



For Immediate Release
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Iowa's Employer Unemployment Insurance Contribution Rates Increase

DES MOINES, IOWA – Iowa Workforce Development announced that the unemployment contribution rate for employers will be adjusted on January 1, 2011 to keep the Unemployment Insurance Trust Fund at sufficient levels to adequately provide for unemployment benefits. Record unemployment claims over the last two and a half years coupled with the recession triggered the adjustment.

Each year, Iowa law requires the Department to use a required formula to establish which contribution table will be used to determine the rate paid by employers. Unemployment contribution rates are based on wages, with the contribution portion for 2011 set at \$24,700. Iowa has traditionally had some of the lowest employer rates in the country. However, as Iowa has been besieged by unemployment claims and individuals are remaining on unemployment longer due to the recession, the potential liability to the Trust Fund has increased. Therefore, Iowa law dictates more money is needed to maintain the solvency of the Trust Fund. In calendar year 2011, the rate will move from Table 4 to Table 3.

"Iowa Workforce Development is committed to maintaining the solvency of the Trust Fund while minimizing the effects felt by Iowa employers," indicated Iowa Workforce Development Director Elisabeth Buck. "The Department is continually working with Iowans receiving unemployment benefits to increase their skill sets and reduce barriers individuals may have for returning to work."

During the current recession, the trust funds in 35 states have gone bankrupt causing massive borrowing from the federal government to cover benefits. As a result, all of the businesses in these states will pay significantly higher federal unemployment taxes for years to come.

In the early 1980s, the Trust Fund experienced a deficit of \$166 million as payments to workers exceeded contributions paid by employers. Iowa had to borrow from the federal government to make up the difference. Since that time, business and labor have worked with Iowa Workforce Development to ensure that the Trust Fund remains solvent, avoiding the need to borrow money.

Unemployment insurance contributions provide for the benefits paid to workers who lose their job through no fault of their own. All unemployment contributions are deposited into the Trust Fund to pay future benefits. The Trust Fund currently has a balance of \$507 million; however 2010 is still expected to pay out the second largest amount of benefits in history. This does not include the extended benefits paid for by the federal government. In order to avoid depleting the Trust Fund and thus being forced to borrow from the federal government, Iowa law requires a rate increase.

Unemployment insurance contributions are based on two primary factors, whether the business is new and the number of layoffs a company had during the last five years. As a result, companies with seasonal workers and regular shutdowns pay a higher rate than companies that have relatively few shutdowns or layoffs.

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