



**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*

October 8, 2010

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

### *Report Includes State-by-State Estimates of Eligible Hires*

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 August 2010, businesses hired 8.1 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. 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 July and August 2010.<sup>1</sup> Among the key findings are:

- From February to August of 2010, an estimated 8.1 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 1.2 million workers who were hired between July and August 2010. (see Table 1)
- Newly hired workers whose employers are eligible for the HIRE Act payroll tax exemption constitute 11.7 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 (1,107,653 hires); Texas (564,689); New York

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<sup>1</sup> In this and previous months reports we exclude those who were self-employed unincorporated from the HIRE act eligible group. However, in previous reports we had counted the self-employed incorporated as eligible hires. Starting with the August estimate we will exclude both the incorporated and unincorporated self-employed from those counted as HIRE act eligible hires.

(467,289), Florida (396,954); Illinois (389,054); Ohio (348,700); Pennsylvania (333,255); Michigan (262,659); Georgia (249,312); and North Carolina (246,830). 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 hired an unemployed worker after February and paid that worker \$40,000 in salary, 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
July-10 to Aug-10	1,179,303	\$527
<b>Total</b>	<b>8,061,258</b>	<b>\$505</b>

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 <sup>st</sup> Month	Employment Status in 2 <sup>nd</sup> 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	11.7%	2.6%	67.3%	18.4%
Jul to Aug, 2009	10,618,786	10.1%	2.3%	66.7%	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	10,995,780	10.7%	2.5%	66.3%	20.5%
Aug to Sep, 2010	11,249,698				
Feb to Aug 2010 (Average)		11.7%	2.5%	66.0%	19.9%

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						Total Feb to Aug	All Unemployed Feb to Aug
	Feb to Mar	Mar to Apr	Apr to May	May to Jun	Jun to Jul	Jul to Aug		
<u>Gender</u>								
Men	67.9%	68.8%	63.7%	62.2%	61.8%	58.2%	64.2%	58.5%
Women	32.1%	31.2%	36.3%	37.8%	38.2%	41.8%	35.8%	41.5%
<u>Age</u>								
less than 25	24.7%	19.9%	26.9%	27.8%	29.1%	34.6%	26.6%	26.7%
25 to 54	65.8%	70.9%	63.4%	60.1%	62.9%	56.2%	63.8%	59.2%
55+	9.5%	9.3%	9.7%	12.2%	7.9%	9.3%	9.6%	14.1%
<u>Race</u>								
White	77.8%	80.7%	77.1%	76.1%	73.3%	76.5%	77.2%	73.8%
Black	17.0%	13.5%	18.1%	15.3%	19.0%	17.2%	16.5%	18.9%
Other	5.2%	5.8%	4.8%	8.6%	7.7%	6.3%	6.3%	7.3%
<u>Hispanic origin</u>								
	23.1%	21.8%	21.2%	23.7%	21.8%	22.4%	22.3%	18.3%
<u>Education</u>								
Less than H.S.	24.2%	19.9%	17.1%	23.8%	19.2%	16.9%	20.2%	21.0%
H.S. diploma	40.3%	39.4%	43.7%	35.3%	40.1%	36.4%	39.3%	36.6%
Some college	21.6%	27.2%	27.0%	22.5%	27.4%	30.2%	26.0%	26.8%
Bachelor's degree	11.3%	10.9%	8.5%	15.9%	10.9%	13.8%	11.7%	11.8%
Beyond college	2.5%	2.7%	3.8%	2.5%	2.3%	2.7%	2.7%	3.7%

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 58.5 percent of all unemployed workers from February to August were male and 41.5 percent were female.

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

	HIRE Act Exemption-Eligible New Hires		Former Industry of All Unemployed
	Former Industry	New Industry	
Construction	19.6%	16.9%	15.6%
Manufacturing	11.8%	9.8%	12.5%
Retail trade	13.7%	12.3%	13.4%
Transportation and utilities	5.1%	5.2%	4.2%
Financial activities	4.0%	4.2%	5.1%
Professional and business services	12.0%	13.2%	12.7%
Educational and health services	9.5%	9.7%	12.2%
Leisure and hospitality	11.1%	14.2%	12.0%
All other industries	13.1%	14.5%	12.3%

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 August, 2010 by region**

Major Industry in the <b>Northeast</b>	Eligible for HIRE Act Tax Relief		Total Unemployed Feb to Aug
	Former Industry	New Industry	
Construction	24.4%	19.1%	13.0%
Manufacturing	11.0%	10.9%	12.6%
Retail trade	13.9%	8.9%	13.9%
Transportation and utilities	3.8%	3.9%	3.3%
Financial activities	5.4%	6.4%	6.6%
Professional and business services	10.4%	14.4%	13.6%
Educational and health services	10.9%	14.4%	14.4%
Leisure and hospitality	9.6%	13.6%	11.9%
All others	10.5%	8.2%	10.6%

