The Online Platform Economy: Who earns the most?

In the JPMorgan Chase Institute's report *Paychecks, Paydays, and the Online Platform Economy*, we documented that 4 percent of adults earned income from the Online Platform Economy between October 2012 and September 2015. Despite the tremendous growth in participation in the Online Platform Economy—a 47-fold increase over three years—these online "gigs" remained a secondary source of income for most people. In months when individuals earned platform income, labor platforms, such as Uber or TaskRabbit where individuals perform discrete tasks or assignments, contributed 33 percent of total monthly income, and capital platforms, such as eBay or Airbnb where individuals sell goods or rent assets, contributed 20 percent of total monthly income.

With many policy debates underway, including whether platform workers should constitute a new class of "independent workers" and how to provide traditional workplace benefits for them, it is important to understand who would be most affected by proposed policies or the results of class action lawsuits. We find that the Online Platform Economy contributed significantly to the bottom line for certain segments of the population, notably labor platform participants in general, and specifically labor platform earners who live in San Francisco, or who are 35 and older or have low-to-moderate incomes. Among these segments, platform earnings represented, on average, more than a fourth of their income over a 12-month span.

To shed light on who earns the most from online platforms, we drew on our anonymized sample of over 260,000 core Chase checking account customers who earned income on at least one of 30 platforms—the largest sample of platform earners analyzed to date. Here we focus on the 196,000 individuals who participated over the twelve month period between October 2014 and September 2015. During this span, 3.1 percent of adults earned income from online platforms, 2.4 percent in capital platforms and 0.8 percent in labor platforms.

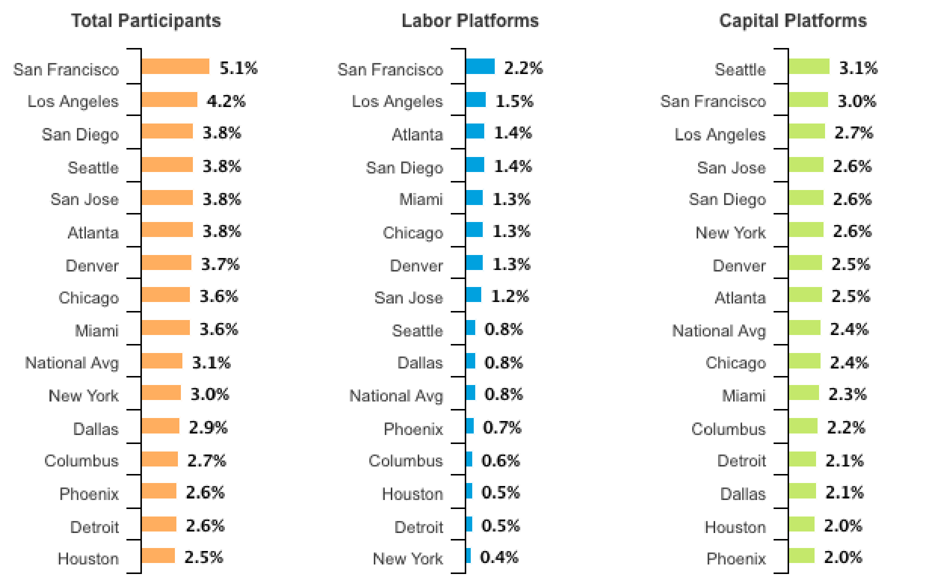
1. *West Coast cities are the epicenter of the Online Platform Economy, with San Francisco topping the charts for both participation in and reliance on online labor "gigs".*

In San Francisco, where many of the largest online platform companies are headquartered, 5.1 percent of adults earned income from platforms over the twelve month period ending September 2015, compared to 3.1 percent nationally (Figure 1).[1] While San Francisco had the highest participation rate for labor platforms, Seattle had the highest participation rate for capital platforms. Across all metropolitan areas more people earned income from capital platforms than labor platforms, and very few people—less than 3 percent of participants—earned income from both labor and capital platforms.

[1] Each city in Figures 1 and 2 represents a metropolitan area defined based on the Census Bureau's definition of Core Based Statistical Areas.

There is wide dispersion in the rates of participation in labor platforms across the 15 cities in Figure 1. Participation in labor platforms ranged from a high of 2.2 percent in San Francisco to a low of 0.4 percent of adults in New York City—a five-fold difference. A number of factors likely contributed to this dispersion, including the timing of when platform companies entered each market, regulatory efforts in response to their growth, and local labor market and price conditions. In contrast to labor platforms, there was less variation in the rate of participation in capital platforms across cities—participation rates ranged from a high of 3.1 percent in Seattle to a low of 2.0 percent in Houston and Phoenix.

