It is the standard path for most federal employees. Jobs are advertised publicly, filled through a fair & merit-based process
- Builds a long-term professional workforce, ensuring stability and fairness in hiring

Temporary & term appointments

- Temporary roles lasting up to 1 year or more, & term roles ranging from 1-4 years depending on project needs
- Provide staffing flexibility for seasonal needs or time-limited projects

Senior Executive Services (SES)

- A group of senior executives who manage federal agencies just below cabinet level. This includes career & political executives
- Provides strong leadership & continuity across agencies, regardless of political changes

Political appointments

- Jobs filled by the President & senior officials, which include PAS[1], noncareer SES & schedule jobs that are policy-making or policy-advocating in nature
- Gives each administration direct control over key policymaking and leadership roles

Excepted services

- Jobs that don't use the competitive process, agencies set their own qualification standards
- Provides flexibility to hire people quickly for specialised or sensitive roles, like non-career, policy-oriented jobs in the federal government

Limited executive roles

- Temporary leadership roles are used when a position is vacant or awaiting confirmation by the Senate
- Keeps the agencies running without gaps in leadership

Notes(s): [1]Presidential Appointments with Senate confirmation

Collectively, these models have reshaped how providers compete and generate revenue. Risk, margins, and cash flow are increasingly tied to scope clarity and measurable outcomes, prompting buyers to prioritise well-defined project scopes, transparent tracking, and audit-ready delivery. In response, providers are standardising repeatable processes, maintaining flexible talent pools for variable demand, and investing in data analytics to demonstrate results. This shift has led to performance-linked pricing, faster contract awards for compliance-ready vendors, and market consolidation around firms with the scale, capabilities, and proven reliability to deliver consistently.

3.6.4 Procurement and pricing challenges: strict rules, consolidated contract vehicles, and rigid wage laws are increasing entry and pricing pressures for staffing vendors

The government workforce solutions market is shaped by strict rules on how contracts are awarded and how services are priced. Government staffing procurement is highly structured, combining strict rules, standardised contract vehicles, and wage regulations. Agencies prioritise transparency, compliance, and efficiency, making it essential for vendors to follow formal schedules. As a result, procurement in this market remains process-intensive, with limited flexibility in contracting and pricing structures.

Procurement processes for government staffing

GSA[1] Multiple Award Schedule (MAS)	• Agencies procure temporary staffing under SIN[2] 561320. Vendors should be pre-approved with set labour categories and rates, and agencies must order under FAR Subpart 8.4
Best-in-Class (BIC) vehicles	• Options like OASIS+[3] and HCaTS[4] are preferred because they align with OMB[5] BIC standards. They cover non-IT professional services, human capital, and training solutions, consolidating multiple services under one vehicle
Category management	• Requires agencies to use shared government-wide solutions such as MAS, OASIS+, and HCaTS to reduce custom contracts and improve efficiency
Ordering procedures	• FAR 8.405-2 applies when a Statement of Work (SOW) is needed, while FAR 8.405-1 applies in other cases. These ensure prices are fair and reasonable while standardizing procurement
Office of Personnel Management (OPM) rules	• Temporary staff may be engaged without an employer-employee relationship, limited to 120 days per assignment (extendable up to 240 days with justification), preventing temporary staff from becoming permanent

Notes(s): [1]General Services Administration; [2]Special Item Number; [3]One Acquisition Solution for Integrated Services Plus; [4]Human Capital and Training Solutions; [5]Office of management & Budget

Pricing challenges in government staffing	
Service Contract Labor Standards (SCLS)	• Vendors are required to pay at least the federal prevailing wage, which includes base pay plus necessary employee benefits. Offering prices below these rates may lead to enforcement actions
Professional employee compensation (FAR 52.22-46)	• Vendors are required to provide a total compensation plan outlining salaries and benefits. The government evaluates whether the compensation offered is reasonable and sufficient to retain skilled employees and ensure continuous operations
Uncompensated overtime (FAR 52.237-10)	• If employees exceed 40 hours in a week without receiving additional compensation, vendors must calculate an adjusted hourly rate so that bids don't look artificially low
Contract type risk	• Time and material or labour-hour contracts carry a higher cost risk for the government since workers might take longer than needed to complete tasks. When the scope is well-defined, firm-fixed-price contracts are favoured
Price reasonableness documentation	• Agencies are required to document trade-offs, labour rates, and overall expenses when placing orders through MAS[1]. Vendors should offer competitive pricing while ensuring compliance

Notes(s): [1]Multiple Award Schedule

Vendors that combine compliance expertise with efficient processes and clear compensation structures are better positioned to manage pricing pressures and compete effectively. Technology integration and transparent practices not only ensure adherence to regulations but also create a scalable advantage in a tightly regulated procurement environment.