Major Industry in the <b>Midwest</b>	Eligible for HIRE Act Tax Relief		Total Unemployed Feb to Aug
	Former Industry	New Industry	
Construction	21.3%	17.7%	16.4%
Manufacturing	15.3%	11.7%	15.9%
Retail trade	11.7%	13.5%	12.6%
Transportation and utilities	5.7%	4.4%	4.8%
Financial activities	2.8%	2.5%	3.5%
Professional and business services	14.6%	14.2%	12.7%
Educational and health services	7.8%	11.8%	12.6%
Leisure and hospitality	10.8%	13.9%	11.0%
All others	10.1%	10.4%	10.5%

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

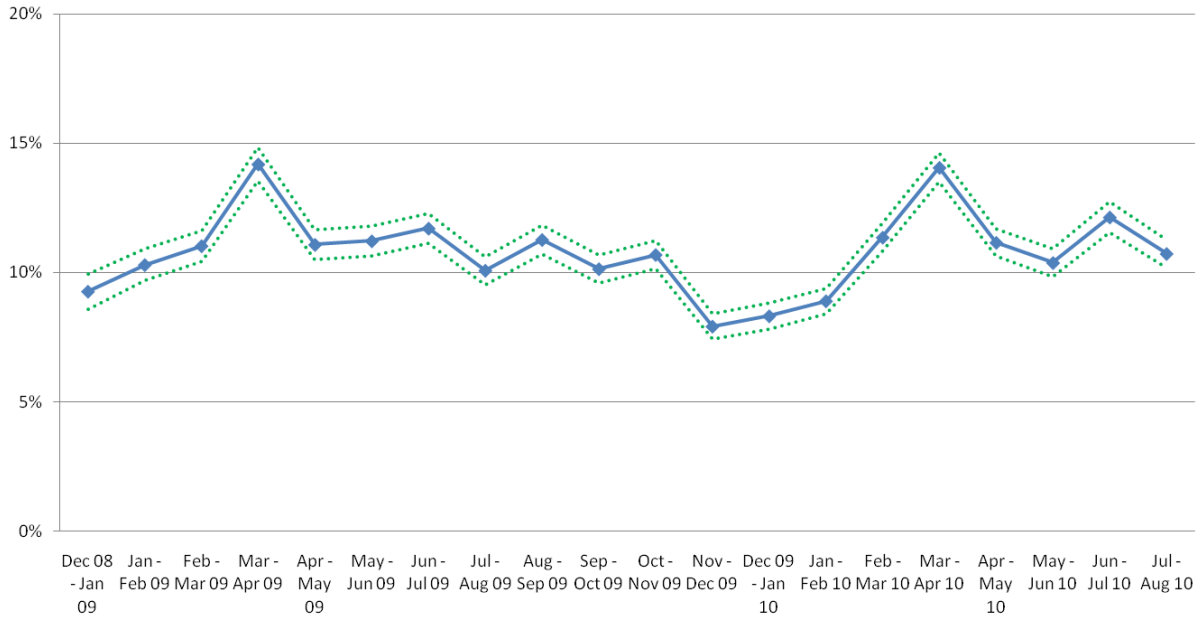
Major Industry in the <b>South</b>	Eligible for HIRE Act Tax Relief		Total Unemployed Feb to Aug
	Former Industry	New Industry	
Construction	17.4%	15.6%	17.4%
Manufacturing	11.4%	8.3%	11.4%
Retail trade	16.8%	15.0%	16.8%
Transportation and utilities	5.4%	6.2%	5.4%
Financial activities	3.0%	4.0%	3.0%
Professional and business services	10.1%	11.6%	10.1%
Educational and health services	11.0%	8.5%	11.0%
Leisure and hospitality	11.9%	14.9%	11.9%
All others	12.9%	15.7%	12.9%

Major Industry in the <b>West</b>	Eligible for HIRE Act Tax Relief		Total Unemployed Feb to Aug
	Former Industry	New Industry	
Construction	17.9%	16.3%	17.0%
Manufacturing	9.8%	9.4%	10.2%
Retail trade	11.7%	10.0%	13.0%
Transportation and utilities	5.0%	5.5%	3.6%
Financial activities	5.2%	4.5%	5.7%
Professional and business services	13.0%	13.4%	12.2%
Educational and health services	8.3%	6.2%	11.1%
Leisure and hospitality	11.4%	13.9%	11.9%
All others	17.7%	20.7%	15.2%

**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	105,883	MT	20,436
AK	23,609	NE	24,520
AZ	234,948	NV	102,693
AR	63,227	NH	28,738
CA	1,107,653	NJ	224,166
CO	147,546	NM	47,884
CT	87,616	NY	467,289
DE	18,289	NC	246,830
DC	13,903	ND	10,656
FL	396,954	OH	348,700
GA	249,312	OK	55,616
HI	27,554	OR	111,558
ID	38,900	PA	333,255
IL	389,054	RI	31,594
IN	225,153	SC	134,757
IA	79,776	SD	13,460
KS	55,016	TN	139,352
KY	109,940	TX	564,689
LA	99,375	UT	80,704
ME	46,461	VT	11,485
MD	132,347	VA	179,344
MA	151,086	WA	223,001
MI	262,659	WV	27,260
MN	159,446	WI	158,581
MS	61,845	WY	13,216
MO	173,922	<b>Total</b>	<b>8,061,258</b>

**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.