

# Online outsourcing: A global job opportunity for everyone?

 [blogs.worldbank.org/developmenttalk/online-outsourcing-global-job-opportunity-everyone](https://blogs.worldbank.org/developmenttalk/online-outsourcing-global-job-opportunity-everyone)

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*"My life has totally changed. Now I am earning money from the Internet and I come to know a lot of new things. Internet is really amazing."*

*- Male, from Madurai, India, Age between 16-25, intermediate diploma holder*

*"I am a full time independent freelancer and my 100% earning comes from online. So definitely internet is one of the most important things in my life"*

*- Male, from Dhaka, Bangladesh, Age between 26-45, completed Bachelor and above*

These quotes are just a glimpse at the power of digital technologies, coming from many amazing stories as people answered the following question online: "how has your life changed (personally or professionally) after you began to use the internet?" A key message from the responses is *"Internet provides an opportunity to learn, earn, make friends, connect with family and friends, apply for jobs easily, and shop online."* As discussed in the upcoming [World Development Report 2016 "Digital Dividends,"](#) the internet, and other digital technologies, are changing the way people work, entertain, interact, and find jobs across high, middle and low-income countries.

So how is the internet really changing the way we work and, especially, the way we search for and get a job? We look at the case of online outsourcing.

## What is Online Outsourcing?

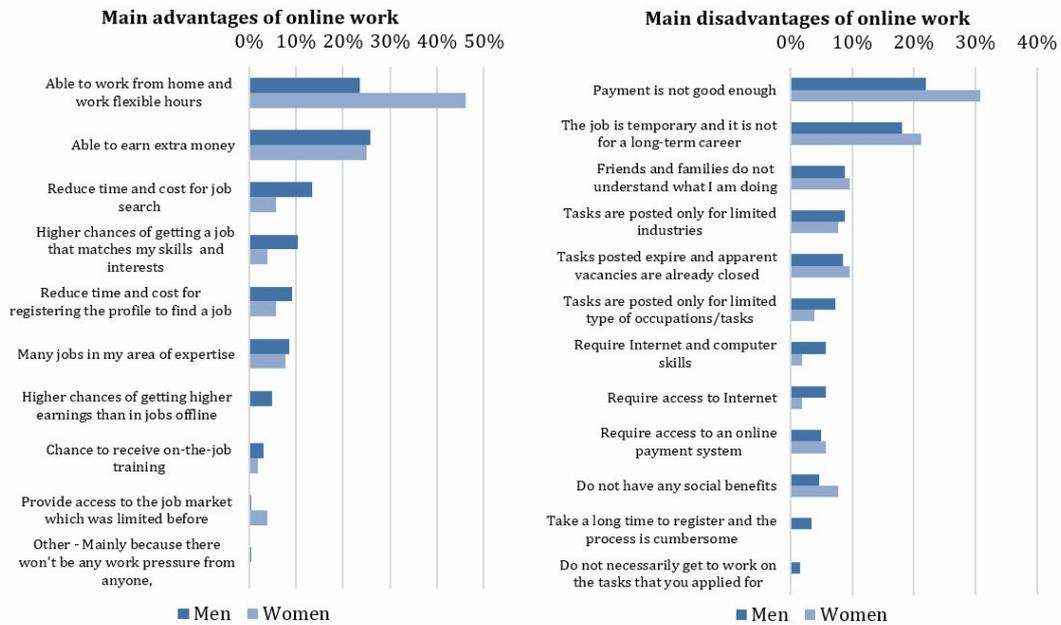
Online outsourcing or freelancing platforms match employers (firms and individuals) and workers to perform work online. The process of finding a job, performing the job and being paid for the job all take place online. There are two types of platforms- microwork and online freelancing, each targeting different segments of workers and employers. In 2013, at least 145 online outsourcing marketplaces or platforms were identified globally, although the true number is likely to be higher.<sup>[i]</sup> Some of these platforms are very large: 17 million registered users at Freelancer and 9.7 million at Upwork. About 10 percent of registered workers are active.<sup>[ii]</sup> According to their [2014 annual report](#), the United States, the United Kingdom, France, Germany, and Israel are the top five hiring countries on oDesk (now part of Upwork)—the largest online freelancing platform. The top five countries for online workers are the United States, Philippines, Russia, Bangladesh, and the United Kingdom.

The online work market, though still a tiny fraction of overall employment, is worth around \$1 billion annually, up from \$700 million in 2009.<sup>[iii]</sup>

## The Economics of Online Outsourcing

Online outsourcing platforms provide economic benefits for both workers and employers. First, workers can access jobs with higher wages than many would be able to access in their home countries, and they can work flexibly from home. In fact, the results of a survey of online workers on microworkers.com conducted as a part of the World Development Report 2016 "Digital Dividends" show that the top two advantages of working as microworkers are: (i) able to work from home and (ii) able to earn extra money besides regular jobs, with the former being particularly important for women (Figure 1).

