

## Slashing unemployment benefits will increase poverty, deflate wages

### Bills in the state House and Senate will not fix Iowa's 'workforce shortage'

Unemployment is a matter of public interest — it affects the well-being of our neighbors and our economy, and it can happen to anyone unexpectedly. Iowa Code (Chapter 96.2) calls it a “serious menace” that “so often falls with crushing force upon the unemployed worker and the worker’s family.”

Bills in the Legislature — HF 2279, SF 2249 and SF 2275 — would strike this language, walking back the commitment of Iowa’s unemployment insurance to protect against “this greatest hazard of our economic life.”

#### All three bills would:

- ▶ **Add a one-week waiting period before receiving benefits** — in many cases, delaying benefits two or more weeks, depending on when benefits are sought — at a time when families need food, shelter and to pay their bills.
- ▶ **Significantly reduce the duration of benefits**, leaving less time for recipients to find a new job and cutting off benefits to the Iowans most in need of support.
- ▶ **Force people to take lower-paying jobs** as they remain unemployed longer. For example, after just three weeks of being unemployed, someone who made \$15 an hour (in a job they lost through no fault of their own) would be disqualified from benefits for turning down a job offering \$12.

#### Within weeks, a worker who had made a family-supporting wage would be forced to accept a job paying much less

Proposed UI benefit eligibility cut-offs for job offer rejections

Weeks unemployed	Offered wage as percent of prior wage	Example
1	100%	\$25/hr
2-3	90%	\$22.50/hr
4-5	80%	\$20/hr
6-8	70%	\$17.50/hr
8+	60%	\$15/hr

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**These proposals are put forth as solutions to Iowa’s “workforce shortage,” and yet they would make Iowa even less friendly to workers, as they harm our economy.**

#### ▶ They would lower wages in our already low-wage state

These bills would undoubtedly suppress wages throughout the state of Iowa as unemployed residents are forced to settle for lower wages (table, above). Employers would have to compete less to attract workers and could offer lower wages, which drives down pay for everyone.

## ▶ They fail to address the state workforce shortage

Iowa's current unemployment rate is just 3.5% — lower than at any point since the COVID-19 pandemic began. Clearly, this ongoing decline in the unemployment rate is not easing the workforce shortage. In fact, the number of job openings in the state greatly exceeds the number of unemployed. Governor Reynolds did not solve the workforce shortage by rejecting federal unemployment benefits, and she should not double down on that approach by cutting benefits further.

## ▶ They would create unnecessary burdens on workers

Iowans want to work and deserve protection as they contribute to the Iowa economy. With an expanded definition of "misconduct," — including "attempting to create dissention," undefined "excessive" tardiness, and "misrepresentation of work carried out" — many more workers could be denied benefits.

## ▶ They would increase poverty

More than 1 in 10 Iowans are currently experiencing poverty. Delaying support, reducing benefits, and forcing workers into lower-paying jobs will simply cause more poverty — and more hardship for Iowans.

**Unemployment insurance is an earned benefit.** Although workers do not pay the premiums directly, they are part of total compensation and employers take this cost into account when setting pay scales. It is similar to Social Security and Medicare, except that the entire deduction comes from the employer side, rather than half. By working the job, employees earn their unemployment insurance benefits.

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The common problem with these bills is that they lay blame on Iowa workers who have lost work due to circumstances beyond their control. It amounts to an effort to drive down average pay by funneling workers to low-wage employers.

Unemployment insurance is earned, not a gift. Denying or limiting benefits prematurely is disrespectful to Iowa workers and bad for our state's economy.