Figure 1: Percentage of adults who earned income from the Online Platform Economy over the past 12 months, by metropolitan area (as of September 2015)



Source: JPMorgan Chase Institute

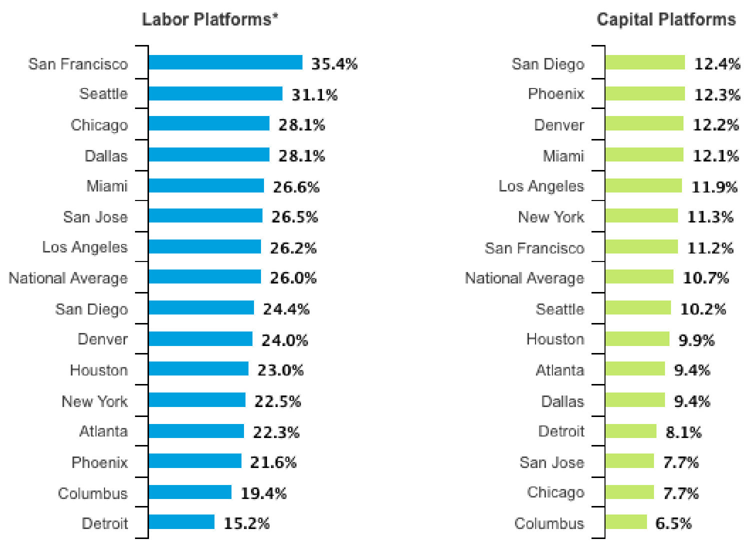
Platform earnings were a secondary source of income for established participants in all 15 cities and the nation as a whole, representing 26 percent of annual income for labor platform participants and 11 percent of annual income for capital platform participants (Figure 2).[2] We define "established participants" as those who also received platform income at any point in the two years before October 2014. We study the reliance of this group of participants in order to observe a full 12-month period in which platform income could contribute to a participant's income. Given the rapid growth of online platforms and geographic differences in the availability of some platforms over time, established platform participants provide a more steady-state view of the contribution platform earnings made to total income. Among all platform earners, including individuals who

[2] Annual income was estimated based on inflows into individuals' checking accounts that were identified as income over a twelve month period between October 2014 and September 2015. These national estimates are lower than those reported in *Paychecks, Paydays, and the Online Platform Economy* (33 percent of total income for labor platforms participants and 20 percent of total income for capital platform participants) because they reflected the percent of total income across a twelve month period rather than just in months in which individuals were active on the platforms. After the first month of participation, labor platform participants earned income from labor platforms in 56 percent of subsequent months, and capital platform participants earned income from capital platforms in 32 percent of subsequent months.

began participating during the most recent year, platform earnings represented 14 percent of total income for labor platform participants and 6 percent of income for capital platform participants.[3]

Individuals in San Francisco not only participated in labor platforms at higher rates than the rest of the country, but they were also the most reliant on them—participants received 35 percent of their annual income from these platforms. This degree of reliance was about nine percentage points higher than the national average and 20 percentage points higher than the city with the least reliant participants, Detroit. Capital platform participants in San Diego, Phoenix, Denver and Miami were most reliant on their platform earnings, which represented more than 12 percent of total income for the year, compared to a national average of 11 percent and 7 percent in Columbus, Ohio.

Figure 2: Percentage of annual total income earned on platforms among established platform participants, by metropolitan area



* Due to smaller sample sizes, the 95 percent confidence intervals on these estimates are 4 percentage points for Seattle; 3 percentage points for Atlanta, Columbus, and Detroit; 2 percentage points for San Jose, Denver, Houston, and Phoenix; and less than 2 percentage points for the remaining cities.

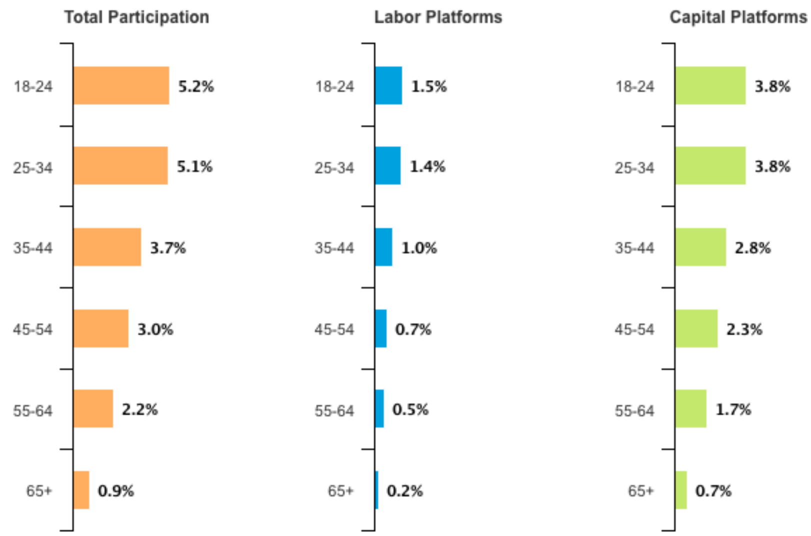
Source: JPMorgan Chase Institute

2. *Millennials were most likely to earn income from the Online Platform Economy, but they were the least reliant on platform earnings across age groups.*