3.6.5 Future outlook: Digital modernisation, specialised skill shortages, remote work, and evolving compliance priorities shaping the US government workforce market

The US government workforce and contracting market is supported by digital transformation mandates, specialised skill shortages, and evolving federal policies. Agencies are investing in cloud, AI, cybersecurity, and healthcare capabilities while navigating labour gaps. Consolidated procurement, compliance with ESG and workforce technology, remote work adoption, and small-business targets further shape engagement, with defence modernisation and public-health needs causing sudden workforce spikes.

Key growth drivers and strategic outlook

Specialised skills gap

- Agencies are facing shortages in cybersecurity, data analytics, and healthcare experts, driving higher contracting demand
- Vendors with specialised capabilities are likely to benefit as demand evolves

Digital modernisation

- Federal government has adopted a "wartime approach" to AI that specifically includes special hiring to integrate frontier capabilities
- Contractors offering digital transformation solutions will secure steady growth, while firms lacking technical depth risk marginalisation

Category management

- OMB[1] and GSA[2] push agencies to consolidate spending through MAS[3], OASIS+[4], and government-wide vehicles, creating fewer but larger pools of work
- Companies on these platforms could capture recurring opportunities

Remote work adoption

- Agencies can source talent across the country, increasing reliance on remote contractors
- Vendors must improve their background verification process to meet client expectations

Small-business targets

- Federal mandates for small-business involvement increase subcontracting opportunities
- Companies that align with this category could see potential growth

Sudden demand

- Defence modernisation and public-health crises create sudden spikes in contingent labour and IT service needs
- Contractors prepared for rapid surge capacity can win high-value task orders

Notes(s): [1]Office of Management & Budget; [2]General Services Administration; [3]Multiple Award Schedule; [4]One Acquisition Solution for Integrated Services Plus

Overall, these factors support a favourable long-term outlook for the US government workforce and contracting market. Digital mandates, persistent IT and healthcare skill gaps, and expanded federal contracting will sustain demand over time. Vendors that strengthen specialised capabilities, surge capacity, and compliance readiness are best placed to capture steady growth ahead.

3.7. Growth drivers and future outlook: Talent shortages, AI adoption, sustainability, and flexible work models are driving global workforce solutions industry expansion

The global workforce solutions industry is entering a period of strong expansion, shaped by powerful economic, demographic, and technological forces. Organisations worldwide are rethinking how they access talent, relying increasingly on flexible staffing models, digital platforms, and cross-border recruitment to stay competitive. At the same time, long-term shifts such as ageing populations, sustainability priorities, and the rapid adoption of artificial intelligence are reshaping the types of skills in demand. Environmental, Social and Governance (ESG) and sustainability standards are becoming critical evaluation factors, shaping awards and vendor selection. Together, these dynamics are creating a sustained need for innovative workforce solutions and positioning the industry as a central player in the future of work.

Growth drivers & future outlook of the industry	
Talent shortage	• Global talent gaps and ageing workforces boost demand for flexible staffing
Technology disruption	• Rapid AI and automation reshape the work and skill requirements
Green transition	• Sustainability drives new roles in renewables and the circular economy
Rise of GCC[1]	• Multinationals expand GCCs for operations, innovation, & IT services
Flexible work models	• Gig economy models are expanding rapidly worldwide
Reskilling	• Global job churn will require extensive reskilling driven by digital & green shifts

Notes(s): [1]Global Capability Center

3.8. Regulatory factors: Evolving labour, safety, immigration, and AI rules redefining compliance obligations for workforce solution providers worldwide

The International Labour Organisation (ILO) Private Employment Agencies Convention (C181) requires governments to license and regulate staffing agencies, prohibit charging recruitment fees to workers, and enforce fair hiring practices. Evolving labour, safety, immigration, diversity, and AI regulations are raising entry barriers for workforce solution providers globally. Stricter monitoring on worker classification, wage standards, and data security makes compliance more complex, but for scaled players, it also enhances their competitive advantage. By complying with labour laws and diversity mandates, providers strengthen trust and loyalty with clients, turning regulation into a sustainable competitive barrier.

