

How Will Unemployment Claims Affect My Contribution Rate

If an employer qualifies for an experience-based contribution rate, the employer's rate is a reflection of the employer's unemployment compensation (UC) history from the date the employer became subject to the Pennsylvania UC law. An experience rate takes into consideration wages paid by the employer and reported to the department, contributions paid to the UC Fund and benefits that are charged to the employer's reserve account. Under the UC contribution rate formula, benefits charged to an employer's account put upward pressure on the employer's rate for subsequent calendar years.

The extent that UC benefit charges may affect an employer's rate depends on the amount of the charges in relation to other values that have a favorable impact on a contribution rate. If the amount of the benefit charges is high in comparison to the size of the employer's payroll or the amount of contributions the employer has paid to the UC Fund, the benefit charges will have a greater impact on the employer's rate.

One component of an experience rate is the "reserve ratio factor." This is the ratio of an employer's reserve account balance to his average payroll for the most recent three fiscal years. The higher the reserve ratio is; the lower the employer's rate will be. An employer's reserve account balance is determined by subtracting the benefits charged to the employer from the amount of contributions paid by the employer, over the lifetime of the employer's UC account. Benefit charges decrease the employer's reserve account balance and lower the reserve ratio, which can result in a higher contribution rate.

Another rate component is the "benefit ratio factor." This is the ratio of the employer's average benefit charges to his average payroll, both for the most recent three fiscal years. The higher the benefit ratio is; the higher the employer's rate will be. Benefit charges directly increase the benefit ratio and thus can raise the employer's contribution rate. The benefit ratio factor looks only at benefit charges for the most recent three fiscal years. Therefore, benefit charges cease to affect the benefit ratio factor when they are no longer within this three fiscal year period. However, the reserve account balance is a lifetime figure. Benefit charges never leave the calculation of the employer's reserve account balance, but their impact can be diminished over time if the employer's future contributions exceed his future charges.

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