

25
Years



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Beyond contingent: How legislation is paving the way for Statement of Work models



Evolving labor laws

New regulations impact labor practices

Strategic shift from temp labor

Companies utilize SOWs to a larger extent

Adoption of SOW models

Implementation of Statement of Work models

Summary

The shift toward Statement of Work (SOW) agreements is picking up speed, driven by skills shortages, new labor laws, and tighter budgets. Companies are looking for structured, outcome-based solutions as a complement to traditional contingent labor models to meet the future. SOWs help businesses stay compliant, manage costs, and access specialized talent, but they also come with challenges:

- *Poor scoping* – Many organizations struggle to clearly define deliverables, leading to scope creep and disputes.
- *Budget overruns* – Lack of clarity in the scope often translates to unexpected costs.
- *Change management issues* – Internal teams are not fully equipped to manage SOWs effectively, leading to resistance and inefficiencies.
- *Timeline delays* – Misalignment on expectations and execution leads to missed deadlines.

The results from our “Statement of work”-survey highlights a mixed maturity in SOW adoption. While organizations are increasingly turning to SOWs, they are still in the learning phase. The average maturity rating stands at 2.68 out of 5, suggesting that most companies are not fully optimized in their SOW management. The survey gathered insights from decision-makers across industries, offering a perspective on how businesses adopt and manage SOWs today. Combined with market research, labor market trends, and regulatory analysis, this white paper provides a comprehensive view of where the market is heading and what organizations need to do to improve their SOW strategies.

One of the most significant drivers of SOW adoption is legislation. Governments across Europe for example, are introducing stricter employment laws, limiting the duration of temporary contracts, tightening co-employment rules, and enforcing equal pay regulations. Countries like Germany, Sweden, and Norway have passed laws that restrict traditional contingent staffing, making SOWs a more viable alternative for engaging external talent. The legal landscape is making SOWs a necessity for companies that want to stay compliant while maintaining flexibility.

Despite the challenges, the trend is clear: **SOWs are here to stay**. Companies that master them will gain a competitive edge, ensuring better workforce flexibility, compliance, and efficiency.

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Background and purpose

Since the pandemic, we have observed shifting purchasing behaviors among our clients in response to several key factors:

- **Skills shortages** driving demand for specialized expertise
- **New legislations** reshaping workforce management strategies
- **Budget and headcount constraints** leading to alternative procurement approaches

These changing dynamics have contributed to the growing adoption of Statement of Work (SOW) agreements as organizations seek more structured, outcome-based engagements. This trend is further supported by research from Staffing Industry Analysts (SIA)¹, which highlights a significant increase in SOW spend within Managed Service Provider (MSP) programs, rising from 18% in 2017 to 37% in 2023. Additionally, global SOW spend grew by 15% between 2022 and 2023, reflecting a broader market shift toward deliverable-based contracting².

Also, when looking at World Economic Forum *Future of Jobs report 2025*³, we can see that the world of work is changing, and it is changing fast. One of the major changes here is related to how most of us perceive a job today and how to recruit/hire based on a job description. Given the insights from this report this needs to be changed, and jobs should be broken down into:

- The **skills** needed
- The **tasks** involved to get work done
- The expected **output**

In simple terms, this can be transferred into more jobs being done as SOWs moving forward, especially when contracting contingent labor.

The purpose of this paper is to explore where the market is heading and identify the key challenges organizations face in adopting and managing SOW agreements today.

Methodology

To understand the evolving landscape of SOW agreements, we began with an analysis of existing market reports, examining trends, regulations, and buyer behaviors. However, theories alone do not tell the full story.

To gain deeper, real-world insights, we conducted an anonymous survey targeting professionals and decision-makers responsible for procuring SOW-based services. This survey provided firsthand perspectives on key challenges, maturity, and upcoming buying behaviors, offering a clearer picture of how businesses navigate SOW agreements today.

By combining industry data with direct buyer experiences, this paper presents an overview of the Northern European SOW landscape. The survey can be found [here](#), and feel free to add your response.

