A GLOBAL THINK TANK DEDICATED TO DELIVERING DATA-RICH ANALYSES AND EXPERT INSIGHTS FOR THE PUBLIC GOOD
Expense volatility was high across the income and age spectrum. While older families typically had less volatile incomes, they exhibited a larger range of income and expense volatility.
Expense volatility was high across the income and age spectrum. While older families typically had less volatile incomes, they exhibited a larger range of income and expense volatility.
Income and expense fluctuations often did not move in tandem.
The typical US household does not have a sufficient financial cushion to weather adverse income and consumption volatility.

Liquid assets needed by the typical American household to weather volatility:

- **$4,800** Buffer needed
- **$1,800** Shortfall
- **$3,000** Actual liquid assets
Almost four in ten families per year—particularly middle-income and older families—made an extraordinary payment over $1,500 related to medical services, auto repair, or taxes.

Percent of families with at least one extraordinary payment within a year

- Medical: $1,143 (16%)
- Auto repair: $953 (8%)
- Tax payment: $2,142 (19%)
- Any of the three: $1,520 (37%)

Median value of extraordinary payment
Major medical payments coincide with spikes in liquid assets and income, but families did not recover financially within 12 months after the payment.

**Key Insight**

Major medical payments coincided with short-term improvements in income, assets, and liabilities but lasting negative changes in not just assets and liabilities but also income and expenses.

Ratio of income, non-medical expenses, liquid assets, and revolving credit card balance before and after major medical payment relative to baseline*

- **Income**
- **Non-medical expenses**
- **Liquid assets (end of month)**
- **Revolving credit card balance**

*Immediately prior to a major medical payment ($2,089 on average), families accumulated over $900 more in liquid assets (a 5% increase).

A year after the medical payment, liquid assets were still 2% ($410) below baseline levels, and revolving credit card balance remained elevated by 9% ($217).
Labor income represents 71% of total income and contributes 53% of the volatility in total income.

Key Insight:
Sources of Income Volatility

- Labor income represents 71% of total income.
- Contributions to volatility:
  - 53% from labor income
  - 71% of total income

Diagram:

- Sources of income volatility:
  - Labor: 71%
  - Capital: 13%
  - Social Security: 4%
  - Other Govt Income: 4%
  - Tax refunds: 7%
  - Other income*: 2%

* Other income includes business point of sale revenue, ATM deposits, payments from other individuals and refunds.

Source: JPMorgan Chase Institute
Almost 4 in 10 individuals experienced a job transition in a given year, contributing 14% of the month-to-month volatility in labor income.

Sources of Monthly Changes in Labor Income

- 86% Variation in pay within distinct jobs
- 72% Variation in paycheck amount (bonus, hours, etc.)
- 28% Paycheck frequency (five-Friday month)

Median individuals experienced a $1,108 change in monthly income when they gained or lost a job and $830 when they switched jobs.

Almost four in 10 individuals experienced a job transition over the course of a year.
There is reason to believe that more and more seniors will linger within or rejoin the labor force.

According to the Bureau of Labor Statistics, the percent of seniors who are in the labor force has been increasing quickly—from 20.7% in 2009 to 23.1% in 2015—even as the share of younger people in the labor force has declined.

In 2016, 26% of surveyed baby boomers said they now plan to retire at age 70 or older, up from only 17% five years earlier.

Seniors get 25% of their income from the labor economy, and their labor force participation rate is inching up.

**Components of Total Income**

- **Social Security**: 43.0%
- **Labor**: 25.0%
- **Capital**: 18.0%
- **Other**: 14.0%

*Source: JPMorgan Chase Institute*
The Online Platform Economy

In defining the Online Platform Economy we distinguish between **Labor Platforms** and **Capital Platforms**.

**Labor Platforms**
- Participants perform discrete tasks.

**Capital Platforms**
- Participants sell goods or rent assets.

**Online Platform Economy Attributes**
- Connects workers or sellers directly to customers.
- Allows people to work when they want.
- Sellers are paid for a single task or good at a time.
- Payment passes through the platform.

**Data Asset**: We identify income received by over 240,000 anonymized individuals from 42 distinct platforms between October 2012 and June 2016.
Growth in participation in the Online Platform Economy peaked in 2014 and has slowed since then.

Monthly participation in the Online Platform Economy slowed in 2016 while cumulative participation continued to grow.

Source: JPMorgan Chase Institute
Percent of total adults participating in the Online Platform Economy in June 2016, by demographic group

### Participation in labor platforms

<table>
<thead>
<tr>
<th>Age</th>
<th>Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>1.0%</td>
</tr>
<tr>
<td>25-34</td>
<td>0.8%</td>
</tr>
<tr>
<td>35-44</td>
<td>0.6%</td>
</tr>
<tr>
<td>45-54</td>
<td>0.5%</td>
</tr>
<tr>
<td>55-64</td>
<td>0.3%</td>
</tr>
<tr>
<td>65+</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

### Participation in capital platforms

<table>
<thead>
<tr>
<th>Age</th>
<th>Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>0.4%</td>
</tr>
<tr>
<td>25-34</td>
<td>0.6%</td>
</tr>
<tr>
<td>35-44</td>
<td>0.4%</td>
</tr>
<tr>
<td>45-54</td>
<td>0.4%</td>
</tr>
<tr>
<td>55-64</td>
<td>0.3%</td>
</tr>
<tr>
<td>65+</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

### Income Quintiles

#### Participation in labor platforms

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quintile 1</td>
<td>0.6%</td>
</tr>
<tr>
<td>Quintile 2</td>
<td>0.6%</td>
</tr>
<tr>
<td>Quintile 3</td>
<td>0.5%</td>
</tr>
<tr>
<td>Quintile 4</td>
<td>0.5%</td>
</tr>
<tr>
<td>Quintile 5</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

#### Participation in capital platforms

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quintile 1</td>
<td>0.3%</td>
</tr>
<tr>
<td>Quintile 2</td>
<td>0.3%</td>
</tr>
<tr>
<td>Quintile 3</td>
<td>0.4%</td>
</tr>
<tr>
<td>Quintile 4</td>
<td>0.4%</td>
</tr>
<tr>
<td>Quintile 5</td>
<td>0.6%</td>
</tr>
</tbody>
</table>
On average, participants earn 24% and 10% of their total income in labor and capital platforms respectively.

Percent of total annual income earned on platforms among established platform participants in the 12 months ending in June 2016, by demographic group:

Reliance on labor platforms (Mean: 24%)
- Age:
  - 18-24: 22%
  - 25-34: 21%
  - 35-44: 25%
  - 45-54: 26%
  - 55-64: 26%
  - 65+: 23%

Reliance on capital platforms (Mean: 10%)
- Age:
  - 18-24: 8%
  - 25-34: 10%
  - 35-44: 11%
  - 45-54: 11%
  - 55-64: 11%
  - 65+: 10%

Income:
- Quintile 1: 25%
- Quintile 2: 25%
- Quintile 3: 25%
- Quintile 4: 23%
- Quintile 5: 17%
Earnings from labor platforms offset dips in non-platform income, but earnings from capital platforms supplemented non-platform income.
A GLOBAL THINK TANK DEDICATED TO DELIVERING DATA-RICH ANALYSES AND EXPERT INSIGHTS FOR THE PUBLIC GOOD

www.jpmorganchaseinstitute.com
institute@jpmchase.com
@Farrell_Diana