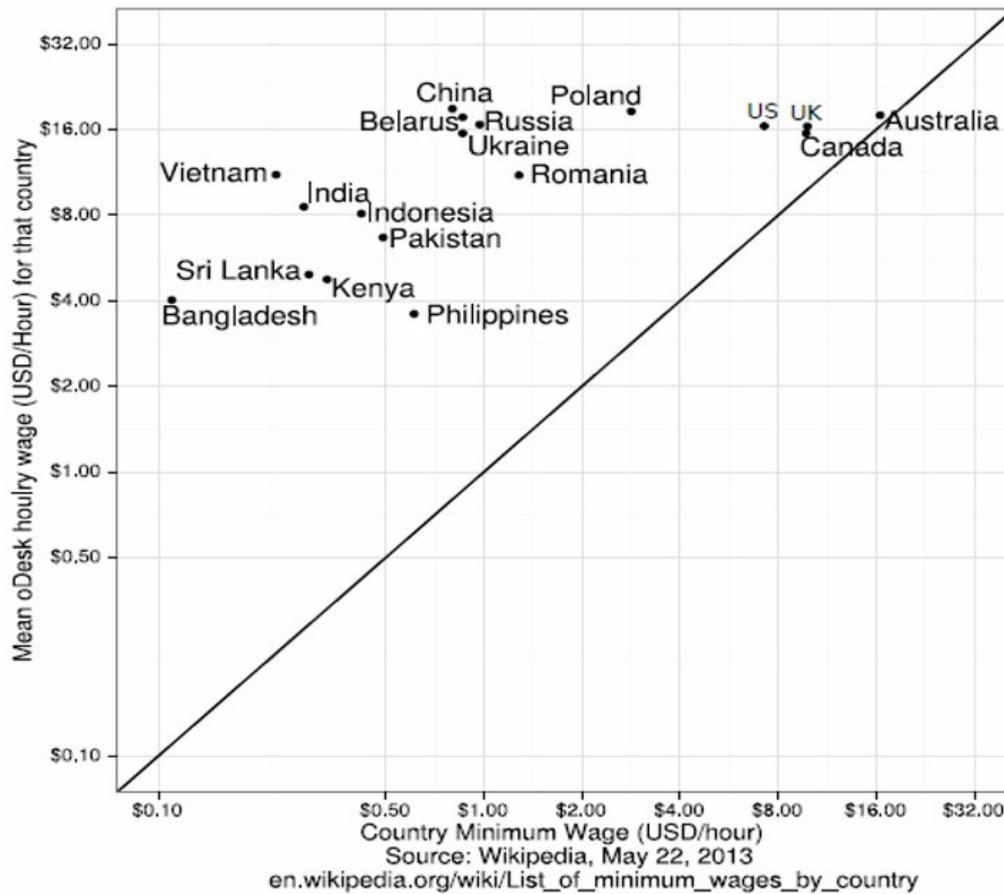
Figure 1: Main advantages and disadvantages of online work: Results from survey on Microworkers.com



Source: Survey of online workers on microworkers.com, where the majority of workers are from developing countries, especially South Asia. The survey was done as part of the background work for the World Development Report 2016.

Around 45 percent of freelancers in oDesk earn most or all of their income through online work. While most workers do not work full time on the platforms, hourly earnings of the oDesk users are, on average, 14 times higher than minimum wages in developing countries (Figure 2). This is partly explained by the fact that online workers are better educated than those in the general economy. High-paying work is concentrated in ICT areas such as software development, which can pay twice as much as online work in writing and translation, and even three to four times more than that in customer support and sales.

Figure 2: Mean Hourly Wage in oDesk (now part of Upwork)



Source: Agrawal and others 2013

For employers, online outsourcing platforms enable them to find cheaper workers quickly. Especially for the startups and SMEs, the platform is beneficial as the work can be done without making long-term commitments. Online job platforms increase the pool of talent for firms and provide an opportunity to monetize skills that may not be in sufficient demand in the local economy.

Other blogs ([here](#), [here](#), and [here](#)) have also discussed some of the opportunities and challenges of these platforms. And opportunities are indeed great, but is there already a truly global labor market?

### Is online outsourcing today a truly global work opportunity?

In many respects, online outsourcing platforms erase international borders for accessing jobs. But these platforms are not frictionless, and remain far from global. This is the case for the following three reasons:

#### 1) The nature of tasks favors semi-skilled and skilled workers

Online outsourcing is only available to those with internet access. With the World Development Report 2016 estimating that only 3 out of 10 people globally have internet access, this already limits opportunities. However, given the rapid expansion in access, this may not be the key constraint in the future—especially for youth.