¹ [SIA](#)

² [Global MSP Landscape Summary 2024](#)

³ [Future of Jobs report 2025](#)

Definitions

Organizations are labeling Statement of Works in various ways such as; Work packages, Service Procurement, Project procurement, Fixed price projects, Multi-rate contract, Team delivery, etc. In this paper we will solely focus on the expression **Statement of Work**, as the term for all above. The definitions below are the global definitions from Staffing Industry Analyst online lexicon⁴.

Service Procurement

Services Procurement (or Workforce Services Procurement) is the advanced application of procurement methodologies and disciplines to the acquisition of enterprise services such as travel, catering and other forms of service based spend. In terms of contingent labor, it is most often used in reference to the provision of more complicated services categories, which are usually executed under a discrete contract per engagement such as **Statement of Work (SOW)**, Management/Project Consulting and Outsourced Services (e.g., Call Centers, IT Support etc.).

Statement of Work

A document that captures the work products and services, including, but not limited to the work activities and deliverables to be supplied under a contract or as part of a project timeline. In contrast to a typical Temporary or Contingent Work arrangement (see definitions) which are billed based on time worked, SOW agreements are usually billed based on a fixed price deliverable or for hitting specific milestones.

N.b. The legal nuances of SOW are complex and require qualified legal advice.

Statement of Work Consultant

An individual performing services in accordance with a Statement of Work document that captures the work products and services to be delivered under a contract for services between a client and either the consultant (or usually their business entity) or a provider of consultancy services.

⁴ [The Lexicon](#)

Legislations affecting the labor market and favoring SOWs

As businesses increasingly rely on contingent workforces to stay agile and competitive, Statement of Work (SOW) agreements have emerged as an essential solution to navigate evolving labor laws and ensure compliance. Based on observation studies and dialogues with our clients, the majority seems to have a strategy to engage in some sort of contingent work around 10-30% of their total workforce, which fluctuates over time. Around the world, many countries have introduced or updated legislation that impacts how organizations engage workers on a temporary or contractual basis. These regulations often limit the duration of temporary contracts, impose equal treatment for temporary labor, or introduce tax implications for contractors, driving companies to shift toward SOWs as a more flexible and compliant alternative.

In Europe, countries like Germany, Sweden, and Norway have enacted laws that restrict the use of temporary staffing, making SOWs a preferred option for engaging specialized labor for project-based work without triggering employment obligations. For example, Germany's AÜG (Employment Leasing Act) limits the duration of temporary contracts to 18 months (Germany, 2017⁵), while Sweden's Agency Work Act imposes a 24-month rule (Sweden, 2022⁶). Norway has also implemented laws requiring companies to use SOWs or hire workers directly instead of relying on staffing agencies for long-term assignments (Norway, 2023⁷).

In the United Kingdom, the IR35 rules impose tax liabilities on companies hiring contractors unless those contractors are engaged via genuine business-to-business contracts like SOWs (UK Government, 2021⁸). Similarly, in the United States, concerns around co-employment and misclassification risks have prompted businesses to adopt SOWs to avoid potential legal pitfalls when working with independent contractors (Randstad, 2024⁹).

Countries such as Australia, India, and Canada have also seen a rise in the use of SOWs, with similar regulations impacting the use of temporary labor. These trends in labor law are defining a more global movement toward SOWs to streamline workforce management and reduce compliance risks.

⁵ [Orrick](#)

⁶ [Almega](#)

⁷ [Magnus Legal](#)

⁸ [Qdos](#)

⁹ [Randstad Enterprise](#)

Legislations

This table below highlights some of the legislations that are driving the adoption of SOWs in countries where most of the respondents of our SOW-survey are, which provides a clear view of how businesses are navigating labor law complexities across the globe.

