

Case Study: Applying FiDA's Platformization Lens to Upwork

Author: Marissa Dean

Elements of [Upwork](#)'s business model have implications for financial and economic inclusion. This brief case study applies [FiDA's Platformization Lens](#) to Upwork's business model, exploring how **digital platform organizations' actions give rise to opportunities for development.**

Innovation platforms	Transaction platforms						
Infrastructure that can be extended or built upon by other firms	Owner attracts different categories of users to the platform to complete a transaction; both/all sides benefit from increased participation (i.e., indirect network effects) while owner monetizes the activity.						
	Market functions	Transaction archetypes					
		(each with their own dynamics and impacts on society)					
		E-Commerce	Global Online Work	Local Services	Asset Sharing	Attention	Data
Examples:							
Operating Systems (iOS, Android, WinTel)							
Ethereum							
Facebook for Developers							
Amazon Web Services							
Open source payments infrastructure							
	Aggregation & distribution: gatekeeping, facilitating discovery, network effects, matching supply and demand						
	Transaction facilitation: enabling exchanges, typically money for information, goods, or services						
	Credibility enhancement: independently certifying qualifications or claims made by suppliers or consumers						
	Information analysis & advice: collecting or analyzing information about suppliers or consumers						

Sources Cusumano, Gawer & Yoffie (2018)—platform types; Drouillard (2017) and Palepu and Khanna (2010)—market functions in transaction platforms; Caribou Digital Analysis—sectors Figure by Caribou Digital, 2019, © BY-NC-SA 4.0



upwork.com

REGION

Global, with top countries including the US, India, the Philippines, and Indonesia.

CORE BUSINESS

Matching freelancers with clients. Monetizes through sliding service fees; upwork takes a cut of fees charged by freelancers and also charges clients a transaction fee. Also offers premium assistance with recruitment and talent matching.

SECONDARY

Payroll services.

Upwork is an online work platform connecting freelancers with businesses that are interested in outsourcing work. Freelancers on the site offer more than 3,500 skills. Businesses ranging from one-person startups to major corporations use upwork to quickly and cost-effectively find, hire, and pay for freelance work.

Aggregation and distribution market functions:

Upwork works with enterprises to disaggregate demand for tasks that can be performed with access to a computer. It also offers a flexible workforce to SMEs. Both of these elements decrease slack and matching friction in the labor sector. Moreover, as gig workers use Upwork to expand their trade rings, their income generating opportunities grow.

Possible expansions for financial inclusion: Upwork could add financial services to complement freelance work situations, particularly worker benefits like retirement planning and insurance (health, workers), to their platform model. Benefits could be partially or completely cost-recovered through an additional tax on services or as a bundled offering for gig workers. In some countries, regulation may even require employers participating on platforms like Upwork or platform hosts to make these provisions for freelance workers. Indeed, platform models are ideal aggregators/distributors of worker benefits. A large platform operator, such as Upwork, could ease the administrative burden of hundreds of small businesses mandated to (or simply interested in) provide benefits.

Transaction facilitation market functions:

Upwork offers escrow or milestone-based payment options and a pathway for recourse if something goes wrong with the transaction. This gated process increases trust between businesses and workers in transacting remotely, which, in turn, impacts the percentage of the population engaged in formal employment activities (via Upwork and other gig-work platforms).

Credibility enhancement:

Upwork offers skills tests and certifications through their software. It also qualifies certain freelancers as “Upwork Pros” through a special verification process. These ratings schemes—skills tests, certifications, and “Upwork Pro” verification—enhance the credibility of workers participating on the platform and reduce the likelihood of fraud. However, these ratings also tend to lock suppliers into the platform because, while extremely valuable, they are not portable.

Possible expansions for financial inclusion: Upwork could go further to enhance worker credibility beyond its platform by sharing its ratings details—for example average score out of 5 that an Upwork worker has achieved—to independent third parties (with or without blockchain) to broker access for other potential third parties, such as lenders. This character reference, in parallel with earnings information, could, for example, be used to support employment verification for a mortgage application.

Information analysis & advice functions:

Upwork has the potential to leverage its visibility to market transactions into moving, directly or indirectly, into lending and/or factoring. Because, as the platform host, Upwork facilitates invoices and provides payroll solutions, it has direct visibility to business turnover (on the platform) and freelancer income (again, on the platform). In this regard, Upwork could infer a freelancer’s ability to pay and provide a credit rating to a third party or offer a payday advance based on average monthly earnings once a freelancer has sufficient history.

Possible expansions for financial inclusion: Upwork keeps records of and pays its workers fees for work performed. As such, if Upwork reports this activity to national governments, this could increase the amount of work counted as “formal” employment activities in a country—it’s unclear from desk research whether this is already happening! This, in turn, affects the economic outlook of the country and has bearing on interest rates, sovereign debt ratings, and foreign investment.

Concluding thoughts

Any one of the discrete functions offered by Upwork or other freelancing platforms could be an anchor point for an intervention designed to promote financial inclusion and broader-based economic participation in sub-Saharan Africa. The lens provides a guide to unpack the details of the business model, especially beyond transactions and payments.