Upwork's Freelance Marketplace Model

Idea In Short

Upwork did not start as one company. It formed from the 2013 merger of Elance and oDesk, two competing freelance marketplaces that had spent over a decade fighting for the same clients before joining forces and rebranding as Upwork in 2015. The business model that emerged charges both sides of every transaction: freelancers pay a service fee set per contract, while clients pay subscription and processing fees on top. That two-sided fee structure, revised repeatedly since the company's 2018 initial public offering [IPO], now processes billions of dollars in freelance work annually. This article covers how Upwork's merger history shaped its current pricing model, how it makes money from freelancers and clients differently and how Artificial Intelligence [AI] has started reshaping demand on the platform.

Two rival marketplaces, one merger

Beerud Sheth and Srini Anumolu founded Elance in Jersey City in 1998, building what became known as the Elance Small Business Marketplace before relocating operations to Silicon Valley the following year. Five years later, Stratis Karamanlakis and Odysseas Tsatalos started oDesk, originally intended as a staffing company, though it evolved into an online marketplace where clients could find and hire remote workers directly. The two companies competed for the same freelancers and clients for a decade before agreeing to merge on December 18, 2013, forming Elance-oDesk with a combined base of roughly 8 million registered freelancers and 2 million client businesses.1

The combined company rebranded fully as Upwork in May 2015, consolidating two separate user databases and platforms into one. That consolidation was not simple rebranding; it meant unifying payment systems, freelancer profiles and job-posting workflows that had evolved differently at each predecessor company.

Going public and shifting toward enterprise clients

Upwork listed on the Nasdaq stock exchange under the ticker UPWK in October 2018, raising approximately 187 million dollars at a valuation near 1.5 billion dollars. The listing gave the company capital to invest in enterprise sales, a deliberate shift toward larger corporate clients who bring recurring, higher-value contracts rather than one-off small jobs. Hayden Brown, who became chief executive in 2020, has continued that strategy while also pushing Upwork's expansion into specialized talent categories and Artificial Intelligence [AI]-related work.2

That enterprise push matters for the business model because large corporate clients negotiate custom contract terms directly with Upwork rather than using the variable fee structure built for standard marketplace contracts. Enterprise accounts, marked with a badge on their client profile, typically settle on a flat service fee regardless of contract size, a simpler and more predictable arrangement for both sides than the per-contract variable fee used elsewhere on the platform.

A fee structure that keeps changing

Upwork originally charged freelancers a service fee that declined as their lifetime billings with a specific client grew, from 20 percent on the first 500 dollars down to 5 percent beyond 10,000 dollars, a structure that drew freelancer backlash when it replaced a flat 10 percent fee in 2016. The company simplified that sliding scale into a flat 10 percent fee on all contracts in 2023, then replaced the flat rate again in May 2025 with a variable fee of 0 percent to 15 percent, set per contract based on factors like demand in a given skill category and a freelancer's billing history with that client. The fee is disclosed before a freelancer accepts an offer and locked for the life of that contract, so pricing no longer shifts mid-project the way it once could under the tiered system.3

> Upwork's fee has moved from a flat 10 percent, to a sliding scale from 20 percent down to 5 percent, to a flat 10 percent again and now to a variable 0 to 15 percent set per contract

Clients pay a separate set of fees regardless of which freelancer fee tier applies: a processing fee on payments, an optional monthly subscription for Upwork Plus that grants added visibility and tools and custom Enterprise pricing for larger organizations. Payroll services, aimed at clients who want to formally employ Upwork-sourced talent rather than contract them, carry a combined deduction from the worker's pay split between Upwork's own cut and payrolling costs like tax withholding and benefits administration. Freelancers also spend money on Connects, virtual tokens required to submit proposals for jobs, with a limited free allotment at signup and paid top-ups after that runs out.

