

Upwork to Charge Freelancers to Bid on Jobs, Further Squeezing Those Who Rely on the 'Gig Economy'

Freelancers will soon have to pay as much as \$0.90 for each job they apply for on Upwork, which could impact users who are new to the platform or struggling to make ends meet.

April 3, 2019 5 min read

Global freelancing platform Upwork announced a sweeping policy change on Tuesday that will impact hundreds of thousands of freelancers – particularly new and/or low-earning users.

“Connects,” the virtual tokens freelancers use to submit proposals for jobs, will no longer be free beginning sometime between May and June 2019. Instead, Connects will cost \$0.15 each – and depending on the job they’re submitting for, freelancers will need between one and six tokens to apply. For the most in-demand jobs, that translates to a little less than \$1 per submission.

That’s a significant departure from the old model, which provided 60 free Connects as part of the Freelancer Basic plan. In an economy where three in 10 adults take on freelance or “gig” work – “generally as a supplemental source of income,” according to a Federal Reserve report – it’s a tough blow, especially in states such as Georgia, where the minimum wage is just \$5.15. Upwork says that on average, most freelancers will spend about \$5 or less per month on Connects, but the company didn’t provide details on how it calculated

that figure.

As for the reason? The freelancing platform, which counts companies including Dropbox, Airbnb, General Electric and Microsoft among its clients, wrote in an email to users: “We want to help professional freelancers like you win more jobs. With paid Connects, we expect freelancers will submit fewer proposals, increasing your likelihood of winning projects and making it easier for clients to identify high-quality talent.”

In the message, the company seems to acknowledge that the new pricing structure will deter a significant number of users from applying for jobs on the platform – and implies that Upwork believes freelancers who can eat the new cost of tokens are inherently higher-quality talent.

The company’s decision has already incited controversy on social media and among its freelancers.

So, #freelancers, now that @Upwork is charging fees to apply for work on top of fees for contracts, what are your favorite Upwork alternatives? Looks like I’ll be turning my attention to clients I can find elsewhere.

– Holly Riddle (@TheHollyRiddle) April 2, 2019

I guess @Upwork have never heard the phrase “don’t bite the hand that feeds you”. Outrageous changes on their way. Watch Freelance talent flee to competitive platforms in their droves. #upwork

– Craig Rich (@craigrich) April 2, 2019

Wow. @Upwork just decided to start charging freelancers to apply for jobs. So not only are they collecting on each contract, they’re collecting just from the applications for each contract. Unreal.

– Eric Fadden (@ericfadden) April 2, 2019

“When I was just starting out as a freelancer, I wouldn’t have paid to apply for jobs because I had no leeway in my budget,” wrote Jennifer Collins, an Upwork user, in a message to *Entrepreneur*, adding that the company already charges a 20 percent fee on new contracts. “Now, I have the luxury to walk away and not buy Connects, and I suspect that many expert freelancers are moving to do the same.”

In Upwork’s annual investor report, CEO Stephane Kasriel wrote that “now is the time for all of us to work together to ensure the best possible future for the billions of workers in the world, their families, and the generations to come. Having become a public company in 2018, Upwork is now privileged to play a larger role than ever in steering this future.”

The company’s 2018 public offering is likely a driving factor behind the controversial change.

In the investor report, Upwork cites that it operates the largest online marketplace as measured by gross services volume (GSV), ending 2018 with \$1.8 billion. But after digging into the concrete definition of that metric, *Entrepreneur* found that GSV doesn’t just translate to client spend on marketplace offerings – it also includes “additional fees charged to both clients and freelancers for other services.” That umbrella clearly includes the new policy change charging freelancers for every proposal they submit.

Upwork also clearly states in the report that its marketplace revenue is “primarily comprised” of service fees paid by its freelancers. “Therefore, marketplace revenue is correlated to GSV, and we believe that our marketplace revenue will grow as GSV grows.”

One clear consequence of the change: Freelancers will likely increase their rates across the board to offset the new cost

of submitting a proposal. That directly translates into more GSV – and more revenue – for the newly public company.

Upwork surely took that into account in its financial projections for investors. In its full-year results for 2018, the company reported \$253.4 million in total revenue. It projects revenues of \$298 million to \$304 million for 2019.

Kasriel wrote in the investor report that “2018 was the year Upwork formalized its mission: To create economic opportunities so people have better lives. This fuels everything we do.”

Entrepreneur reached out to ask about how the new policy change can fit into that mission. Upwork responded, “The current Connects approach makes it difficult for the best match to happen because there is too little value placed on each Connect so jobs get many proposals ... It’s worth noting that when a freelancer is invited to a job, there is no cost to submit a proposal.”

According to Upwork’s own 2018 study, commissioned in partnership with Freelancers Union, Americans spent 1.07 billion hours per week freelancing. Now, those hours will come at a higher cost.

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