Country/ Region	Legislation	Description	Impact on SOW adoption
Germany	AÜG (Employment Leasing Act, 2017)	Limits temporary worker contracts to 18 months. After that, the worker must be hired permanently, or the contract must end.	Encourages businesses to use SOWs to avoid the 18-month limit and mitigate co-employment risks.
Norway	Work Environment Act (2023)	Bans the use of staffing agencies for temporary work, requiring companies to use SOWs or hire workers directly.	SOWs are favored to avoid restrictions on the use of temporary staffing for long-term projects.
Sweden	Agency Work Act (2022)	Introduces a 24-month rule for temporary agency workers, requiring either permanent employment or compensation.	SOWs are a preferred solution for project-based work, avoiding long-term agency hires.
United Kingdom	IR35 (Off-Payroll Working Rules)	Requires companies to assess contractor employment status. SOWs are exempt from IR35 rules as they are considered service contracts, not individual worker agreements.	Avoids tax liabilities and simplifies contracting through SOWs instead of hiring contractors under IR35.
European Union	Directive on Temporary Agency Work (2008/104/EC)¹⁰	Regulates temporary agency workers, requiring equal treatment after six weeks.	Encourages SOWs as they are exempt from equal treatment rules, offering businesses flexibility and cost control.
	Directive on Posting of Workers (96/71/EC) & 2018/957¹¹	Governs temporary posting of workers across EU borders, ensuring equal treatment in the host country.	SOWs simplify compliance by outsourcing work to local providers rather than posting workers.

¹⁰ [Directive on Temporary Agency Work \(2008/104/EC\)](#)

¹¹ [Directive on Posting Workers \(96/71/EC\) & 2018/957](#)

Why SOWs are becoming the go-to solution

With an increasingly complex regulatory landscape, businesses around the world are turning to SOW agreements to better manage their contingent workforce and stay compliant. Changing labor laws, stricter temporary work restrictions, and expanding employee rights are all driving the adoption of SOWs as companies seek flexible, compliant alternatives to traditional employment contracts.

One major driver is *worker misclassification*. Governments are cracking down on the misclassification of independent contractors as employees, which can lead to legal reclassification and hefty penalties. SOWs reduce this risk because they clearly define the relationship as a service agreement, rather than an employer-employee arrangement. This distinction helps businesses avoid the legal pitfalls associated with misclassification.

Another key factor is the growing *restrictions on temporary work*. Many countries are imposing stricter rules on the duration and renewals of temporary contracts, making it difficult for businesses to rely on temporary labor for extended periods. SOWs offer flexibility by focusing on project-based deliverables, enabling companies to engage external expertise without worrying about the constraints of temporary labor laws.

In addition to this, *equal pay regulations* are making it more costly for businesses to engage contingent workers. In many countries, contingent workers must be paid the same as permanent employees for equal work. SOWs, however, are based on negotiated service fees, not wages, so they sidestep the complex equal pay rules that often apply to hourly or salaried workers.

The expansion of *employee rights* has also played a role in the rise of SOWs. As laws extend more benefits and protections to contingent workers (such as sick leave, holiday pay, and social security contributions) businesses find that traditional temporary worker models become less cost-effective. SOW engagements, on the other hand, do not trigger these employment-related benefits, making them a more cost-efficient option for project-based work.

On top of that, the increasing *compliance complexity* associated with legal and tax obligations for contingent workers is prompting businesses to seek simpler solutions. SOWs provide clarity by structuring engagements as business agreements, which reduces the risk of non-compliance with labor laws and tax regulations. This simplification is especially important as administrative burdens increase, and governments continue to introduce more stringent rules around contingent labor.

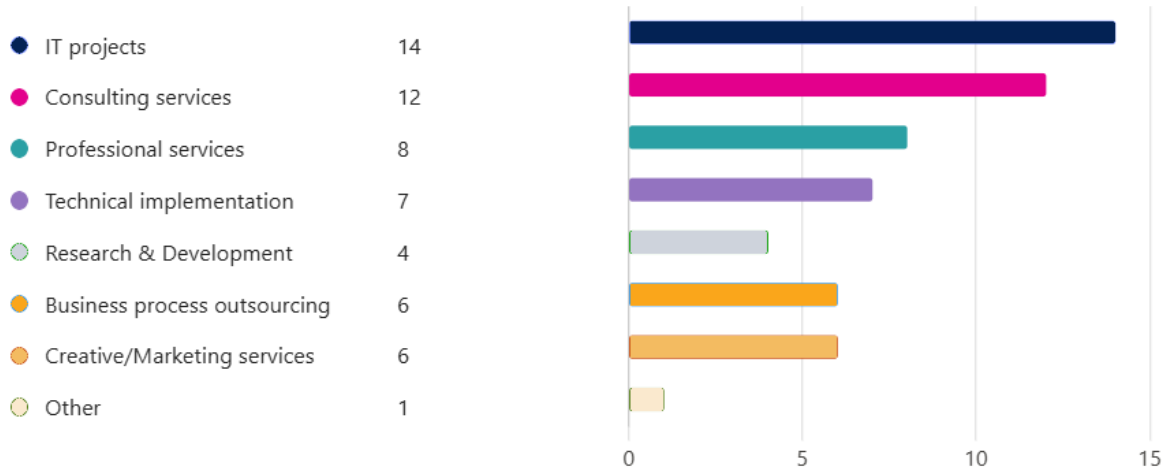
In summary, SOWs are becoming the preferred choice for businesses facing the complexities of evolving labor laws. By defining a clear, project-based framework for contingent work, SOWs help companies manage risks and compliance challenges while maintaining the flexibility needed to succeed in today's fast-paced business environment.

