



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 No. 7788  
Relating to Labor and Labor Relations - Minimum Wages  
Before the House Committee on Labor  
March 27, 2024

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 No. 7788, altering the definition of employee.

House Bill No. 7788 mirrors the restrictive Massachusetts and California independent contractor laws, creating a complicated test that makes it virtually impossible to be considered self-employed. The dispute over the definition of "independent contractor" and "employee" has a long and sometimes tortured legal history in states like Massachusetts because of their current law. In 2004, under the guise of public construction reform legislation, the Massachusetts state legislature altered the definition of independent contractor, a definition House Bill No. 7788 copies when defining an employee.

Any attempts at clarification in Massachusetts has led to confusion amongst business owners and workers, accountants, lawyers, insurance companies and government agencies. In an attempt to address issues in the construction industry, the Massachusetts legislature wrote a law that, along with the then Attorney General's Advisory Opinion interpreting the law, has left many traditional employer/self-employed relationships in doubt. Some people are employees for some state agencies, while remaining independent contractors in the eyes of other state agencies and federal tax authorities.

The confusion is damaging to the state's business climate and unnecessarily imposes yet another increase in the cost of doing business in Massachusetts as employers and workers try to determine their correct legal status. Rhode Island should not seek to imitate such a destructive law.

With the current state of the Massachusetts law, even after seeking professional advice from lawyers and/or accountants, small business owners cannot be completely certain of avoiding significant financial penalties resulting from the alleged misclassification of workers. In addition, out-of-state employers would prefer to hire independent contractors from other states than to risk violating the outlier Massachusetts law. Does Rhode Island seek to share the same fate?

The confusion and the restrictions on traditional independent contractor status in so many industries, from the creative economy to long standing Main Street retail and manufacturing businesses to biotechnology, suppresses job growth just as more workers voluntarily and enthusiastically seek independent contractor status and reject the confining role of employee. The Massachusetts independent contractor law was [estimated to lose over 43,000](#) jobs within a decade of enactment. Rhode Island cannot afford being at a competitive disadvantage vis-à-vis other states resulting from laws and regulations that cost jobs, particularly desirable jobs in the twenty-first century economy where growth is becoming more and more dependent on entrepreneurial activity.

It is increasingly difficult, as well as fiscally dangerous, to ignore the growing trend of self-employment in Rhode Island. Greater numbers of self-employed individuals prefer to select the work schedule that best fits their needs and have moved away from more traditional employment scenarios. A September 2017 study conducted by [Upwork and the Freelancer Union](#) predicts within a decade, self-employed individuals will make up a majority of the nation's workforce. Rhode Island should ensure this booming sector of the economy is not hindered by a restrictive new definition of employee, especially as many attempt to seek new career opportunities following the pandemic.

On behalf of Rhode Island small businesses and those who opt for the freedom of self-employment, I strongly urge you to reject House Bill No. 7788, an extremely restrictive proposal that will negatively impact the Rhode Island economy. Thank you.