Here is where skill matter. Skills demands for online work are still high for most workers in developing countries. Tasks available today on online outsourcing platforms range from very easy tasks to complex ones. Microwork platforms offer relatively easier tasks such as image tagging, text transcription, and data entry. Online freelancing platforms post more advanced tasks like graphic design, web development, and technical report writing. In the survey of microworkers.com, for example, respondents apply mainly for the following tasks: (i) writing and translation, (ii) sales and marketing, and (iii) administrative support, and the majority of them have previous work

experience in IT or services industries. Most jobs require workers to have digital, cognitive, technical and socio-emotional skills. Pretty much the same skills as in the “offline” world.

Addressing this skills barrier requires additional training for potential workers to learn how to better navigate the system and learn new skills. This is the “analog” foundation for the digital economy. And technology can help in this agenda. Some platforms, such as [Samasource](#), have been providing such training in developing countries. The potential of combining access to these platforms with online learning can be large.

## **2) Many jobs are hard to do online and at a distance**

Online outsourcing is most effective and most likely to function like a truly global market when the task is less complex and involves fewer local institutions and less communications. It is easier to outsource online sign-up to websites, search and click, and vote, than medium to high complexity tasks such as web and software development, and customer service. Outsourcing legal services can be complicated if workers do not know the local legal system, for example

## **3) There is still a home advantage**

Online work promotes international convergence in earnings, but not fully. As discussed above, hourly earnings of the oDesk users are, on average, 14 times higher than minimum wages in developing countries. But also at oDesk, a given worker is 1.3 times more likely to find work with an online employer from the same country than with one from another country. Domestic contractors also get paid more than international contractors for the same type of work.<sup>[v]</sup>

## **4) Language barriers**

Most of the platforms operate in English. Thus, without English skills, it is difficult to navigate the system, communicate with the clients, and perform the work. One of the male respondents in the survey of microworkers.com, aged between 16-25 from Slovakia, mentions that he does not recommend online work for his friends and family because “they don't speak English well enough or don't understand what it is all about.” Setting up local platforms like the ones in Japan, China and Thailand could mitigate this challenge, but is more efficient to do this in sufficiently large language-based markets.

## **5) Payment systems**

Access to an online payment system is essential for the workers to receive compensation. Yet, in many countries, workers find weak payment systems to be a barrier. Some of the most popular forms of payment rely on online payment platforms such as PayPal, Skrill, and wire transfers, Payoneer debit cards that use the MasterCard platform, or Amazon store credit. <sup>[vi]</sup> However, According to recent work on “[The Global Opportunity in Online Outsourcing](#)” and other academic literature, in some countries, such as Nigeria, PayPal does not allow direct payment to individuals, for example. In this case, online outsourcing platforms suggest alternative mechanisms, such as Payoneer and Skrill. Payoneer transfers money to a prepaid debit card usable in shops or at ATMs to withdraw cash. This mechanism can facilitate the inclusion of disadvantaged young people and women who are disproportionately likely to lack formal bank accounts. In order to facilitate cross-country financial transactions, governments need to strengthen their e-payment infrastructures to meet workers’ needs.

Tackling all of these issues is what it will take to make online labor markets truly global, and more inclusive. This is the role and challenge for policymakers as digital technologies continue to fundamentally transform the world of work.

*The World Development Report 2016 “[Digital Dividends](#)” will be launched tomorrow, January 13th at 3:01 PM.*

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<sup>[i]</sup> Karpie, Andrew, and John Nurthen. 2014. “[Online Staffing Platform Landscape: Can More be Better? Staffing](#)

Industry Analysts.”

[ii] Kuek, Siou Chew; Paradi-Guilford, Cecilia; Fayomi, Toks; Imaizumi, Saori; Ipeiritis, Panos; Pina, Patricia; Singh, Manpreet. 2015. “The Global Opportunity in Online Outsourcing.” World Bank, Washington, DC. World Bank.

[iii] Agrawal, Ajay, John Horton, Nico Lacetera, Elizabeth Lyons. 2013. “Digitization and the Contract Labor Market: A Research Agenda.” NBER Working Paper No. 19525. Cambridge, MA.

[iv] Kuek and others 2015.

[v] Lehdonvirta, Vili, Helena Barnard, Mark Graham, and Isis Hjorth. 2014. “Online Labour Markets – Leveling the Playing Field for International Service Markets?” Available at:

[http://ipp.oii.ox.ac.uk/sites/ipp/files/documents/IPP2014\\_Lehdonvirta\\_0.pdf](http://ipp.oii.ox.ac.uk/sites/ipp/files/documents/IPP2014_Lehdonvirta_0.pdf).

[vi] Kuek and others, 2015.