Key regulations	Description
Fair Labor Standards Act (FLSA)	• Sets rules for minimum wage and overtime (1.5× after 40 hours per week). Staffing firms must classify workers correctly as exempt or non-exempt and maintain pay records
Department of Labor (DOL) & Internal Revenue Service (IRS) test	• Defines who is an employee versus an independent contractor. This affects overtime pay, tax withholding, Form 1099 reporting, and liability for unpaid wages or payroll taxes
Occupational Safety and Health Act (OSHA)	• Staffing agencies and host employers share responsibility for safety. Both must provide site-specific training, hazard communication, personal protective equipment (PPE), and injury record-keeping
Labor Condition Application (LCA) rules	• Employers must file LCAs, pay the higher of actual or prevailing wage, provide benefits, and keep public access files. Non-compliance can lead to fines or debarment
Equal Employment Opportunity Commission (EEOC)	• Temporary workers are covered by federal anti-discrimination laws (Title VII, ADA, ADEA, EPA). Both staffing firms and clients must ensure equal pay, fair treatment, and reasonable accommodations

3.9. Threats and challenges: Labour shortages, automation risks, wage suppression, shrinking federal jobs, and rising unemployment insurance losses in the workforce sector

The workforce sector faces persistent challenges, including labour shortages, wage pressures, skills mismatches, and fluctuations in jobs linked to economic cycles. These risks increase cost burdens and contribute to market fragmentation, but they also reinforce the need for resilient models. Government contracts, digital integration, and upskilling initiatives can mitigate instability, enabling well-positioned vendors to convert threats into competitive advantages and secure long-term growth.

Threats and challenges for the workforce sector

Skill shortage	• Many OECD[1] countries report pronounced gaps in medical, personal care, teaching, and ICT[2] professions
Skills mismatch	• Over 46% of firms in selected European countries report gaps in technical, problem-solving solving and teamwork skills
Stalling job growth	• In the US, just 92,000 non-farm jobs has been edged down in February CY26. Unemployment rose to 4.4%, marking a clear slowdown
Federal job shrinkage	• In February CY26, US federal government jobs saw a continued reduction, dropping by 10,000 positions, which brings the total loss of 11%, since October CY24
Long-term unemployment	• The long-term unemployed accounted for 25.3%, i.e. 1.9M, of all unemployed people in the US in February CY26

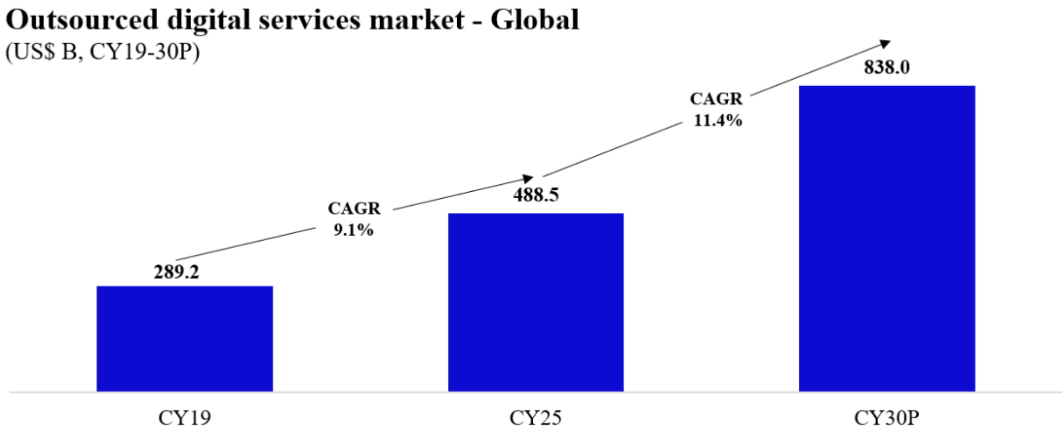
Notes(s): [1]Organisation for Economic Co-operation and Development; [2]Information and Communication Technology

4 Overview of the Global and US digital services landscape

Digital services refer to outsourced, technology-led solutions, including cloud computing, artificial intelligence, automation, and data analytics that enables businesses to improve operational efficiency, scalability, and data-driven decision making. They improve processes by enabling faster operations, better workforce management, enhanced collaboration, and compliance with data privacy and cybersecurity requirements. By utilising digital services, companies can quickly adapt to market changes, reduce costs, and deliver improved results to clients and customers.

