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## Testimony of

Christopher Carlozzi, State Director, National Federation of Independent Business  
In Opposition to House Bill Nos. 5029, 5507, and 5508  
Relating to Labor and Labor Relations - Minimum Wage  
Before the House Committee on Labor  
March 5, 2025

Chairman Corvese 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 Nos. 5029, 5507, and 5508, relating to the state minimum wage.

The NFIB Research Foundation's [January 2025 Small Business Optimism Index](#) found that inflation is still the top issue for operating their small business owners. Twenty-two percent of owners plan to raise their prices. Now factor in the additional costs associated with a minimum wage increase and it becomes even more expensive to operate a business in Rhode Island. Those higher costs cannot be absorbed by employers, so the added labor expenses will be passed along to Rhode Island residents making the state less affordable.

Additionally, NFIB's [latest January 2025 Job's Report](#) found that while fifty-two percent of employers are still trying to hire, the number of owners planning to create new jobs dropped. Making it more expensive to create a new job will only have a chilling effect on growth for Rhode Island. Most employers have already consistently raised wages during the past few years of labor shortages, with thirty-three percent of owners raising compensation already and another twenty percent planning to increase wages over the next three months.

In May 2023, NFIB released an economic study ("**Economic Impacts of a Proposed Minimum Wage Increase in Massachusetts**") conducted by Amherst-based Regional Economic Models, Inc. (REMI) to determine the economic impact of legislation seeking to raise the state minimum wage in Massachusetts to \$20 per hour. The study found that if the proposed Massachusetts bills became law, approximately 23,000 jobs would be lost over the next decade, representing more than 0.5% of the

state’s employment base. Almost 14,000, or 57%, of job losses would be suffered by small businesses with nearly 22.5% coming at the expense of firms with less than 20 employees.

The cumulative real economic output loss, resulting from the proposed minimum wage hike in Massachusetts, by 2033 would exceed \$3.4 billion. Nearly \$1.8 billion, or 52%, of that lost economic output would have been produced by small businesses. Many small businesses will be unable to afford these higher wages and the payroll taxes that accompany them, and there will also be immense pressure on labor costs up the pay scale. The impact will likely be more devastating for Rhode Island.

Small businesses have the most difficulty adjusting to the cost impact of minimum wage hikes. They often own a single shop or restaurant and cannot spread higher labor costs across multiple, lower cost states like the big box stores and chain restaurants. Rhode Island employers are still adjusting to the most recent tiered increase to \$15 per hour from just a few short months ago on January 1, 2025. Rhode Island has not yet witnessed the economic impact of the recent wage hike and yet House Bill No. 5508 seeks to set the wage at a staggering \$22 per hour next year. That would make Rhode Island the highest minimum wage in the nation. Even House Bill No. 5029 that gradually increases the wage to \$20 over the next five years would make Rhode Island higher than every other state in the nation, including Massachusetts that is set at \$15 per hour. Although many employers are currently paying more than the state minimum wage, setting the base wage at \$20 or \$22 will further drive-up operating costs resulting in higher prices for Rhode Island consumers.

Hospitality is often described as the backbone of Rhode Island’s economy, employing countless residents yet House Bill No. 5507 seeks to eliminate the tipped wage over time. This is a wildly unpopular idea amongst those most impacted by the policy change, servers. Last year in Massachusetts, a ballot question was proposed phasing out the Massachusetts tipped wage. It was not the business owners leading the “Vote No on Question 5” effort, it was the workers. Servers across Massachusetts urged patrons to oppose the ballot question because their take home pay was at stake. Waiters and waitresses in every dining venue wore t-shirts and buttons urging consumers to vote no, they handed out literature with the impact on their earnings, and some even scrawled hand-written messages on the bottom of diner’s receipts. On election night, sixty-four percent of the Massachusetts electorate sided with servers and opposed Question 5. Why would Rhode Island want to jeopardize the livelihoods of so many hospitality workers?

A similar incident occurred in Maine in 2016, as servers flooded hearing rooms opposing changes made by a referendum to their tipped wage. A year later legislators overtured the referendum to restore the tipped wage at the request of workers. Washington, DC implemented this policy and in the first nine months, over ten percent of tipped employees have either been laid off or left the industry due to lower take home pay and closures. A recent study by the Employment Policy Institute found full-service Washington DC restaurants have lost as many as 4,000 jobs since implementation of Initiative 82 with seventy percent of restaurants cutting hours, laying off staff, or freezing new hiring. The data also shows restaurants closures at a higher rate than any year since the pandemic. In California, one of the handful of states that phased out the tipped wage) an industry analysis performed by Toast found that state consistently has the lowest tip average among all fifty states.

#### Lowest State Average Tip Percentages in 2024

Ranking out of 50	State	2023	2024
#50	California	18.0%	17.8%
#40	Washington	18.6%	18.2%

Even before the pandemic, studies demonstrate higher minimum 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 and inexperienced workers. Rhode Island desperately needs a fully effective teen/training wage to encourage youth employment as the minimum wage rises and prices younger and inexperienced workers from the workforce.

Rhode Island is currently the only state left in the nation demanding time-and-a-half pay for retail workers on Sundays and holidays since Massachusetts fully phased out this remnant blue law on January 1, 2023. If a \$20 minimum wage is passed, Rhode Island will be a major outlier, requiring businesses to pay \$30.00 per hour on Sundays and holidays, \$31 if the \$22 per hour minimum proposal passes. 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 being available for workers as many small businesses opt to keep their doors closed on those days.

I strongly urge this Committee to oppose House Bill Nos. 5029, 5507, and 5508, which will all 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. Thank you.