More than five percent of Millennials (those ages 18-34) earned income from the Online Platform Economy over these 12 months, compared to a national average of 3.1 percent (Figure 3). This age gap in participation existed for both types of platforms. Compared to adults ages 65 and older, 18-24 year olds were roughly nine-fold more likely to earn income on labor platforms and five-fold more likely to earn income on capital platforms.

[3] Among all platform earners, labor platform earnings as a share of total income ranged from 21 percent in San Francisco to 9 percent in Columbus, and capital platform earnings as a share of total income ranged from 8 percent in San Diego to 4 percent in Columbus.

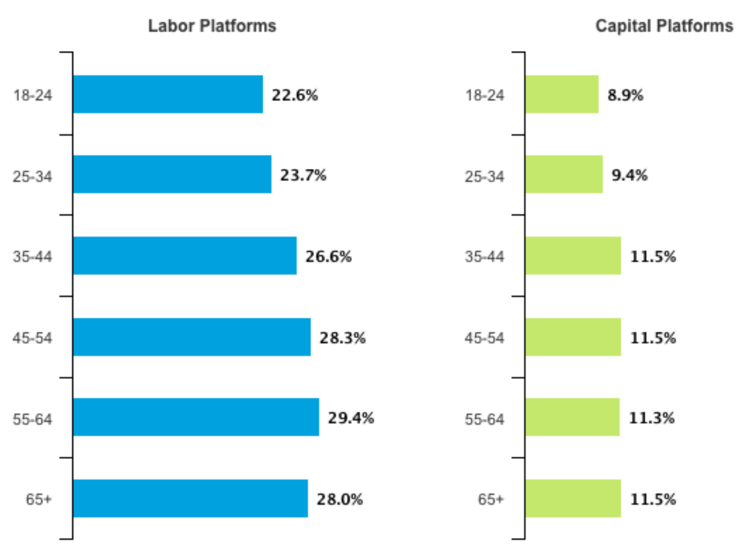
Figure 3: Percentage of adults who earned income from the Online Platform Economy over the past 12 months, by age (as of September 2015)



Source: JPMorgan Chase Institute

Although young people were more likely to participate in the Online Platform Economy, they were the least reliant on platform earnings compared to older earners (Figure 4). Labor platform earnings represented about 23 percent of total annual income for participants age 18-34 compared to more than 28 percent of total earnings for individuals age 45 and older. Similarly, capital platform earnings represented about nine percent of total annual earnings for participants aged 18-34, but more than 11 percent for all other participants. This suggests that while much of the attention paid to the "gig economy" has focused on Millennials, online platforms might, in fact, be a more important source of income for other age groups, including retirees and individuals with families.

Figure 4: Percentage of annual total income earned on platforms among established platform participants, by age

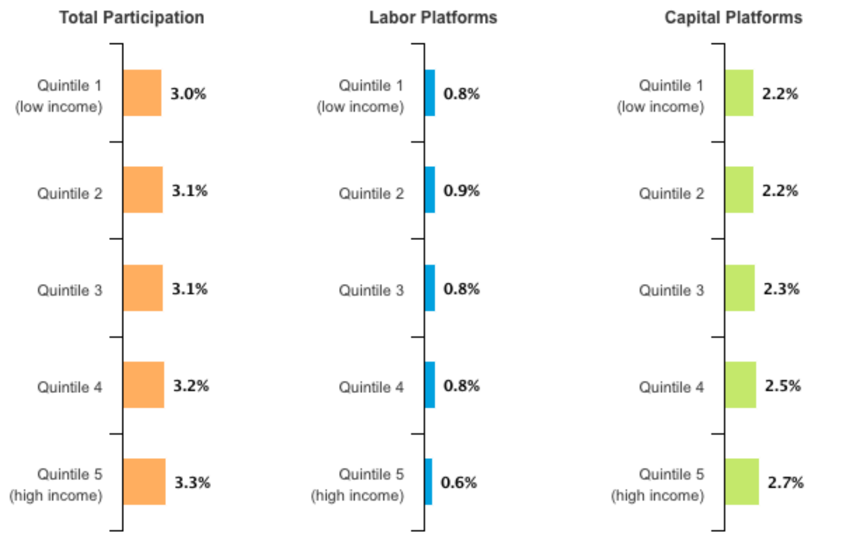


Source: JPMorgan Chase Institute

3. The Online Platform Economy attracted individuals across the income spectrum, but low- and moderate-income participants relied more heavily on labor platform earnings.

