



U.S. TREASURY DEPARTMENT

UPDATED ESTIMATES OF NEWLY HIRED EMPLOYEES
ELIGIBLE FOR THE HIRE ACT TAX EXEMPTION

Report Includes State-by-State Estimates of Eligible Hires

September 6, 2010

Updated Estimates of Newly Hired Employees Eligible for HIRE Act Tax Exemption

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This report updates and supplements the U.S. Department of Treasury's ongoing analysis of the number of newly hired workers whose employers could potentially qualify for tax exemptions under the Hiring Incentives to Restore Employment (HIRE) Act of 2010. The HIRE Act exempts employers from paying their 6.2 percent share of the Social Security payroll tax for the remainder of 2010 for eligible new hires, and provides a \$1,000 tax credit to employers if they retain eligible workers for 52 weeks. This report provides monthly updated estimates of potential eligibility under the HIRE Act, including data through July 2010. According to the updated estimates, from February 2010 to July 2010, businesses hired 6.9 million new workers who had been unemployed for eight weeks or longer; that figure will grow over the year as additional eligible employees are hired.

This report includes state-by-state estimates of the number of newly hired workers whose employers potentially qualify for the HIRE Act tax exemption under the HIRE Act. In addition, this report includes regional breakdowns of the industries in which eligible workers are being hired.

The HIRE Act, which President Obama signed into law in March 2010, is an example of a targeted, time-limited program that promotes private-sector job growth. The HIRE Act gives employers an incentive to accelerate hiring this year because the payroll tax exemption expires at the end of 2010.

The updated estimates extend previous Treasury analysis by including workers hired between June and July 2010. Among the key findings are:

- From February to July of 2010, an estimated 6.9 million workers who had been unemployed for eight weeks or longer were hired by employers who are eligible for the HIRE Act payroll tax exemption. This estimate includes 1.3 million workers who were hired between June and July 2010. (see Table 1)
- Newly hired workers whose employers are eligible for the HIRE Act payroll tax exemption constitute 11.8 percent of all workers who were unemployed for eight weeks or longer since the law took effect in February 2010. In other words, about one in eight workers who have been unemployed for eight weeks or longer are hired in the subsequent month. (see Table 2 and Figure 1)
- The 10 states with the largest number of workers whose employers potentially qualify for HIRE Act tax exemptions are: California (946,337 hires); Texas (461,075); New York (405,001), Florida (364,410); Illinois (325,421); Pennsylvania (287,530); Ohio (261,830); Georgia (217,526); Michigan (209,406); and New Jersey (206,932). Table 6 reports the number of eligible new hires for each state.

In addition to these findings, Table 3 reports the demographic characteristics of the newly hired, eligible workers. Table 4 reports the industries in which the newly hired workers were employed prior to their period of unemployment and the industries in which the newly hired workers found jobs. About one fifth of newly hired exemption-eligible workers were previously employed in the construction industry. Similarly, employers in the construction industry have hired the largest share of exemption-eligible workers since February 2010, though that share is slightly lower than the share previously employed in construction. Table 5 reports the industries for each of the four geographic regions.

Comprehensive data on the use of the HIRE Act from the Internal Revenue Service (IRS) will not be available until after employers file tax returns in 2011. In the interim, Treasury's Office of Economic Policy is providing monthly estimates of the number of newly hired workers whose employers potentially qualify for the HIRE Act tax exemption. These interim estimates are based on Treasury analysis of the Current Population Survey, a monthly survey conducted by the Bureau of Labor Statistics.

Additional Background on the HIRE Act

On March 18, 2010 President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act of 2010. The HIRE Act provides employers an incentive to hire workers who have been unemployed for 60 days or longer by exempting wages paid to these workers from the employer's 6.2 percent contribution of Social Security payroll taxes for the remainder of 2010. In addition, the HIRE Act allows employers to claim a tax credit of up to \$1,000 for each newly hired qualifying worker who is retained for one year. If, for example, an employer hires an unemployed worker and pays that worker \$40,000 in salary this year, the HIRE Act tax exemption will reduce the employer's payroll tax obligations by up to \$2,480 this year (6.2 percent of \$40,000), and, if the employer retains that worker for 52 weeks, the employer will receive in addition a \$1,000 tax credit, bringing the total tax savings to as much as \$3,480.

