



1800 Mineral Spring Ave
Suite 271
North Providence, RI 02904
877-262-7662
NFIB.com

Testimony of

Christopher Carlozzi, State Director, National Federation of Independent Business
In Opposition to House Bill Nos. 5130
Relating to Labor and Labor Relations - Minimum Wage
In Opposition to House Bill Nos. 5403 & 5585
Relating to Holidays and Days of Special Observances – Work on Holidays and Sundays
Before the House Committee on Labor
February 24, 2021

Chairwoman Williams and Members of the House Committee on Labor:

My name is Christopher Carlozzi. I am the Rhode Island Director of the National Federation of Independent Business (NFIB). A non-profit, non-partisan organization, NFIB is the nation's and Rhode Island's largest small business advocacy group. In Rhode Island, NFIB represents hundreds of small and independent business owners involved in all types of industry, including manufacturing, retail, wholesale, service, and agriculture. The average NFIB member has five employees and annual gross revenues of about \$450,000. In short, NFIB represents the small Main Street business owners from across the state. On behalf of those small and independent business employers in Rhode Island, I urge you to oppose House Bill No. 5130, relative to increasing the minimum wage to \$15 per hour, as well as House Bill Nos. 5403 and 5585 regarding premium pay.

As of January 26, 2021, Rhode Island's unemployment rate is reported within the top ten worst rates in the nation at 8.1 percent. Additionally, the jobs numbers trended in the wrong direction from November to December 2020, in large part due to the state's "pause" that impacted many sectors of the economy. Perhaps what is most troubling is the Bureau of Labor Statistics jobs data reporting a 30.9 percent decline in Leisure and Hospitality jobs, a large and important sector of Rhode Island's economy. This means year over year, from December 2019 to December 2020, businesses like restaurants and hotels experienced a nearly 31 percent drop in the number of available jobs. These jobs are vital to the Rhode Island economy, but have now disappeared due to the pandemic. And while some of these hospitality businesses were able to survive the pandemic, the risk of permanent closure is still a very real outcome if they face added labor costs through a higher minimum wage.

Publicly, everyone wants to help small businesses endure the pandemic, but legislative policies must reflect those desires. It is always important to note that small businesses struggle the most to absorb the cost impact of minimum wage increases. Unlike their big box store competitors, small businesses with a single location cannot spread higher labor costs across multiple, lower cost states. These are the same small businesses facing the restrictions imposed by the state of Rhode Island during the

pandemic and have experienced drastic reductions in revenue over the last year. Local, neighborhood businesses that had to obtain Paycheck Protection Program loans to meet payroll, pay rent or utilities and fought desperately to stay afloat. These are also businesses that, in the middle of a pandemic, had a higher minimum wage imposed a few short months ago in October. Now, they are being asked to raise wages again at a time when many are contemplating whether they will still be in operation in the near future.

On February 4th, NFIB Research Center released their [15th COVID-19 and Small Business survey](#) showing most small businesses do not believe business conditions will not improve until late 2021 at the earliest, with 15% claiming their doors will close permanently if the business climate does not improve in the next six months. When asked about an increase in the federal minimum wage to \$15 per hour, 74% of respondents nationwide report the higher labor costs will negatively impact their small business. Rhode Island businesses still must adhere to a great many restrictions that infringe upon their ability to fully operate and uncertainty still remains high for these businesses. Each additional cost burden that is piled on places them one step closer to closure and their employees on the unemployment rolls.

House Bill No. 5130 will begin raising the minimum wage again in October of 2021 to \$12.25 and continue a series of wage increases through 2024 until it hits \$15 per hour. Last year's wage increase in October certainly arrived at an inopportune moment with the state's economic pause occurring a few weeks later, closing many businesses across the state. The higher wage, coupled with the "pause", was most likely a contributing factor to the state unemployment rate worsening from November to December.

Hospitality is often described as the backbone of Rhode Island's economy, employing countless residents. This industry was ravaged by the pandemic and will require intense rebuilding over a several year period. Lawmakers should be seeking ways to help grow or retain hospitality jobs, not destroy them. The same could be said for the retail and tourism industries, as both sectors experienced reductions in their workforce during the COVID-19 crisis.

Even before the pandemic, studies demonstrate higher wages eliminate entry level positions, making it especially difficult for young people and those lacking work experience to enter the workforce. A 2018 report on the decreasing number of teens in the workforce by George Washington University's Mercatus Center, shows higher minimum wages significantly contribute to higher teen unemployment. The research determined higher minimum wages meant fewer job opportunities for young workers. Rhode Island desperately needs a teen/training wage to encourage youth employment as the minimum wage rises and prices younger and inexperienced workers from the workforce.

Seattle, an early adopter of a \$15 minimum wage, released a study in 2017 after that city's incremental increase to \$13 per hour. It found that nine months after the second tier of wage hikes, about 5,000 low-wage jobs disappeared, the number of hours worked by low-wage workers dropped by 3.5 million hours, and their wages dropped by \$6 million. While the consequences were unintended, the Seattle wage hike led to less money for workers and fewer job opportunities. A second report in Seattle, released in October 2018, showed less experienced workers saw no significant change in weekly pay. While pay for more experienced low-wage workers rose \$8 to \$12 a week, a quarter of that increase came about because they made up for lost hours at other jobs outside city limits. There was less job turnover, but also a significant reduction in the rate of new employees entering the workforce. In other words, job opportunities for those with no skills and no experience disappeared. Rhode Island cannot afford for additional jobs or hours to vanish as many

workers are already facing reduced schedules. The ongoing limitations placed on businesses have led to less demand for a large workforce and resulted in many employers making staff reductions.

Rhode Island will soon be the only state left in the nation demanding time-and-a-half pay for retail workers on Sundays and holidays once Massachusetts fully phases out this remnant blue law in 2023. Rhode Island will be a major outlier, requiring businesses pay \$22.50 per hour on Sundays and holidays. The unintended consequences of this policy may lead to small employers not opening on Sundays, while their big box competitors remain operating. When a consumer discovers a Main Street business' doors are closed on Sundays, and opts to instead frequent a large chain store, it becomes increasingly difficult for that small business to regain that customer. It will lead to fewer hours available for workers as many small businesses opt to keep their doors closed on those days. NFIB opposes House Bill Nos. 5403 & 5585, preventing the granting of exemptions for this outdated blue law that only one state in the nation will have after 2023: Rhode Island.

I strongly urge you to oppose House Bill Nos. 5130 adopting a \$15 minimum wage, which will have a severely negative impact on struggling Rhode Island small businesses. We ask lawmakers to instead concentrate on policies that will lead to economic growth and result in job creation to present more Rhode Islanders with economic opportunities during these trying times. Thank you.