When Should Freelancers Get Paid?

Milestone escrow and stablecoin settlement in cross-border contracts

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Abstract

A freelancer can deliver usable work weeks before receiving money. This paper develops the milestone settlement proposal in Chapter 9 of Target Money, with a cross-border software example informed by Chapter 13. It models the trade-off between the worker's exposure to unpaid accepted work and the client's cost of locking up funds. Paying for accepted milestones reduces the balance left unpaid at the end of a project, while funding only the upcoming milestone can limit how much the client has tied up at any one time. The arrangement leaves subsequent milestones exposed to a client's failure to fund them. A stablecoin changes the route from approval to usable funds. The paper proposes a comparison that varies the contract design and payment rail independently.

1. A project can be half delivered and fully unpaid

Imagine a developer hired to build a reporting tool for a client abroad. The first milestone is a usable data export. The client accepts it and starts using it. The dashboard is delayed because the two sides disagree about a design change. Under one final invoice, the dispute can delay payment for the export too. If the client has prepaid the entire fee into escrow, its funds may also remain unavailable while the dispute continues.

Milestone escrow already exists. Upwork describes fixed-price contracts in which clients fund milestones and may accept work, request changes or allow a review period to expire (Upwork, n.d.-a, n.d.-b). The contribution here is a way to compare funding depth, approval timing and payout routes. It makes explicit who carries the unpaid work and who carries the locked funds at each stage.

2. What is milestone-based settlement?

Milestone-based settlement assigns a price and an acceptance rule to each independently reviewable deliverable. The client funds a milestone before work starts. When it is accepted, the escrow releases that installment through the agreed payment rail. Where one deliverable depends on another, the parties should identify what can be reviewed or used in isolation. Slicing an indivisible deliverable into many invoices can simply multiply disputes.

A contract specifies what counts as submission, who can accept it, when review is due, and how to handle silence, change requests and contested acceptance. A missed deadline can trigger review or a release procedure agreed in advance. It should not silently convert a documented dispute into acceptance. A change in scope calls for an amended price or milestone rule. The worker can pause before starting an unfunded stage. Escrow guarantees funding only to the extent that the funds are actually available under its terms.

3. Measuring who finances the project

Use one invoice currency and observe the project daily. Let U be the value of accepted work whose proceeds have yet to become usable to the worker. Let B be the balance of client funds held in escrow and unavailable for other uses. The sums of the daily U and B balances are unpaid-work exposure and escrow exposure, expressed in currency-days. Record completed work awaiting approval separately so a prolonged review does not disappear from the analysis.

In an illustrative USD 3,000 contract, three USD 1,000 milestones are accepted on days 10, 20 and 30. If final payment is usable on day 30, accepted work remains unpaid for 20 days on the first milestone and 10 days on the second, totaling USD 30,000-days. If each installment is usable on its acceptance date, this measure falls to zero. Conversely, full-project escrow funded on day zero and released on day 30 ties up USD 90,000-days. Sequential funding with each USD 1,000 installment held for ten days ties up USD 30,000-days. These comparisons assume equal acceptance dates and immediate payout on release. An unfunded final invoice would tie up no escrow balance and would leave the worker exposed to collection risk.

To compare the designs, convert exposures into financing costs using rates appropriate to each party. Add expected losses from nonpayment or mistaken release, review and dispute costs, and total payment and conversion charges. Measure the frequency and cost of interruptions when the next installment is not funded. More milestones can reduce exposure while adding reviews and fixed payout charges. The trade-off depends on the value of intermediate work and the ability to verify it reliably.

4. Where a stablecoin can make a difference

A stablecoin can carry an installment after release if both parties have reliable access to it and the recipient can obtain usable funds at acceptable cost. Measure the interval from approval to usable proceeds, including onboarding, custody, conversion and withdrawal. Record the net domestic-currency amount after fees and exchange spreads. A fast transfer that remains in a wallet awaiting conversion does little for a worker who must pay expenses from a local bank account.

The design can also use fiat escrow and conventional bank transfers. Chapter 13 of Target Money discusses machine-assisted review of software. A test report can help check a documented acceptance criterion, but the parties still need a way to resolve ambiguous requirements and disagreements. Keep proprietary work and personal information in access-controlled systems and link the release to an invoice reference.

5. An empirical comparison

First compare final payment and staged payment for similar projects using the same payment rail. Where feasible, compare full prefunding and sequential prefunding separately. Track days from delivery to acceptance, days from acceptance to usable proceeds, disputes per project, nonpayment, client escrow exposure and project continuation. Include cancelled projects and workers who decline the payment method.

Then compare stablecoin and conventional payouts with the same milestone structure, approval rules and currency terms. Matched corridors or randomized offers can help distinguish payment-rail effects from differences in client quality and payment access. Prespecify treatment of abandoned contracts, rejected milestones and exchange-rate changes. The model predicts that payout-rail gains will be most visible where approval is

already prompt and conversion is reliable. The accounting example is hypothetical and the paper presents no causal estimates.

6. Relationship to the earlier papers

The programmable-voucher paper studies eligibility at checkout and the cost of enforcing spending rules. The care-payment paper examines who can authorize reimbursement when a beneficiary, provider and funder are different people. This paper studies a bilateral commercial contract and asks who effectively finances the work while acceptance or settlement is pending. It applies the value, purpose and evidence distinction from Programmable Money in Three Layers to milestone acceptance and working-capital exposure.

Keywords

Cross-border freelancer payments, milestone escrow, stablecoin settlement, working capital, fixed-price contracts, payment delays, foreign exchange.

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