Scale gives Upwork pricing leverage

Upwork reported full-year 2024 revenue of 769.3 million dollars, a 12 percent increase from the prior year, with gross services volume, the total dollar value of work transacted through the platform, reaching 4.14 billion dollars. Gross margin came in at 77.4 percent for the year, reflecting how little marginal cost the company bears for each additional dollar of freelance work that moves through its systems once the underlying marketplace infrastructure exists. That margin profile is typical of two-sided marketplaces, where the platform's main costs are fixed engineering, trust and safety and sales expenses rather than variable costs tied to transaction volume.4

The scale also gives Upwork negotiating leverage with payment processors and lets it spread fixed costs, like fraud detection and dispute resolution systems, across a larger transaction base than smaller rivals can match. That cost advantage is part of why Upwork can undercut some competitors on total transactional cost while still posting healthy margins.

Artificial Intelligence changes who is hiring

Hayden Brown said in 2026 that Upwork has begun seeing an unusual category of client: AI agents posting job listings to hire human freelancers for tasks the agents cannot complete on their own. Gross services volume from AI-related projects grew 60 percent year over year in 2024 and Brown has described growing demand for what she calls AI orchestrators, freelancers who combine technical fluency with judgment the automated systems still lack. Freelancers doing AI-enabled work commanded a 36 percent premium in hourly rates compared with the broader marketplace in 2025, according to Upwork's own data.5

For Upwork's business model, the shift matters because it changes the mix of work moving through the platform without necessarily changing the fee structure itself. Whether a job posting comes from a small-business owner or an autonomous software agent, Upwork still collects its fee on the resulting transaction, which insulates the revenue model somewhat from questions about who or what is doing the hiring.

Rivals compete on screening, pricing and specialization

Fiverr, founded in Tel Aviv in 2010, takes a different approach by having freelancers set fixed prices for defined service packages that clients buy directly rather than bidding on posted jobs. Toptal takes the opposite approach from Upwork's open registration model, accepting fewer than 3 percent of freelancer applicants through a multi-step screening process built around technical tests and interviews. Freelancer.com competes on raw scale, connecting more than 64 million registered users across roughly 247 countries and territories, while smaller platforms like PeoplePerHour and Credo compete by focusing on narrower categories of work, such as hourly-rate freelancing or vetted search-marketing specialists.6

None of these competitors has matched Upwork's combination of freelancer volume, enterprise sales infrastructure and public-company scale, though each pulls at a different segment of the freelance market that Upwork also wants to serve.

Key Partners

Freelancers themselves function as a core partner in Upwork's marketplace, since the platform has no product to sell without a large, active pool of registered talent across skill categories. Payment processing partners, including PayPal and other gateways, handle the cross-border transactions that let Upwork pay freelancers in dozens of countries securely. Early venture investors, including Benchmark and DAG Ventures, provided capital that funded the platform's growth before its 2018 public listing. Enterprise software and identity-verification vendors support the compliance and fraud-prevention systems Upwork needs to operate a global payments marketplace.

Key Activities

Upwork's core activity is matching freelancers with clients and keeping that interaction

running smoothly, from proposal submission through project completion and payment release. The company manages dispute resolution when freelancers and clients disagree about deliverables or payment, a function that requires dedicated staff and clear policies to keep both sides trusting the platform. Financial operations, including payment approval, currency conversion and fraud monitoring, run continuously given the volume and international spread of transactions. Time-tracking and project-management tools require ongoing engineering investment to keep them reliable for freelancers who bill hourly.

Key Resources

Upwork's freelancer database, with millions of registered profiles spanning technology, design, writing and other categories, is the resource that gives the platform its value to clients searching for talent. Its global payment and billing infrastructure, capable of handling cross-border payouts in multiple currencies, is expensive to replicate and represents a real barrier to entry for smaller competitors. The company's accumulated data on freelancer performance and client satisfaction supports its matching and screening systems. Institutional knowledge from two decades of operating freelance marketplaces, inherited from both Elance and oDesk, continues to shape product decisions.

