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Cutting wages to break in: How information gaps hold back workers in the online gig economy

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- Millions of workers from lower-income countries seek digital job opportunities through online freelancing platforms; yet, many struggle to find work as their abilities are unknown to foreign employers.
- This study examines whether inexperienced workers can break into the market by offering lower wages initially to attract employers and demonstrate their abilities.
- The randomised controlled trial with employers shows that lower wage offers by new workers increase both the visibility of their applications and the likelihood of being contacted.
- The randomised controlled trial with workers shows that many under-adopt this strategy because they lack accurate information about their own skills and about employer preferences.
- High-performing workers are more likely to adopt this strategy than low-performing workers when given feedback about their performance. They benefit the most from offering lower prices initially to build a reputation and grow in this market.

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Introduction

The rapid spread of remote-work technologies has transformed traditional employment, particularly for workers in developing countries. Millions of workers from lower-income countries now seek digital job opportunities on cross-border, online freelancing platforms that connect them with employers worldwide (Datta et al., 2023). Yet, many new workers face barriers beyond the initial entry because of the “reputation trap”: workers need good ratings to get hired, but must be hired first to earn ratings. This trap is especially severe for workers from lower-income countries, whose qualifications (such as education) are often unfamiliar or difficult for foreign employers to verify. As a result, employers rely even more heavily on platform ratings and favour experienced workers (Pallais, 2014; Agrawal, Lacetera, & Lyons, 2016).

This study examines whether inexperienced workers can break into the market by offering lower wages initially (so-called “introductory pricing”) through two experiments. The employer-side experiment tests how employers respond to wage offers from workers with different levels of experience. The worker-side experiment tests how information frictions affect inexperienced workers’ wage-setting strategies. The findings reveal that while introductory pricing can be an effective strategy to overcome entry barriers, workers often fail to use it because they lack accurate information about their own skills and how employers interpret low wages. These informational barriers are especially costly for highly skilled but marginalised workers, while also reducing employers’ access to quality services and hindering platforms’ ability to retain talent.

Methodology

This study combines two randomised controlled trials to examine how information frictions affect hiring and wage-setting decisions in online freelancing markets.

- Employer-side experiment: Over 2,800 carefully matched applications were submitted to 700+ jobs on a leading online freelancing platform. Applications were sent from both inexperienced and experienced worker profiles and were randomly assigned to include different wage offers. By comparing employer responses to these applications, this design gave a clean test on the effectiveness of wage undercutting strategies for workers with different levels of experience.
- Worker-side experiment: This study recruited 481 new freelancers from 37 low- and middle-income countries, evaluated their technical skills, and referred them to another job on the online platform. Workers were randomly provided with feedback on their performance and/or information on how employers interpret wage offers. This design aimed

to test how these information interventions shaped workers' wage-setting decisions across skill levels.

Findings

1. **Lower prices help new workers break in.**

   Offering lower initial wages significantly improves the chances for inexperienced workers to get noticed. Employers are nearly twice as likely to review their applications and 54% more likely to contact them when they propose wages below the posted budget. Importantly, employers do not interpret lower prices from newcomers as a sign of 9poor quality, contrary to what many workers in the study believe.

2. **Information interventions help workers set prices strategically.**

   When workers receive information about their performance and/or how employers interpret wage offers, they update their beliefs accordingly and adjust their pricing strategies. Those given information were twice as likely to offer wages below the posted budget for the referred job opportunity compared to those without information. This suggests that, without such information, many workers fail to use lower wages as an effective means to break into the market.

3. **High- and low-performing workers respond differently.**

   When workers learn about their own performance, high-performing workers are twice as likely as low-performing ones to offer lower wages. This is consistent with the fact that they can gain more from initial contracts to establish a reputation on the platform.

   However, when learning only about employer preferences, both groups are equally likely to propose lower wages. Although this reduces hiring costs for employers, it also means that high-performing workers cannot easily distinguish themselves from others, thereby limiting the effectiveness of this pricing strategy as a tool for breaking in.

Policy Implications

1. **Inexperienced workers lack the information to navigate online markets.**

   As many workers from lower-income countries have limited experience competing in global markets or interacting with foreign employers, they know little about how to navigate these opportunities. Inexperienced workers often hold inaccurate beliefs about their skills and about how employers interpret wage offers. Providing information on both can help workers, especially high performers, adopt effective pricing strategies to break into the market. By contrast, information on employer preferences alone is less effective, as it does not allow employers to differentiate workers by skill level based on the wage offers.

2. **Integrate information interventions into skill training programmes.**

   Existing training programmes for online freelancers from lower-income countries often focus only on technical or entrepreneurial skills, which had limited effects on worker success on the platform (Baptista et al., 2023; Fazio et al., 2025). These programmes could be made more effective by incorporating information on how workers compare to global competitors and how employers make hiring decisions.

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