Around 3 percent of adults across all income groups earned income from the Online Platform Economy (Figure 5). Participation rates, however, were slightly higher for lower-income individuals on labor platforms while the opposite was true on capital platforms.

Figure 5: Percentage of adults who earned income from the Online Platform Economy over the past 12 months, by income quintile (as of September 2015)*



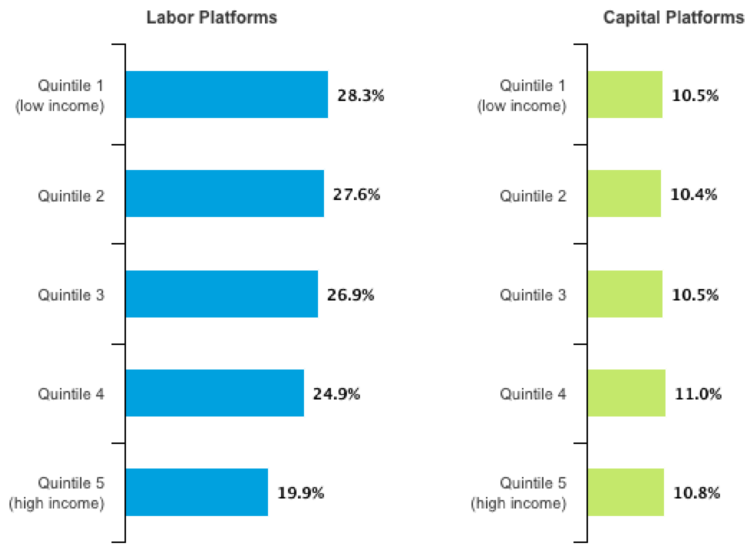
* Individuals are grouped into income quintiles based on an annual pre-tax income estimate for the year ascertained by JPMorgan Chase based on individual, third-party and zip code-level data. Incomes ranges are $0- $30,000 for quintile 1, $30,100-$44,000 for quintile 2, $44,100-$58,000 for quintile 3, $58,100-$83,800 for quintile 4, and $83,900 and above for quintile 5.

Source: JPMorgan Chase Institute

Low- and moderate-income individuals were more reliant on labor platform earnings than the rest of the population (Figure 6). Labor platform earnings represented more than 25 percent of annual income for participants in the bottom three income quintiles compared to just 20 percent of annual income for labor platform participants in the top income quintile. Across the income spectrum, capital platform earnings represented around 11 percent of income among participants.

The fact that participation in and reliance on platforms was so consistent across the income spectrum speaks to the diversity of roles and opportunities with which individuals can access these new marketplaces. Some have even speculated that the Online Platform Economy might have the potential to reduce inequality. At the same time, we do see evidence that capital platforms enable individuals with higher incomes to generate proportionally more earnings.

Figure 6: Percentage of annual total income earned on platforms among established platform participants, by income quintile*



* Individuals are grouped into income quintiles based on an annual pre-tax income estimate for the year ascertained by JPMorgan Chase based on individual, third-party and zip code-level data. Incomes ranges are $0- $30,000 for quintile 1, $30,100-$44,000 for quintile 2, $44,100-$58,000 for quintile 3, $58,100-$83,800 for quintile 4, and $83,900 and above for quintile 5.

Source: JPMorgan Chase Institute

The implications of earning a significant share of one's livelihood from online platforms and other non-standard forms of work are many. For example, such individuals may be more likely to owe taxes at tax time, since platforms and independent contract jobs typically do not withhold taxes. Platform participants' incomes may be more difficult to verify for the purposes of applying for a mortgage, auto loan or other lines of credit. They may be less likely to be receiving workplace benefits typical of standard employees, such as health insurance, retirement plans, and paid leave. On the other hand, platform earners may have the flexibility to work when and where they want. They have a readily accessible option to generate additional earnings when income from their traditional jobs falls short or to cover a month with higher expenses.

What is clear from the data is that while the Online Platform Economy remains a secondary source of income, labor platforms contributed more significantly to participants' total income than capital platforms. Labor platform earnings represented roughly 30 percent of annual incomes for participants who are 35 and older, have low-to-moderate incomes or live in San Francisco. These are among the communities of participants who stand the most to gain or lose as policy changes and lawsuits unfold. Policy makers and business leaders have the opportunity right now to weigh the risks and benefits of the Online Platform Economy and help shape this new marketplace for the greater good of workers, businesses and the economy.

The JPMorgan Chase Institute is committed to delivering data-rich analyses and expert insights for the public good. Our recently released report Paychecks, Paydays, and the Online Platform Economy explores the demographics and sources of income volatility and provides an unprecedented look at the impact of the Online Platform Economy.