Employers can claim the HIRE Act tax exemption for all wages paid to qualifying employees through the remainder of 2010.

Methodology

The estimates in this report use the Current Population Survey, which is the basis for official government labor force statistics, such as the unemployment rate. The CPS consists of a representative sample of about 50,000 housing units a month, and labor force questions are asked concerning all working-age adult members in the household. The labor force questions relate to the worker's labor force status in the CPS reference week, which is the week that contains the 12th day of the month. The specific date that a worker transitions from one labor force status to another is not reported.

The rotation group design of the CPS allows us to create two-month linked samples by matching surveyed workers in one month to their records in the next month. This is possible for approximately three fourths of the CPS sample.

For this report, workers are identified as eligible for the tax exemption if they report that they have been unemployed for eight weeks or longer in the first month of the two month period. Eligible workers who report holding a job with a private employer in the second month of the two-month period are classified as qualifying for the tax exemption under the HIRE Act.

A full description of the methods used to construct these estimates can be found in the July 12, 2010 Treasury report, which is available at: <http://www.treas.gov/press/releases/docs/HIREAct-Analysis-7-11-2010-FINAL.pdf>

**Table 1: Estimated Number of New Hires
for which Employer is Eligible for HIRE Act Tax Exemption**

| Transition months | New Exemption-Eligible Hires | Average Weekly Earnings* |
|--------------------|---------------------------------|-----------------------------|
| Feb-10 to Mar-10 | 1,385,937 | \$476 |
| Mar-10 to Apr-10 | 1,765,519 | \$536 |
| Apr-10 to May-10 | 1,319,394 | \$524 |
| May-10 to June-10 | 1,137,858 | \$518 |
| June-10 to July-10 | 1,273,247 | \$453 |
| Total | 6,881,956 | \$501 |

Note: * Average weekly earnings are estimated from the out-going rotation group subsample of the CPS. Earnings are reported on the new job in the second month of the linked sample (i.e., pertaining to March through July).

**Table 2: Monthly Transition Rates
for Workers Unemployed 8 Weeks or More**

| Months | Total Workers Unemployed ≥ 8 weeks in 1 st Month | Employment Status in 2 nd Month | | | |
|----------------------------|---|---|------------------------|---------------------|--------------------------|
| | | Private Exemption- Eligible Employment * | Other employment ** | Still unemployed | Out of labor force |
| Dec, '08 to Jan, '09 | 6,465,697 | 9.3% | 2.0% | 66.7% | 22.0% |
| Jan to Feb, 2009 | 7,973,379 | 10.3% | 2.3% | 67.4% | 20.1% |
| Feb to Mar, 2009 | 9,014,765 | 11.0% | 2.6% | 66.3% | 20.0% |
| Mar to Apr, 2009 | 9,829,540 | 14.2% | 3.2% | 64.1% | 18.5% |
| Apr to May, 2009 | 9,691,569 | 11.1% | 2.2% | 67.0% | 19.7% |
| May to Jun, 2009 | 9,753,553 | 11.2% | 2.0% | 68.7% | 18.1% |
| Jun to Jul, 2009 | 9,934,851 | 11.8% | 2.6% | 67.3% | 18.4% |
| Jul to Aug, 2009 | 10,618,786 | 10.1% | 2.3% | 66.6% | 20.9% |
| Aug to Sep, 2009 | 10,868,047 | 11.3% | 3.7% | 65.7% | 19.3% |
| Sep to Oct, 2009 | 11,040,918 | 10.1% | 2.5% | 68.1% | 19.2% |
| Oct to Nov, 2009 | 10,804,514 | 10.7% | 1.8% | 68.6% | 18.9% |
| Nov to Dec, 2009 | 10,928,733 | 7.9% | 1.6% | 70.6% | 19.9% |
| Dec, '09 to Jan, '10 | 10,821,742 | 8.3% | 1.5% | 69.8% | 20.4% |
| Jan to Feb, 2010 | 11,904,522 | 8.9% | 1.7% | 71.2% | 18.2% |
| Feb to Mar, 2010 | 12,201,584 | 11.4% | 2.3% | 67.2% | 19.1% |
| Mar to Apr, 2010 | 12,546,709 | 14.1% | 2.9% | 63.7% | 19.4% |
| Apr to May, 2010 | 11,807,334 | 11.2% | 2.9% | 66.4% | 19.5% |
| May to Jun, 2010 | 10,959,952 | 10.4% | 1.7% | 66.6% | 21.3% |
| Jun to Jul, 2010 | 10,485,566 | 12.1% | 2.5% | 65.6% | 19.8% |
| Jul to Aug, 2010 | 11,121,822 | - | - | - | - |
| Feb to June 2010 (Average) | | 11.8% | 2.5% | 65.9% | 19.8% |

