

Freelancers & Payments : High transaction costs, delays and endless charges

CAN THE BLOCKCHAIN SOLVE THESE PROBLEMS ?

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The nature of work is changing rapidly. In today's economy, more people are creating their own jobs than ever before. According to a [University of Oxford report](#), between 2016 and 2017, there has been a 26% increase in projects completed through freelancing platforms. More professionals are opting out from their 9-to-5 jobs and starting freelancing careers.

By the year 2020, the [number of freelancers is expected to reach 43% of the workforce](#). Workers from all over the world are participating in this growing economy.

However, there are challenges. Freelancers are getting shortchanged by both remittance providers and freelancing platforms. Heavy transaction fees, days of waiting and platform fees are taking away a huge chunk of a freelancer's income. Naturally, they are looking for better solutions.

Freelancing Platforms: Business Models

Freelancing platforms have played a central role in making work accessible to millions of workers around the world. People can now hire someone across the world to aid their local or internet businesses. But the task of matching freelancers to employers is not easy. Platforms use various business models to achieve this goal.

Here are some of the popular models in the freelancing world :

- **Project Proposals and Bids:** Freelancers submit project proposals that include goals, milestones, and costs. The client accepts the bid closest to his requirement and budget. Upwork and Freelancer connect employers and employees via this model.
- **Direct Hire:** Businesses can directly hire the freelancers based on their profiles and portfolio. In this model, businesses and workers benefit from a long-term relationship. Upwork, Fiverr, TaskRabbit and Freelancers all allow direct hires.
- **Competitions:** Employers advertise their requirements on the platform. Freelancers submit their work as part of the competition and only the winner gets paid for their efforts. 99Designs is a graphic design freelancing platform that uses this idea.

- **Talent Agency:** Freelancers can join an outsourcing agency or a pool of workers for a particular industry. The talent agency finds clients and employs the freelancers. Toptal and TopCoder employ this model.
- **Microtasking:** Freelance workers can participate in completing very short tasks like writing short descriptions, transcribing audio, editing images, etc. Amazon Mechanical Turk is an example of this model.

Freelancing Platforms : Fees & Charges

Freelancing companies make money from both the clients and the freelancers by taking a cut from business transactions. The rates vary from platform to platform. Here is a comparison between some of the popular platforms :

	UPWORK	FIVERR	99 DESIGNS	TOPTAL	FREELANCER.COM
FEE FOR CLIENTS	2.75% processing fee on all payments	5% of the total amount paid	5% more than the project price	Charges clients on their own discretion	No fee
FEE FOR FREELANCERS	20% to 5% with increasing business transactions	20%	Freelancers get the price they see	Freelancers get the price they see	20%-10%

Freelancing Platforms : Drawbacks

In the past, freelancers only had the option to work with local clients. With internet and new platforms emerging, opportunities for freelancers are now available across the world. At the same time, they have introduced new challenges. Here are some of the key issues:

- **High Fees:** Most freelancing sites take 20% of the freelancer's income. The sites also charge clients for transactions, further inflating the prices. Freelancers have to pay with pretax earnings. So the fees are a significant burden for freelancers.

Freelancers also have to deal with the fees incurred while withdrawing money from their Platform wallets/accounts. Here's a look at the fee incurred across platforms :

	UPWORK	FIVERR	99DESIGNS	TOPTAL	FRELANCE R.COM
Money Withdrawal	For direct withdrawal, \$0.99 (plus incoming fees at some banks.) \$30 fee for each U.S. dollar wire transfer.	Expected 2% of income	\$29.95 fee on Payoneer for funds less than \$200	\$45 for International Transfers. Expected 2-3% of income.	\$25 International Wire Charge.
Methods	Direct Bank Transfer, Wire Transfer, Paypal, Payoneer, M-Pesa	Paypal, Fiverr Revenue Card, Direct Deposit	Payoneer, Paypal	Direct Bank Transfer, Paypal, Payoneer	Paypal, Skrill, Wire Transfer, Freelancer Debit Card

- **High International Remittance Fees:** International transactions mean higher fees for freelancers. Each international transfer can cost around \$25-\$45. With such high transaction fees, it's harder for low-volume freelancers to survive.

- **Slow Transfer Speed:** Even after order completion, the platforms hold the money for a certain period of time (often 2-3 weeks). After that, the transfer might take another 2 to 3 days. Freelancers have to carefully consider cash flow issues when working via these platforms. Antiquated regulatory checks of various countries might further slow down the transfer process.
- **Changes in Platform Policies:** When freelancers work via these platforms, they are at the mercy of the platform owners. In 2016, [Upwork changed its flat fee of 10% to a sliding scale](#). This decision decreased the income for most freelancers across the board. Even though there was an uproar, the freelancers couldn't do anything about it.