4.1 Global outsourced digital services market grew from US$ 289.2B in CY19 to US$ 488.5B in CY25, projected to reach US$ 838.0B by CY30P driven by AI adoption and sustained digital transformation

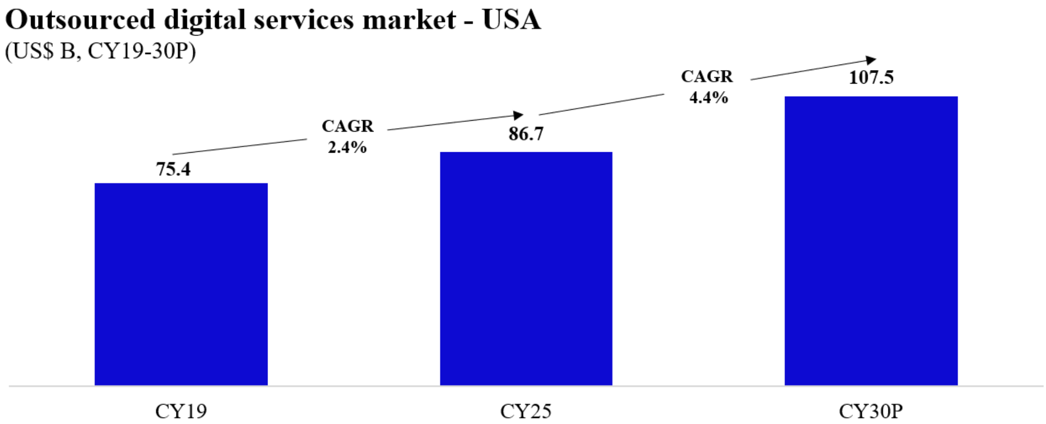
The global outsourced digital services market has expanded at a CAGR of 9.1%, from US$ 289.2B in CY19 to US$ 488.5B in CY25. This growth was propelled by the swift uptake of cloud computing and AI, as well as government funding for digital infrastructure. Geopolitical developments and rising cyber threats are also increasing demand for advanced digital capabilities. Government technology spending typically expands gradually due to formal procurement processes, annual budget approvals and competitive contract bidding cycles. The pandemic accelerated remote work, and the adoption of digital services has driven a global shift toward digital-first service delivery models. Looking ahead, from CY25 to CY30P, the market is projected to grow at a CAGR of 11.4%, reaching US$ 838.0B by CY30P, driven by sustained digital transformation and rising demand for data-driven jobs. The trajectory reflects a structural shift in the industry, as governments start with pilot programmes before scaling solutions across agencies. Ongoing geopolitical tensions may create execution variability, though long-term outsourcing demand remains intact. AI adoption in the public sector typically progresses gradually due to regulatory oversight and data security requirements. This phased approach supports steady growth in demand for outsourced digital services over time.



Source(s): 1Lattice analysis

4.2 US government outsourced digital services market grows from US$ 75.4B in CY19 to US$ 86.7B in CY25, projected to reach US$ 107.5B by CY30P, driven by cloud adoption, AI integration, and cybersecurity upgrades

The US government outsourced digital services market reached US$ 75.4B in CY19. It grew at a CAGR of 2.4% to reach US$ 86.7B in CY25, supported by the federal initiatives focused on IT modernisation, including the "Cloud Smart" strategy, which emphasises secure cloud adoption, workforce capability building, and procurement reforms. This is enabled by funding through the Technology Modernization Fund (TMF), which supports agency-led upgrades of legacy systems, while implementation is governed by security requirements under the Federal Risk and Authorization Management Program (FedRAMP), which standardises cloud security approvals for federal use. Furthermore, the demand for remote public services and federal mandates to improve service efficiency have accelerated the expansion of digital initiatives. From CY25 to CY30P, the market is projected to expand at a CAGR of 4.4%, reaching US$ 107.5B by CY30P. This growth is supported by expanded cloud adoption, advanced cybersecurity measures like zero-trust frameworks, and integration of AI and machine learning for enhanced decision-making and automation.