Value Propositions

For clients, Upwork offers access to freelancers across more than 10,000 skills and 90-plus categories without the overhead of a traditional staffing agency or recruiter relationship. For freelancers, the platform offers exposure to a global client base and the flexibility to set their own schedules and rates rather than working through a single employer. Both sides benefit from Upwork's built-in payment protection, which reduces the risk of nonpayment that has historically made freelance work less secure than traditional employment. The declining fee structure gives freelancers a direct financial incentive to build long-term client relationships rather than treating every project as a one-off transaction.

Customer Relationships

Upwork maintains client and freelancer relationships primarily through self-service tools, including account dashboards, messaging systems and automated proposal matching. Customer service, IT support and quality-assurance teams handle escalations and account issues that self-service tools cannot resolve. Enterprise clients get dedicated account

management given the size and complexity of their contracts. Email support and a searchable help center cover most day-to-day questions from freelancers and smaller clients.

Channels

Upwork's website and mobile app are the primary channels through which freelancers and clients create profiles, post jobs and manage ongoing work. The company also promotes itself through sponsorships, online advertising, press coverage and an active company blog that publishes freelance-market research and platform updates. An API center lets third-party developers build integrations with Upwork's job-posting and talent-matching systems. Social media channels support both marketing and customer engagement, particularly for reaching freelancers early in their careers.

Customer Segments

Freelancers make up one half of Upwork's two-sided marketplace, ranging from individual contractors to small freelance agencies offering services across technology, creative and professional categories. Clients make up the other half, spanning small businesses and individual hirers up through large enterprises with dedicated Upwork account teams. Within the client segment, non-enterprise and enterprise clients are treated differently, with enterprise accounts negotiating custom terms rather than using the standard variable-fee structure. A newer segment has emerged in AI agents and automated systems that post job listings on behalf of client organizations, a category Upwork's leadership has begun tracking separately.

Cost Structure

Upwork's costs include platform operations and engineering, covering the infrastructure needed to run global job-matching, messaging and payment systems. Payment processing costs scale with transaction volume, since every payout to a freelancer requires currency handling and fraud-screening infrastructure. Marketing expenses fund the company's efforts to attract new freelancers and clients in a competitive marketplace category. Legal, compliance and disclosure costs reflect Upwork's status as a public company operating payment services across many countries with different regulatory requirements.

Revenue Streams

Service fees, charged as a variable percentage to freelancers and a processing fee to clients, form Upwork's largest revenue stream. Subscription charges from Upwork Plus and custom Enterprise plans add recurring revenue independent of transaction volume. Sales of Connects, the tokens freelancers purchase to bid on jobs after exhausting their free allotment, generate additional revenue tied to freelancer activity rather than completed transactions. Advertising space sold on the platform and fees from payrolling services round out Upwork's remaining revenue streams.

- 1Upwork's Origins In The Elance-ODesk Merger
- 2Upwork's 2018 Initial Public Offering
- 3Forbes On Upwork's 2016 Pricing Backlash
- 4Upwork's Full-Year 2024 Financial Results
- 5Upwork CEO On AI Agents Hiring Human Freelancers
- 6Analysis Of Upwork's Fee Structure Changes And Take Rate

Summary

Upwork's model works because it solved a coordination problem: freelancers want steady work and clients want vetted talent and Upwork sits in the middle collecting a fee for making that match happen securely. The freelancer fee, restructured multiple times since 2016 and now set per contract based on demand and billing history, gives freelancers a reason to stay on the platform rather than take a relationship offline. Competition from Fiverr, Toptal and Freelancer.com keeps pressure on pricing and service quality, but none has matched Upwork's combination of scale and enterprise reach. The more recent shift is Artificial Intelligence [AI]: Upwork reports AI-related work growing faster than the rest of its marketplace, with AI agents themselves posting job listings to hire human freelancers. That trend could reshape what work moves through the platform, but the fee-based model is likely to persist regardless of what kind of client is doing the hiring.