Note: * Exemption-eligible jobs include all private, non-self-employed jobs; ** Other employment includes government, self-employment, and employment without pay.

**Table 3: Demographic Characteristics of New Hires and Unemployed in 2010,
by HIRE Act Tax Exemption Eligibility**

| | Eligible for HIRE Act Tax Exemption | | | | | | All Unemployed |
|------------------------|-------------------------------------|------------|------------|------------|------------|------------------|----------------|
| | Feb to Mar | Mar to Apr | Apr to May | May to Jun | Jun to Jul | Total Feb to Jul | Feb to Jul |
| <u>Gender</u> | | | | | | | |
| Men | 67.9% | 68.8% | 63.7% | 62.2% | 61.8% | 65.2% | 59.3% |
| Women | 32.1% | 31.2% | 36.3% | 37.8% | 38.2% | 34.8% | 40.7% |
| <u>Age</u> | | | | | | | |
| less than 25 | 24.7% | 19.9% | 26.9% | 27.8% | 29.1% | 25.2% | 26.2% |
| 25 to 54 | 65.8% | 70.9% | 63.4% | 60.1% | 62.9% | 65.2% | 59.7% |
| 55+ | 9.5% | 9.3% | 9.7% | 12.2% | 7.9% | 9.6% | 14.1% |
| <u>Race</u> | | | | | | | |
| White | 77.8% | 80.7% | 77.1% | 76.1% | 73.2% | 77.3% | 74.2% |
| Black | 17.0% | 13.5% | 18.1% | 15.3% | 19.0% | 16.4% | 18.6% |
| Other | 5.2% | 5.8% | 4.8% | 8.6% | 7.7% | 6.3% | 7.2% |
| <u>Hispanic origin</u> | 23.1% | 21.8% | 21.2% | 23.7% | 21.8% | 22.3% | 18.3% |
| <u>Education</u> | | | | | | | |
| Less than H.S. | 24.2% | 19.9% | 17.1% | 23.8% | 19.2% | 20.8% | 21.1% |
| H.S. diploma | 40.3% | 39.4% | 43.7% | 35.3% | 40.1% | 39.8% | 37.1% |
| Some college | 21.6% | 27.2% | 27.0% | 22.5% | 27.4% | 25.3% | 26.6% |
| Bachelor's degree | 11.3% | 10.9% | 8.5% | 15.9% | 10.9% | 11.3% | 11.7% |
| Beyond college | 2.5% | 2.7% | 3.8% | 2.5% | 2.3% | 2.7% | 3.6% |

Note: Each panel presents the share of the sample in that row category. For example, 67.9 percent of the eligible hires from February to March were male and 32.1 percent were female, while 60.1 percent of all unemployed workers from February to May were male and 39.8 percent were female.

**Table 4: Industry of HIRE Act Exemption-Eligible New Hires and Unemployed,
Total February to July, 2010**

| | HIRE Act Exemption-Eligible New Hires | | Former Industry of All Unemployed |
|------------------------------------|--|--------------|---|
| | Former Industry | New Industry | |
| Construction | 20.3% | 17.7% | 16.2% |
| Manufacturing | 12.1% | 9.9% | 12.7% |
| Retail trade | 13.0% | 12.2% | 13.3% |
| Transportation and utilities | 5.4% | 5.0% | 4.1% |
| Financial activities | 4.3% | 4.2% | 5.2% |
| Professional and business services | 11.6% | 13.5% | 12.8% |
| Educational and health services | 8.5% | 9.2% | 11.4% |
| Leisure and hospitality | 11.5% | 13.3% | 12.0% |
| All other industries | 13.4% | 15.1% | 12.2% |

Note: All other industries include: Agriculture, forestry, fishing, and hunting, mining, information, wholesale trade and other services.