Money-Transfer Industry : Going Digital

Freelancers are working from every corner of the world. Depending on location, there might be certain rules and restrictions on money transfers. So all freelancing platforms provide multiple ways for currency exchange.

In other cases, freelancers work directly with clients and use these international transaction companies to get paid. Here are some of the most popular money-transfer platforms across the world :

Paypal : Paypal is one of the giants in the money-transfer business with around 200 million active accounts worldwide. More than 7 million businesses across 200 countries use Paypal. The fee for each transaction is 2.9% plus \$0.30 USD of the received amount. So a larger amount means larger fees. Also, for international transactions, the Paypal exchange rate starts 2.5% above the mid-market rate, making it a costly affair for international transfers.

TransferWise : TransferWise takes an approach of matching users with foreign exchanges to eliminate high banking fees. TransferWise provides mid-market rates for international transfers charging from 1% for up to \$5,000 and 0.7% beyond that.

Xoom : Xoom is a Paypal service designed specifically for international money transfer. Their fees can differ depending on source and destination. For example, sending \$1000 to Mexico will cost \$4.99 from a US bank account and \$24.99 from a US credit card, but to send the same amount to India will cost \$4.99 from a US bank account and \$9.99 from a US credit card. It charges slightly above the mid-market rate.

Payoneer : Payoneer has a presence in over 200 countries with partnerships across multiple freelancing websites. It charges 2% above mid-market rates for international exchanges. Payoneer also charges a fee for both, sending and receiving money - around 1-3% of the amount.

Here's a quick look at the various options we have available for money transfer internationally nowadays :

	PAYPAL	TRANSFER WISE	XOOM	PAYONEER
Fees	2.9% plus \$0.3 USD	1% for up to \$5,000 & 0.7% beyond that	Depends on location: eg. \$4.99 to \$24.99 per transaction of \$1000 from US to Mexico	1%-3% of the amount depending on the payment method
International Mid-Market Rate	2.5% above	At the rate	2.5 above	2% above

Freelancers & Block-Chain

Clients and freelancers end up paying a lot to freelancing platforms and money transfer companies. In addition to extra costs, payment times are slow and unpredictable. Freelancing platforms hold money for long periods and by the time a freelancer gets the payment in their hands, they have lost time and money.

With the rapid growth of the global freelance industry, most freelancers are no longer based in the same country as the client and project payments have to cross international lines, which takes additional time via money-transfer companies.

Under such conditions, it is imperative for freelancing businesses and employers to move to a cryptocurrency-based system.

Here are some of the benefits :

- **Saves Money:** Cryptocurrency-based networks have minimal charges for transactions. Freelancers don't have to share their hard-earned revenue with financial institutions.
- **Faster Processing:** Sometimes, freelancing platforms and financial institutions hold on to fees for a long period to help their own bottom lines. It is frustrating for freelancers to wait for their payments despite client approvals. With cryptocurrency-based platforms, developers get paid within minutes of an approval.
- **Works across Borders:** International currency exchanges are a major reason for losing revenue. But cryptocurrencies are inherently border-agnostic. So users don't have to worry about losing money due to exchange rate discrepancies.
- **Fewer Frauds and Chargebacks:** Freelancing platforms bear the burden of fraud and credit chargebacks. But when freelancers work directly with clients without an intermediary, they always have to take into account the possibility of fraudulent credit cards or chargeback requests.

However, cryptocurrency transactions are like cash transactions. Freelancers will instantly know if a client has enough money. In addition, smart contracts

can be used to make the transactions more secure. It helps freelancers run robust cash-flow businesses without worrying about frauds and chargebacks.

- **Privacy:** Clients and freelancers have to hand out their financial information to the freelancing platforms. But in cryptocurrency-based systems, transactions can be obfuscated ensuring better privacy for both, clients and freelancers.

Freelancers & Cryptocurrency Adoption

As freelancers start accepting cryptocurrencies, more people will start seeing them as viable payment option and start entering the market. More users increase the value of the ecosystem and the cryptocurrencies.

Freelancers who have a stake in the cryptocurrency-based freelance marketplace can benefit greatly. The price increases of cryptocurrencies like Bitcoin and Ethereum show possible investment rewards in the long-term. So freelancers can help shape the future of the cryptocurrency-based freelance marketplace while benefitting from the accelerated adoption.

In Conclusion

Freelancing and Cryptocurrency embody two of the most dynamic markets that are changing the world. The amalgamation of these two revolutions can produce extraordinary results. It's possible to build a whole new ecosystem for the future of work where clients and freelancers will be able to interact and transact without losing money in transactions. The evolution of cryptocurrency-based freelancing systems will provide cost-effective, fast and secure global transactions and remittances for freelancers, changing the complete face of this market.

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