Source(s): 1Lattice analysis

4.3 Importance of different digital services: Enabling smarter operations, stronger security, and scalable digital transformation

Digital services encompass cloud computing, cybersecurity, analytics, application development, and digital consulting, each driving efficiency, resilience, and data-driven decision-making across industries. AI and advanced analytics, including machine learning pipelines and generative tools, are enabling automation, predictive insights, and enhanced service delivery in finance, operations, and other sectors. Cybersecurity investments safeguard sensitive data and ensure regulatory compliance, while cloud infrastructure, 5G networks, and edge computing provide scalable, real-time platforms for integrated digital operations. Collectively, these services form the backbone of modern enterprise and government functions, meeting rising demand for digital adoption and operational stability.

Key Features	Digital Services	Trends
• AI and automation boost efficiency, smarter decisions, innovation, and creativity • Robotic Process Automation (RPA) drives operational efficiency, accelerates adoption of automation tools, and enhances organisational capability	AI & automation	• Companies are expanding automation from individual tasks to end-to-end business processes • Community of Practice(CoPs) are increasingly used to train teams, share reusable bots, and build internal automation expertise. • It is being combined with AI, machine learning, and analytics to create smarter, more adaptive digital workflows.
• Cybersecurity safeguards data, builds trust, ensures privacy compliance, and defends systems • Ensures that Cloud Service Providers (CSPs) comply with strict federal cybersecurity standards, reducing risks of breaches or data loss	Cybersecurity	• Federal agencies increasingly move workloads to the cloud, boosting demand for FedRAMP-authorised digital services • Zero-trust frameworks and advanced cybersecurity practices strengthen trust in digital services across government operations • Streamlined compliance and real-time security monitoring reduce authorisation time and ensure ongoing protection
• Cloud, 5G, broadband, and edge form the backbone of digital services, enabling scalable, resilient transformation • mGovernment enhances citizen engagement, reduces administrative costs, and improves transparency	Digital infrastructure	• Rapid growth of hybrid and multi-cloud adoption for flexibility and risk mitigation • Growth of apps for payments, permits, healthcare, and citizen reporting • Use of platforms like login.gov and digital identity verification for safe access

4.4 Threats and challenges: Talent shortages, rapid tech evolution, and compliance pressures shaping digital transformation risks

The digital transformation wave presents both challenges and opportunities for industry participants. Key risks include cybersecurity threats, rapid technological shifts, and persistent talent shortages that hinder scalability and competitiveness. Rising compliance requirements and pricing pressures further strain margins, while AI-driven tools pose risks related to bias, fairness, and data reliability. However, these challenges also create opportunities for providers that proactively invest in innovation, robust cybersecurity frameworks, and technology-enabled delivery models. Firms that strengthen compliance, enhance workforce capabilities, and embed responsible AI practices are better positioned to mitigate risks and sustain long-term competitive advantage.

Talent and skill shortage: There is a significant shortage of skilled digital professionals, including developers, cybersecurity experts and cloud architects, which can delay digital platform deployment, raise operational costs, and limit service scalability

Global digital skill gap: Rapid digital transformation has widened skill gaps across industries, especially in emerging markets. This limits access to qualified personnel for AI, cloud, and other advanced solutions, which in turn slows the adoption of innovative solutions

Lack of digital trade visibility: Current trade statistics insufficiently capture digitally delivered services, limiting firms' ability to assess market demand, benchmark performance, and make strategic investment decisions

Rapid technological evolution: Continuous advancements in AI, IoT, 5G, and cloud technologies require firms to invest in digital infrastructure, workforce training, and research and development to stay competitive and meet client expectations

Low digital uptake by Small & Medium Enterprises (SMEs): Many small and medium-sized enterprises rely on basic recruitment tools and have limited adoption of advanced digital services, constraining demand for innovative digital solutions and limiting industry growth potential

4.5 Regulatory factors: Strengthening data privacy, cybersecurity, and governance frameworks, redefining global digital service delivery

Regulatory frameworks around data privacy and cybersecurity are becoming key drivers of growth in the digital services market. These regulations define how providers build, deliver, and secure digital solutions, setting standards for data protection, identity management, incident reporting, and supply chain integrity. As of CY24, 127 countries have adopted national cybersecurity strategies, rising from 107 in CY20, reflecting a clear global shift toward stronger digital governance.