Survey results

In the survey we tried to outline a “persona” based on industry, company size, country of operations and what roles that are responsible. However, the survey clearly stated that there is a spread between public and private companies, used in all type of industries at all organizational sizes (both in terms of turnover and number of employees). The common denominator was that Procurement/sourcing is responsible for managing the SOW process, and are semi-satisfied with this process, average of **3** on a 5 scale (1 being lowest and 5 the highest), based on the total of 22 respondents. While the survey had a low respondent rate, the results still provide valuable indications and insights for this purpose going forward.

Most of the respondents were from Sweden, and across the Nordic and Poland. We also had individual responses from Spain, UK and the US.

What types of work do you typically use SOWs for?

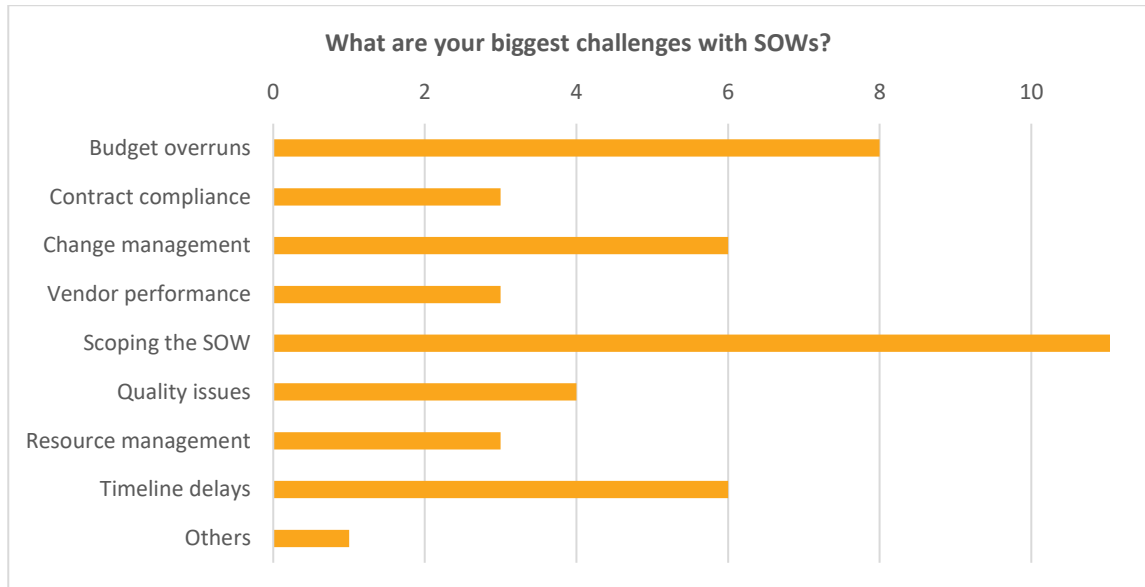


Challenges

Looking at the top challenges when engaging with SOWs from the respondents, we can see that:

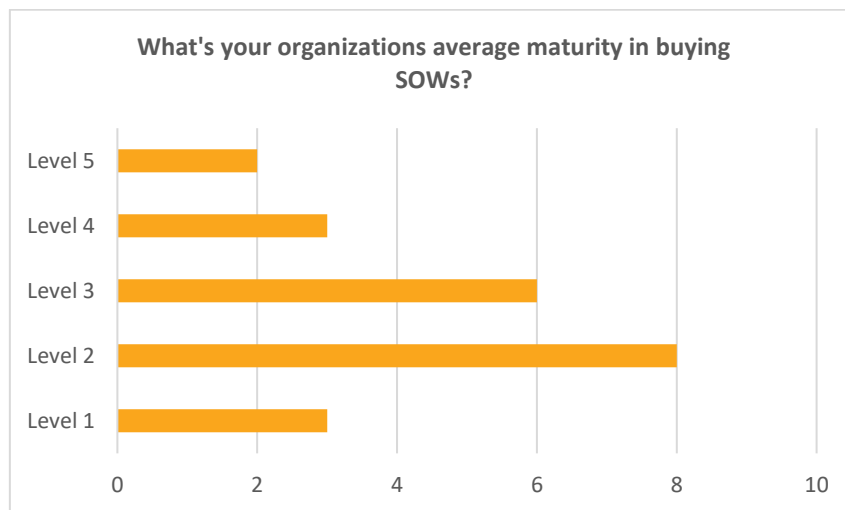
- Scoping the SOW
- Budget overruns
- Change management, and
- Timeline delays

are the main challenges. Below, we will break it down.



Maturity level

The maturity of procuring the latter is on a semi-low level according to the survey. On a scale 1-5 to check the overall maturity, where 1 being low and 5 being high, the average response was **2,68**, the spread:



The semi-low maturity level indicates that there is work to be done in training and advising hiring managers in the SOW process, which if done correctly may reduce the challenges.

Scoping the SOW

Most of the survey respondents indicated that scoping a SOW is their main challenge, which was expected due to all the steps involved, the complexity as well as the maturity level. Based on observations, it is very common that the buying organization just fill in the bare minimum in the contracts such as the title of the contract which is often use as the project description as well, deadline and project value. This may impose risks such as endless claims and changes and amendments, which in turn could be the reason why **budget overruns** are seen as a top challenge.

The image below shows what an SOW process may look like, and all the steps involved. And yes, we feel your struggle.

The SOW process



Budget overruns

As mentioned, we can assume that part of the challenge with budget overruns may be related to the scoping of the SOW. It is generally hard for anyone to budget without clarity.

However, given the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) world we are all in, we can't neglect the fact (given the majority of all the respondents SOWs were IT related) that IT budgets/rates has gone up and is expected to increase even more during 2025¹². We expect this to be true outside of IT as well, given the past three years global financial development.

Change management

Working with SOWs require other tactics and processes then a hiring manager may be familiar with when requesting a consultant on an hourly basis (time and material). One of the main differences between the two types is the responsibility:

- When hiring a consultant on an hourly basis, the consultant is most likely to be under your supervision and where you as the hiring manager/organization is responsible for the outcome. The consultant is also named in the contract to be compliant with liability clauses.
- When working contracting SOWs, no matter if it's an individual, a project or a team, the responsibility is transferred from the client to the SOW-signer. All is (or should be!) clearly defined with the expected deliverables, milestones for when payment is released, clauses for delays etc. The client is buying a result rather than an individual, hence why the risks and responsibilities is being transferred to the SOW-signer.

This require trainings from the client side to be good at it, which takes time. Given all the legislations favoring SOWs, this should be seen as great investment. Based on observation studies during client meetings over the past five years, we have also experienced the will from organizations to focus more on SOW, which is also seen in the next chapter "The SOW Future".

Timeline delays

Timeline delays are not wanted for anyone and will be costly for everyone involved. We would argue that this is tightly connected to the maturity level, the scoping of the SOW as well as the change management process. Given these challenges, one may believe that there were wrong expectations set in the first place.

