

March 27, 2019



TO: RI House Committee on Labor
FROM: RI Center for Freedom & Prosperity, Mike Stenhouse
SUBJECT: Written Testimony re. Pay Equity Bill (H5659)

Chairwoman Williams and Committee Members: As CEO for the *RI Center for Freedom & Prosperity*, a non-partisan research and advocacy organization, and with a degree in Economics from Harvard University, I would like to provide some background re. H5659, which is before your committee today. As a 501-C-3 organization, our Center is not advising you whether or not to support this legislation. However, we are allowed to discuss our research and perspectives with regard to pros and/or cons of the underlying issue.

Crystal Ball Alarmism: First, I would like to categorically state that neither I nor anyone at our Center believes that anyone should be unfairly under-compensated. However, just because something “might” happen, does not mean that the heavy-hand of government should interfere in the private sector by imposing unfair new regulations.

In my recent OpEd in the Providence Journal I discussed the phenomenon of legislation by “crystal ball alarmism”, where politically-correct interest groups are imagined to be victims of some wrong that “might” happen ... and then demand that government take extreme action to protect against these potential, yet non-existent, eventualities.

No real “gender wage gap”: As multiple studies have shown, including a [Harvard University study](#) in November 2018, the presumed “77 cents on the dollar” gender wage differential was improperly calculated and can be entirely explained by the different choices men and women freely make in the workplace, when comparing apples to apples.

I also encourage you to visit our website and view the *Prager-University* video that debunks this wage gap myth with actual governmental data and realistic analysis: <https://rifreedom.org/2019/03/fair-employment-practices/>.

Legislation Fails 3 Critical Tests: Similarly, H5659, may indeed be a solution in search of an actual problem. Before any new regulatory burden is placed upon job-producers, three critical tests must be met. **I encourage you to inquire of supporters of this legislation** if they can provide:

- 1) Documented evidence that RI employers are systematically and unfairly underpaying female/minority workers?
- 2) Evidence that existing laws are inadequate to prosecute a potential rogue employer? Equal Employment Opportunity laws and commissions (EEOC) exist at both the state and federal levels.
- 3) A cost-benefit analysis or fiscal note? (*in 2018, the RI Manufacturers Association projected a \$14 million cost on its companies for preemptive compliance*)

Divisively Increases Legal Peril for Employers: The proposed legislative language blurs the current law's clear definition of equal pay for "equal work" on the "same operations" to a much more vague concept of equal pay for "comparable work" under "similar working conditions" - likely spurring frivolous lawsuits by divisively pitting employees against their employers.

Unintended Consequences? I have been personally told by more than one employer that the end result may be, in order to avoid potential lawsuits, that they will be less likely to hire women and minorities in the future.

RI cannot afford to drive away more employers: With a bottom-5 ranked business climate, and with the jobs picture in RI significantly downgraded in just the past month, many job-producers cannot absorb another hit. This so-called "Fair Employment Practices" legislation, in seeking to achieve pay equity, actually creates **a political inequality** that is #Unfair2Employers, and would make a bad business climate even worse.

Case in point: the recently passed “Paid Leave” bill, according to a Wall Street Journal letter to the editor, has already driven away businesses. Similarly, our Center’s research shows that job growth in the Ocean State seemed to stop just months after the enactment of this law, even while jobs in the rest of the country continue to rapidly rise. **Let’s not repeat this same kind of mistake.**

Thank you. If I can provide more information, please contact me at mstenhouse@RIFreedom.org or 401.429.6115.