March 27, 2024

Honorable Arthur Corvese
Chairperson, House Committee on Labor
Rhode Island State House
Providence, RI 02903

RE: H.7531 and H.7579 – Acts Relating to Minimum Wages and Tipped Minimum Wages

Dear Chairman Corvese and Committee Members,

The undersigned members of the Rhode Island Business Coalition would like to express our opposition to 7531, and H.7579– Acts Relating to Minimum Wages and Tipped Minimum Wages.

Rhode Island has increased the state's minimum wage seven times over the last seven years; and the wage will increase again in 2025. On January 1, 2024, the minimum wage increased to $14.00 an hour. Between 2018, when the minimum wage was raised to $10.10, and today, Rhode Island's minimum wage has increased by a total $3.90 or nearly 39 percent. It is also worth noting that Rhode Island's current minimum wage of $14.00 per hour is already tied with Hawaii and Illinois for 12th highest in the country. In other words, Rhode Island's minimum wage is already among the highest in the country. The wage will go to $15.00 January 1, 2025.

H.7579 increases the minimum wage to $16.75 January 1, 2026, to $17.50 January 1, 2027, $18.75 January 1, 2028, $20.00 January 1, 2029, and annually thereafter based on the cost-of-living adjustment. If H.7579 is enacted, many businesses, especially small businesses, will continue to struggle. For small business owners, policies that continually increase labor costs will force them to make difficult decisions. They may be forced to cut jobs and/or reduce their employees' hours, if they are not forced to close entirely. Rising labor costs may also increase the speed at which employers decide to invest in technology to replace lower-wage workers. This means fewer jobs for Rhode Island workers, and ultimately undermines the progress our economy needs to make. Keep in mind that every increase in the minimum wage also results in higher workers' compensation insurance premiums, unemployment insurance and FICA taxes paid by employers.

Beyond this, we have concerns with the tipped minimum wage, which is addressed in H.7531. Increasing the tipped minimum wage would have negative implications for Rhode Island businesses and the

economy. Under current Rhode Island law, the minimum tipped wage is $3.89 per hour. However, this does not mean that tipped employees actually earn only $3.89. Rather, federal and state law require that if an employee's combined gratuities and base wage does not equal the regular minimum wage rate of $14.00 per hour, the employer must compensate for the difference. Tips are a part of an employee's wage – tips are not a bonus in addition to a wage. The European model for restaurants provides a higher wage for employees, but eliminates tipping. The result is a disincentive to provide good service and harms the employer, the employee and the customer.

Labor costs are just one part of the cost structure for small businesses, although for many, it is the largest expense. Employers in Rhode Island additionally face higher energy costs and higher taxes than competitors in other states. Employers are also facing significant hikes in the cost of health insurance premiums.   At a time when leaders are working to improve the state's economy and make Rhode Island a more business-friendly environment, these proposals would take us in the wrong direction. Therefore, the Rhode Island Business Coalition respectfully urges the committee to oppose this legislation.

Sincerely,

Associated Builders and Contractors, Rhode Island

East Greenwich Chamber of Commerce

National Federation of Independent Business

Rhode Island Business Group on Health

Rhode Island Hospitality Association

Rhode Island Manufacturers Association

Rhode Island Marine Trades Association

Rhode Island Partnership for Home Care

Rhode Island Small Business Economic Summit Regulations Committee

Rhode Island Small Business Economic Summit Tax and Budget Committee

Rhode Island Society of Certified Public Accountants

Rhode Island Staffing Association

Sustainable Benefits Strategies, LLC