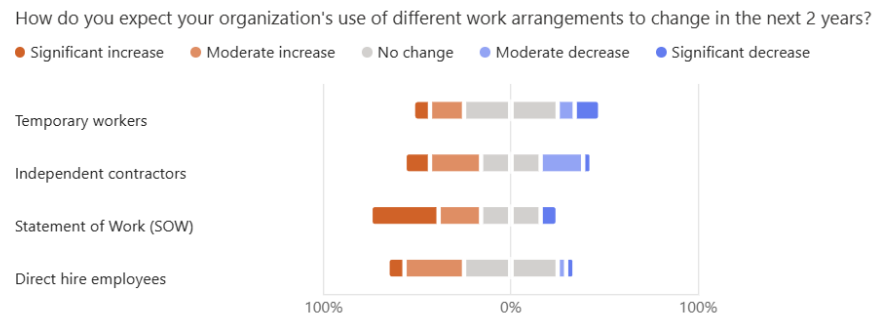
¹² Gartner

The SOW future

Given what we have seen up until now, the outcomes are expected. Based on the information we brought in; we also asked the respondents about their future expectations on different work arrangements and the drivers of using more SOWs.

Future expectations

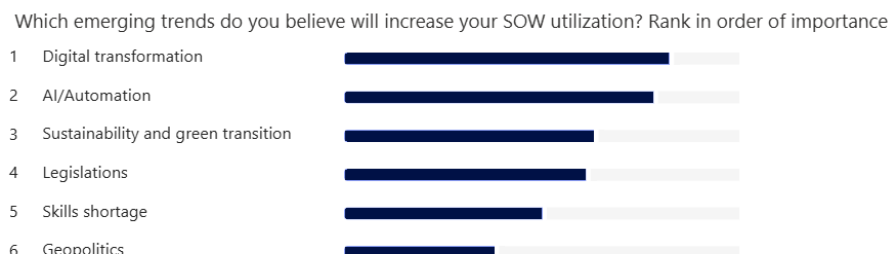
When looking at the data of future expectations, we are happy to see the expected growth of SOWs over the next two years. Most of the respondents also said that they have increased their SOWs over the past three years.



The maturity will hopefully be improved, and to ensure compliance and get access to talent, SOWs are, as the graph shows, one tactic to fulfill projects.

Drivers

We asked the respondents “Which emerging trends do you believe will increase your SOW utilization? Rank in order of importance”:



Looking at the ranking, and our initial beliefs that SOWs are a way to “fight” skills shortage and headcount constraints, it is not surprising to see the top three trends:

- Digital transformation – We are all in it, just in different stages
- AI/Automation – Changes the way we work, and should augment the way we work
- Sustainability and green transition – A lot of new roles and jobs¹³ has been created which may drive this need for SOWs

We are assuming that skills shortage is embedded in the top three as well. Legislations happens, and organizations adapts to it. Same with the geopolitics, we learn how to navigate it.

¹³ [LinkedIn](#)

Conclusion

Companies are increasingly turning to SOWs as a strategic tool to tackle compliance risks, budget constraints, and talent shortages. However, while adoption is growing, maturity levels remain low, and many businesses are still figuring out how to manage SOWs effectively.

The survey results show that organizations understand the potential of SOWs but often lack:

- Proper scoping skills to define clear deliverables and avoid unnecessary changes.
- The right governance models to ensure budgets, compliance, and timelines are managed effectively.
- Training for procurement teams and hiring managers to bridge knowledge gaps.

At the same time, the regulatory shift is accelerating the move toward SOWs. Companies that fail to adapt to legal changes risk compliance fines, worker misclassification issues, and operational disruptions. Those that embrace SOWs strategically will gain greater workforce agility, reduce risks, and future-proof their external talent strategies.

To stay ahead, we advise organizations to:

- Invest in internal training so teams can confidently scope, negotiate, and manage SOW contracts.
- Improve vendor and partner collaboration to ensure clear expectations and accountability.
- Leverage technology and data to track SOW performance, manage budgets, and optimize decision-making.