In the US, compliance is guided by sector-specific laws such as the Health Insurance Portability and Accountability Act (HIPAA) for healthcare, the Gramm-Leach-Bliley Act (GLBA) for financial services, the Children's Online Privacy Protection Act (COPPA) for child privacy, the Federal Information Security Management Act (FISMA) for federal agencies, and the Privacy Act of 1974. Broader frameworks, including the E-Sign Act of 2000, support digital contracting and e-commerce, while pending bills like the American Innovation and Choice Online Act (AICOA) and the Open App Markets Act (OAMA) aim to curb anti-competitive practices. Executive orders further extend oversight to artificial intelligence, digital finance, cybersecurity, and cross-border data flows.

Digital compliance and data protection requirements are increasingly influencing how digital services are delivered and how vendors are selected. Enterprises increasingly prefer providers with strong governance, transparency, and data assurance capabilities. This not only raises the entry barriers for new players but also strengthens the defensibility and long-term positioning of established firms.

Key regulatory factors	
Electronic transactions	• Uniform Electronic Transactions Act gives legal status to electronic records and signatures, enabling enforceable digital contracts
Consumer protection	• Laws ensure transparency and accountability to secure digital transactions and build trust between user and provider
Data flows and sovereignty	• Regulations limit cross-border data transfer and require local storage for sensitive data to protect privacy
International standards	• Many countries follow global laws like the United Nations Commission on International Trade Law (UNCITRAL) to ease cross-border digital trade
Holistic, cross-sectoral governance	• Digital regulation requires coordination between governments, businesses, and civil society to avoid fragmented rules

4.6 Future outlook: AI, cloud, and digital infrastructure expansion supporting scalable, resilient, and technology-enabled market growth

The digital services market is gaining momentum on the back of enterprise digital transformation, rapid adoption of AI and analytics, accelerated cloud migration, and ongoing government modernisation initiatives. Expanding broadband access and the evolution of cloud infrastructure are enhancing scalability, reducing deployment timelines, and improving digital engagement. At the same time, sustained investment in R&D and workforce capability building is fuelling innovation and strengthening cybersecurity resilience. As these structural tailwinds continue to align, the long-term outlook remains positive, with technology-enabled and scalable providers well positioned to capture sustained growth across global, US, and Canadian markets.

Future outlook of digital services market	
Economic share	• Digital services are expected to capture an increasing share of economic activity as the digital economy expands
Skills demand	• Demand for employment and skills in cloud computing, data management, cybersecurity, and artificial intelligence is projected to remain high over the next decade
AI scaling	• Artificial intelligence is anticipated to move from early-stage projects to full-scale deployment, guided by national risk management and governance frameworks
Instant payments	• Expansion of faster and instant payment systems is likely to facilitate new monetisation models and more efficient customer interactions
Stable demand	• Federal information technology and modernisation budgets are expected to provide a steady baseline of demand for digital services, even if private sector activity slows

5 Peer benchmarking

The US workforce solutions market is highly competitive, with numerous players offering staffing, recruitment, and talent management services across IT, healthcare, and other sectors. Market competition, scale advantages, and diversified service portfolios define the leading firms in this space. Several of these firms also operate in adjacent areas such as digital and managed IT services, reflecting the growing convergence of technology and workforce delivery models.

5.1 Financial benchmarking

The peer set has been shortlisted to reflect a comprehensive view of the workforce and technology-driven staffing ecosystem in which Tryfacta operates. TeamLease and Quess Corp represent large-scale workforce management leaders in India, while HireQuest, Barrett, CACI and Spectrum Talent capture US-based and global contingent staffing models. Together, they provide an effective reference group across scale, service mix, and margin profiles, enabling an objective comparison of Tryfacta's performance and positioning within its growth phase.

Tryfacta Inc. has demonstrated relatively stronger revenue growth momentum compared to several peers, with revenue increasing by ~36% from CY23 to CY25. While larger players like CACI and Quess Corp continue to lead in absolute scale and profitability, Tryfacta is gradually strengthening its operating profile. The company reported improvement in absolute EBITDA over the period, while EBITDA margins remained relatively stable despite interim fluctuations, reflecting early operating leverage benefits amid continued investments in expansion and delivery capabilities.