Table 5: Industry of HIRE Act Exemption-Eligible New Hires and Unemployed, Total February to July, 2010 by region

Northeast Region

| Major Industry | Eligible for HIRE Act Tax Relief | | Total Unemployed Feb to Jul |
|------------------------------------|----------------------------------|--------------|-----------------------------|
| | Former Industry | New Industry | |
| Construction | 25.9% | 19.2% | 13.3% |
| Manufacturing | 11.2% | 11.5% | 13.1% |
| Retail trade | 12.0% | 7.3% | 14.2% |
| Transportation and utilities | 3.5% | 3.4% | 3.1% |
| Financial activities | 5.5% | 6.0% | 6.9% |
| Professional and business services | 11.4% | 15.7% | 13.7% |
| Educational and health services | 9.9% | 14.7% | 13.7% |
| Leisure and hospitality | 9.6% | 13.3% | 11.5% |
| All others | 10.9% | 8.9% | 10.5% |

Midwest Region

| Major Industry | Eligible for HIRE Act Tax Relief | | Total Unemployed Feb to Jul |
|------------------------------------|----------------------------------|--------------|-----------------------------|
| | Former Industry | New Industry | |
| Construction | 22.9% | 20.0% | 17.6% |
| Manufacturing | 15.4% | 11.7% | 16.0% |
| Retail trade | 10.3% | 13.0% | 11.9% |
| Transportation and utilities | 6.0% | 4.2% | 4.7% |
| Financial activities | 3.0% | 2.6% | 3.6% |
| Professional and business services | 14.9% | 15.1% | 13.0% |
| Educational and health services | 6.5% | 10.4% | 11.6% |
| Leisure and hospitality | 10.7% | 11.8% | 11.2% |
| All others | 10.3% | 11.3% | 10.4% |

**Table 5 Continued: Industry of HIRE Act Exemption-Eligible New Hires and Unemployed,
Total February to July, 2010 by region**

South Region

| Major Industry | Eligible for HIRE Act Tax Relief | | Total Unemployed Feb to Jul |
|------------------------------------|----------------------------------|--------------|-----------------------------|
| | Former Industry | New Industry | |
| Construction | 17.1% | 16.4% | 15.6% |
| Manufacturing | 11.7% | 8.5% | 12.1% |
| Retail trade | 16.4% | 15.7% | 13.7% |
| Transportation and utilities | 5.9% | 5.6% | 4.6% |
| Financial activities | 3.3% | 4.0% | 5.1% |
| Professional and business services | 9.5% | 11.1% | 12.4% |
| Educational and health services | 10.3% | 8.0% | 11.3% |
| Leisure and hospitality | 12.8% | 14.8% | 13.0% |
| All others | 13.0% | 16.0% | 12.2% |