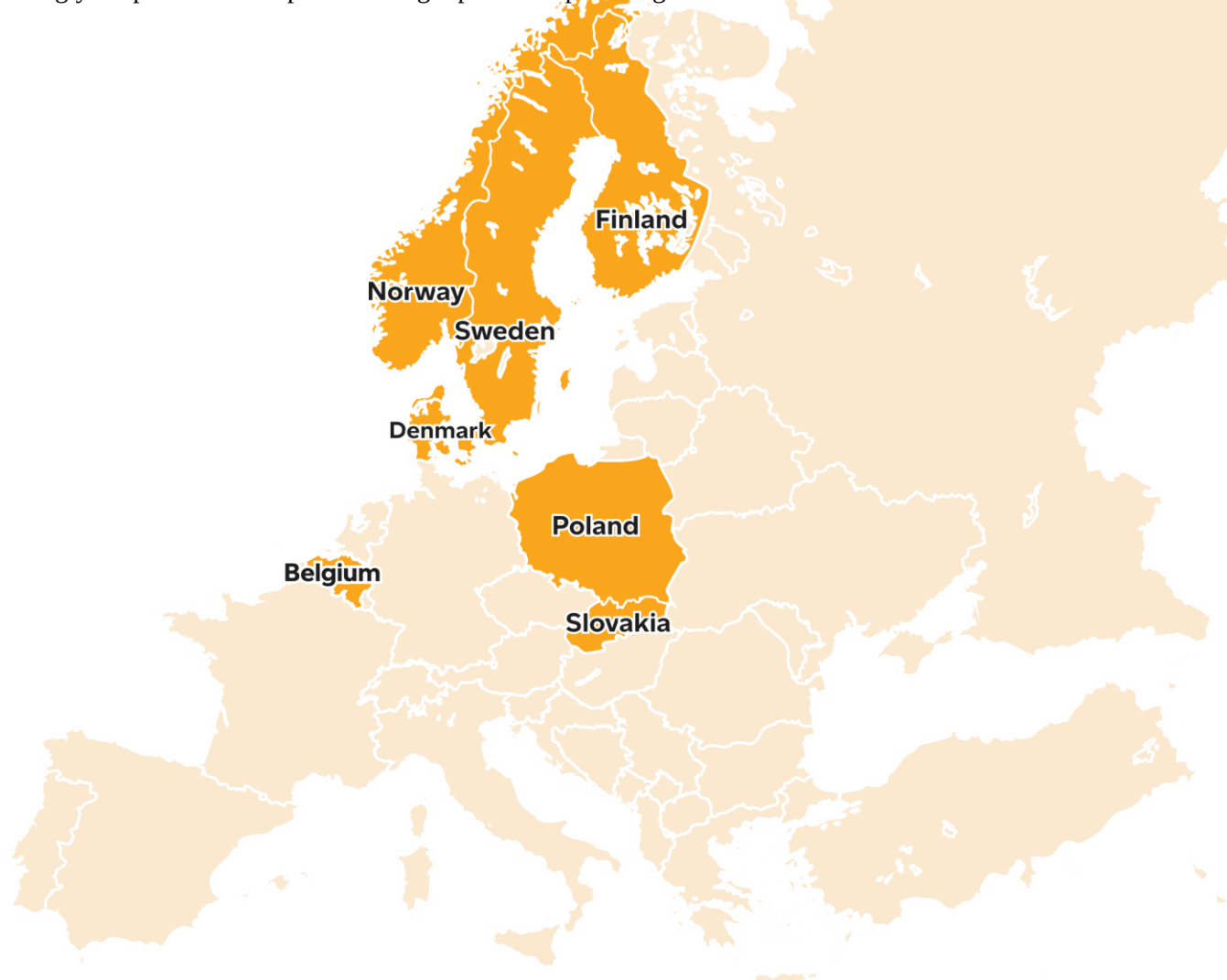
With labor laws tightening and market conditions shifting, organizations that take a proactive approach to SOW management will be better positioned for long-term success. It is not just about adapting to regulations, it is about building a more agile, efficient, and strategic approach to workforce management.

About Ework

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- 16B SEK of 2024 annual revenue
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- 200,000 Partners and Professionals in the network
- 7 Countries with 13 office locations
- 60+ Recruiters worldwide
- 280 Employees

Ework Group, a leading professionals and talent partner, offers comprehensive solutions for all talent needs with a global network of over 200,000 professionals specializing in IT/digitization, R&D and Engineering, and Business Development, acting as a bridge between clients, partners, and professionals.

Ework has a unique position as a bridge between clients, partners, and professionals. Our business model helps us create a win-win-win situation over the short and long term for the parties, with increasingly deeper relationships and stronger partnerships throughout the value chain.



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