Reporting Disclaimer:
**For TeamLease Services Limited and Spectrum Talent Management Limited, year ending Mar'FY24, Mar'FY25, Mar'FY26 have been considered as CY23, CY24, CY25 respectively; 1 USD is considered equal to INR 82.78, INR 84.56, INR 88.35 respectively*
***For CACI International Inc., year ending Jun'FY24, Jun'FY25, 9M Jun'FY26 have been considered as CY23, CY24, CY25 respectively*
****For Quess Corp Limited, year ending Mar'FY24, Mar'FY25, Mar'FY26, have been considered as CY23, CY24 and CY25 respectively*

Parameters		CY23	CY24	CY25
Total Revenue (in US$ M)	**Tryfacta Inc.**	37.03	57.24	50.48
	TeamLease Services Limited*	1,131.64	1,324.57	1,342.29
	Quess Corp Limited* **	1,656.19	1,772.80	1,734.16
	Spectrum Talent Management Limited*	123.06	150.59	164.59
	HireQuest Inc.	37.88	34.60	30.64
	CACI International Inc.**	7,659.83	8,627.82	NA
	Barrett Business Services Inc.	1,069.31	1,144.53	1,240.30

EBITDA (in US$ M)	**Tryfacta Inc.**	1.58	1.79	1.83
	TeamLease Services Limited*	21.38	21.62	25.54
	Quess Corp Limited*	30.09	33.82	37.23
	Spectrum Talent Management Limited*	1.43	1.36	2.02
	HireQuest Inc.	11.96	7.86	10.02
	CACI International Inc.**	791.85	959.31	NA
	Barrett Business Services Inc.	76.26	78.60	79.83

EBITDA Margin (%)	**Tryfacta Inc.**	4.26%	3.13%	3.64%
	TeamLease Services Limited*	1.89%	1.63%	1.90%
	Quess Corp Limited*	1.82%	1.91%	2.15%
	Spectrum Talent Management Limited*	1.16%	0.90%	1.23%
	HireQuest Inc.	31.57%	22.71%	32.72%

	CACI International Inc.**	10.34%	11.12%	NA
	Barrett Business Services Inc.	7.13%	6.87%	6.44%

PAT (in US$ M)	**Tryfacta Inc.**	1.13	1.09	0.54
	TeamLease Services Limited*	13.61	13.06	16.00
	Quess Corp Limited*	33.87	5.43	25.15
	Spectrum Talent Management Limited*	1.40	0.86	1.39
	HireQuest Inc.	6.14	3.67	6.33
	CACI International Inc.**	419.92	499.83	NA
	Barrett Business Services Inc.	50.61	52.99	54.45

PAT Margin (%)	**Tryfacta Inc.**	3.06%	1.91%	1.06%
	TeamLease Services Limited*	1.20%	0.99%	1.19%
	Quess Corp Limited*	2.05%	0.31%	1.45%
	Spectrum Talent Management Limited*	1.14%	0.57%	0.84%
	HireQuest Inc.	16.20%	10.61%	20.66%
	CACI International Inc.**	5.48%	5.79%	NA
	Barrett Business Services Inc.	4.73%	4.63%	4.39%

RoCE (%)	**Tryfacta Inc.**	26.23%	21.37%	12.15%
	TeamLease Services Limited*	15.02%	13.57%	15.71%
	Quess Corp Limited*	6.03%	22.31%	24.61%
	Spectrum Talent Management Limited*	7.04%	4.70%	7.43%
	HireQuest Inc.	11.83%	7.07%	9.53%
	CACI International Inc.**	12.84%	11.22%	NA
	Barrett Business Services Inc.	34.73%	32.07%	29.70%

Net Debt to Equity Ratio	**Tryfacta Inc.**	0.27	0.42	1.31
	TeamLease Services Limited*	-0.17	-0.06	-0.13
	Quess Corp Limited*	-0.05	-0.22	-0.15
	Spectrum Talent Management Limited*	-0.49	-0.01	-0.13
	HireQuest Inc.	0.21	0.07	-0.06
	CACI International Inc.**	0.40	0.72	NA
	Barrett Business Services Inc.	-0.36	-0.25	-0.39

Net Cash Flow from Operating Activities (in US$ M)	**Tryfacta Inc.**	1.03	1.95	-0.66
	TeamLease Services Limited*	14.23	12.34	34.16
	Quess Corp Limited*	63.94	44.99	26.04
	Spectrum Talent Management Limited*	-0.58	-7.92	7.75
	HireQuest Inc.	10.62	12.04	12.05
	CACI International Inc.**	497.33	547.01	NA
	Barrett Business Services Inc.	67.22	10.09	65.96