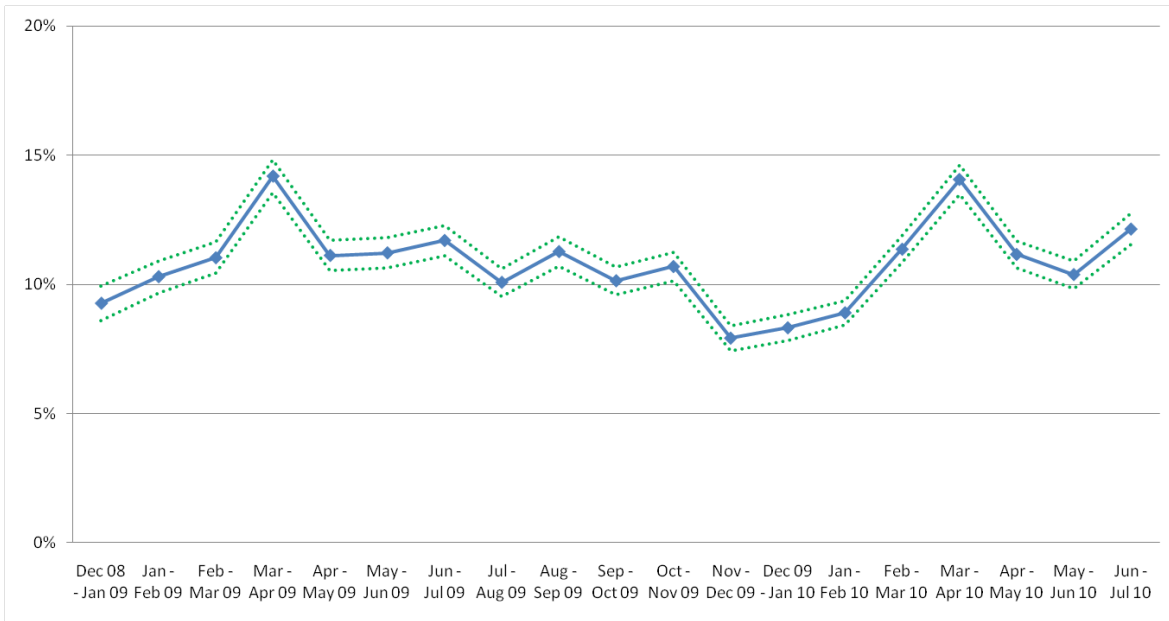
West Region

| Major Industry | Eligible for HIRE Act Tax Relief | | Total Unemployed Feb to Jul |
|------------------------------------|----------------------------------|--------------|-----------------------------|
| | Former Industry | New Industry | |
| Construction | 18.5% | 16.5% | 17.5% |
| Manufacturing | 10.2% | 9.2% | 10.3% |
| Retail trade | 12.0% | 10.4% | 13.4% |
| Transportation and utilities | 5.3% | 5.9% | 3.7% |
| Financial activities | 5.7% | 4.6% | 5.7% |
| Professional and business services | 11.3% | 13.6% | 12.4% |
| Educational and health services | 7.2% | 6.1% | 10.0% |
| Leisure and hospitality | 11.7% | 12.9% | 11.9% |
| All others | 18.2% | 20.9% | 14.9% |

Table 6: Number of New Hires for which Employer is Eligible for HIRE Act Tax Exemption, by State

| State | Number of eligible hires | State | Number of eligible hires |
|-------|--------------------------|--------------|--------------------------|
| AL | 98,555 | MT | 18,138 |
| AK | 23,609 | NE | 21,830 |
| AZ | 196,479 | NV | 87,634 |
| AR | 55,668 | NH | 26,052 |
| CA | 946,337 | NJ | 206,932 |
| CO | 131,140 | NM | 37,216 |
| CT | 73,060 | NY | 405,001 |
| DE | 16,166 | NC | 205,212 |
| DC | 11,438 | ND | 10,173 |
| FL | 364,410 | OH | 261,830 |
| GA | 217,526 | OK | 42,857 |
| HI | 23,750 | OR | 97,150 |
| ID | 34,968 | PA | 287,530 |
| IL | 325,421 | RI | 26,604 |
| IN | 203,776 | SC | 114,054 |
| IA | 67,723 | SD | 13,019 |
| KS | 51,004 | TN | 117,579 |
| KY | 98,728 | TX | 461,075 |
| LA | 94,231 | UT | 67,810 |
| ME | 35,802 | VT | 11,096 |
| MD | 115,273 | VA | 142,931 |
| MA | 102,377 | WA | 203,757 |
| MI | 209,406 | WV | 25,699 |
| MN | 126,233 | WI | 136,760 |
| MS | 52,121 | WY | 12,407 |
| MO | 166,409 | Total | 6,881,956 |

Figure 1: Monthly Transition Rate to Private Exemption-Eligible Employment, For Workers Unemployed 8 Weeks or More



Note: This chart presents data reported in Table 2. The solid line represents the estimated transition rates into private exemption-eligible employment for each month. The dashed lines represent the estimated transition rate plus and minus one standard error. Standard errors are computed using the sample weights provided by the CPS for the initial month of each two month linked sample.