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## Testimony of

Christopher Carlozzi, State Director, National Federation of Independent Business  
Regarding House Bill No. 5366  
Relating to Labor and Labor Relations – Payment of Wages  
February 12, 2025

Chairman Corvese and Members of the House Committee on Labor:

My name is Christopher Carlozzi. I am the Rhode Island State 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 want to raise concerns with House Bill No. 5366 regarding vicarious liability for wage violations.

Small business owners in no way support wage theft and feel it undermines legitimate businesses. However, small businesses are also opposed to laws that make innocent business owners financially liable for the illegal acts of another firm. This proposal places unfair burdens on construction contractors and unnecessarily penalizes responsible and innocent businesses. House Bill No. 5366 contains vicarious liability whereby law-abiding employers could be fined for conducting businesses with someone who violates the law, whether or not the innocent employer is aware of the violation.

Essentially, in an effort to enhance the enforcement of wage laws, the legislation proposes to hold innocent businesses liable for wage violations by imposing vicarious liability on law-abiding companies for violations of wage and unemployment laws by others. There are better methods to enforce the law as other states have adopted. To make Rhode Island more attractive to businesses and to improve the state's business climate, wage laws must be enforced without punishing innocent third parties.

For small business owners, the cost of a lawsuit ranks second only to the cost of health insurance as a non-governmental impediment to business growth and opportunity. Small business owners are just one frivolous lawsuit away from being forced to close the doors forever. And, even if the small business owner prevails in the lawsuit, he or she loses due to the cost of attorneys' fees, the impact on insurance premiums, and time spent away from the business to mount an effective defense. The threat

of excessive costs of defending a lawsuit often forces small business owners to pay a settlement and plaintiffs' lawyers know that.

Wage theft should, in no way, be taken lightly and we feel the state already possesses the ability to battle wage theft violators without the creation of a new private cause of action or vicarious liability that does not end up punishing the bad actor. I strongly urge you to reject House Bill No. 5366, that may hold innocent Rhode Island small businesses accountable for another businesses' actions. Thank you.