Note: Quess Corp Limited FY24 financials are basis FY25 annual report
Source(s): Company annual reports, investor presentations and company website

Key Performance Indicators (KPIs) used:

- **Total Revenue:** Describes the top line performance of the company
- **EBITDA:** Indicates the company's earnings before interest, taxes, depreciation, and amortisation, providing a clear view of its core operating performance and underlying profitability
  (EBITDA = Income before income tax expense + Interest expense + Depreciation and Amortisation)
- **EBITDA Margin (%):** Measures how efficiently the company converts its revenue into operating profit, indicating overall operational performance and profitability
  (EBITDA Margin = EBITDA / Total Revenue)
- **PAT:** Shows the company's total profit after deducting all expenses, interest, and taxes, indicating its overall financial performance and profitability
- **PAT Margin (%):** Indicates the percentage of revenue that remains as profit after all expenses, interest, and taxes, reflecting the company's overall profitability
  (PAT Margin = PAT / Total Revenue)
- **RoCE (%):** Return on Capital Employed (ROCE) shows how efficiently the company deploys its funds to generate profits, reflecting the effectiveness of its capital utilisation
  (RoCE = EBIT / Capital Employed; EBIT = EBITDA - Depreciation and Amortisation; Capital Employed (doesn't include lease liability) = Total Equity (excluding non-controlling interest) + Long term debt (including current portion of long-term debt) + Short term debt
- **Net Debt to Equity Ratio:** Shows the proportion of net debt relative to shareholders' equity, indicating the company's financial leverage and reliance on debt financing
  (Net Debt to Equity Ratio = Net Debt / Net Worth)
  Net Cash Flow from Operating Activities: The amount of cash generated or consumed by a company's core, day-to-day business operations

5.2 Operational benchmarking

The total number of resources deployed by Tryfacta grew by ~21.4% from CY23 to CY25, with CY24 marking a peak, while expanding its operational footprint from 26 to 43 states. Larger peers like TeamLease and Barrett continue to lead in overall scale, but Tryfacta's pace of expansion reflects improving client acquisition and delivery capacity. Overall, Tryfacta's operational growth highlights its emergence as a rapidly scaling player in workforce solutions.

Reporting Disclaimer:

**For TeamLease Services Limited and Spectrum Talent Management Limited, year ending Mar'FY24, Mar'FY25, Mar'FY26 have been considered as CY23, CY24 and CY25 respectively*
***For CACI International Inc., year ending Jun'FY24, Jun'FY25, Jun'Q2FY26 have been considered as CY23, CY24, CY25 respectively*
****For Quess Corp Limited, year ending Mar'FY24, Mar'FY25, Mar'FY26, have been considered as CY23, CY24 and CY25 respectively*

Parameters		CY23	CY24	CY25
Count of resources deployed (#)	**Tryfacta Inc.**	2,135	3,960	2591
	TeamLease Services Limited*	3,19,030	3,46,070	3,35,165
	Quess Corp Limited*	5,67,000+	4,59,000+	4,83,503+
	Spectrum Talent Management Limited*	18,875+	19,042+	NA
	HireQuest Inc.	73,000	65,000	75,000
	CACI International Inc.**	24,000	25,000	NA
	Barrett Business Services Inc.	1,26,446	1,32,069	1,38,605

Number of states served (#)	**Tryfacta Inc.**	26	37	39
	TeamLease Services Limited*	28 states in India	28 states in India and 2 other countries	28 states in India and 2 other countries
	Quess Corp Limited*	70 domestic and 13	9 countries and 30+ offices in India	8 countries and 30+ office in India

		international offices		
	Spectrum Talent Management Limited*	3 + global presence and 13+ offices	2 Global countries and 14+ offices	NA
	HireQuest Inc.	45 states in US and 13 countries outside the US	44 states in US and cover 13 other countries	43 states in US and 14 countries outside US
	CACI International Inc.**	26 states and the District of Columbia	27 states and the District of Columbia	NA
	Barrett Business Services Inc.	44 Branches in US 13 states	45 branches in US 13 states	45 branches in US 15 states

Source(s): Company annual reports, investor presentations and company website

The team at 1Lattice

appreciates your time and support

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