

NAHB| SB 2932 (Rhode Island) | Bill Analysis

Rhode Island [Senate Bill 2932](#) (SB 2932) proposes to amend Rhode Island General Law Title 28, Chapter 14 relating to Payment of Wages. Principally, it expands the legal culpability of general contractors, making them jointly liable in instances of wage theft by subcontractors on their jobsites.

BACKGROUND

Wage theft is not a new issue; in fact, it has plagued the American job market for the better part of 50 years. In fiscal year 2025, the U.S. Department of Labor recovered more than \$259 million in back wages and damages owed to more than 175,000 workers. Research shows that in the 10 most populous states in America, roughly 2.4 million people annually from 2013-15 experienced minimum-wage violations, amounting to more than \$8 billion in total stolen wages.¹ Wage theft manifests in several ways, including not paying “time and a half” for overtime, not paying employees for all hours worked or in some cases, and intentionally misclassifying employees as independent contractors.²

The construction industry has emerged as a particular hot spot for instances of wage theft to occur. A January 2020 study found that between 13% and 21.6% of all construction workers are either misclassified or paid “off the books or under the table.” This amounts to 1.45 to 2.41 million workers nationally.³ A 2022 study found that in Rhode Island alone, 11.7% of construction employers misclassify workers, affecting 16.1% of the state’s overall construction labor force.⁴ As this is a common issue and becoming increasingly more prevalent, states and the federal government have begun to explore new ways to ensure compliance with labor laws and ethical labor practices.

¹ [A Fracturing Wage Floor? Below-Minimum Wages in the Twenty-First Century](#)

² It has really gotten out of hand’: wage theft rampant in US construction | US unions | The Guardian

³ [national-carpenters-study-methodology-for-wage-and-tax-fraud-report-final.pdf](#)

⁴ [Data Analysis : Labor Center : UMass Amherst](#)

THIS BILL

Principally, Rhode Island Senate Bill 2932 is seeking to widen the culpability of wage theft on construction sites. It achieves this by widening the liability of General Contractors to include wage theft claims by the workers of their subcontractors, if they occur.

- The general contractor or entity responsible for construction work governed by the Rhode Island State Building Code (RISBC) will now be held jointly and severally liable for any wage theft that occurred to either one of their direct employees or the employees of a subcontractor contracted to perform construction labor on the property under the building code
- The bill provides for a 45-day window for the employee to, in writing, provide the employer with a notice of wage theft.
- The notice can be delivered by hand or postage to the contractor's place of business or any agent identified as a representative of the contractor.
- The notice must include the name of the employer, if known amount of the claim or sufficient information to calculate the amount, and the dates worked by the employee.
- The employer then has 45 days to pay the employee or then faces further civil legal action if the employee wishes to pursue that course of action.
- The employee can only recover stolen wages from up to 120 days before the last violation.
- No agreement or released can waive the liability assigned to the contractor
 - The bill allows these liability provisions to be waived through collective bargaining agreements with bona fide construction labor organizations.

ARGUMENTS in SUPPORT

The primary goal of SB 2932 is to decrease the unethical and illegal wage theft practices that have plagued the construction industry for decades. It seeks to achieve this through a two-faceted approach: streamline the process for employees to make a claim against their employer and, simultaneously, creates joint liability between the employer at fault and the entity who hired the employer at fault. Put simply, it seeks to empower the employee, while ensuring that the company contracting out the work does so in a legal, ethical and diligent manner.

With this compliance comes several benefits for the wider industry, beginning with compensating employees for all their hours worked at the correct wage. By taking this action, the financial benefits of wage theft, mainly the ability to underbid on contracts, do not have inherent

risk. Additionally, these changes create a fairer competitive environment by forcing uncompliant firms to face the full cost of their employees' labor and need to reflect that in contract bids.

Couple this new competitive environment with the added culpability for non-compliance creates a market-based regulatory environment, where firms engaging in wage theft are policed. These firms are policed firstly by their own employees, who, if they detect the possibility of wage theft, can now take advantage of the notice procedure to obtain their withheld wages. Secondly, with the new culpability of general contractors, it incentivizes prospective contractors to ensure that their subcontractors pay their employees their own earned wages. Additionally, given this new culpability, it provides a clearer legal framework for employees to pursue the civil action. This stands in contrast to the opaque nature of the construction industry where labor brokers and "under the table" pay currently plague the workforce.

ARGUMENTS IN OPPOSITION

While SB 2932's objectives are honorable, the costs and precedent of its proposed actions will have effects throughout the Rhode Island housing market and residential construction industry. Notably, this bill proposes to hold general contractors accountable for the internal practices of their own subcontractors. The cost of auditing these internal practices and processes will inevitably be passed on to the consumers as part of completing the project in progress. This price increase will exacerbate an already stressed housing supply. Every \$1,000 increase in the price of the median-priced new home in Rhode Island furthers prices 329 households out of the market.⁵

This new legislation could also impact the nature of competition in the Rhode Island construction industry, as these new requirements could hamper the hiring of new subcontractors. If the costs of audits are incurred by the general contractor, they will be partial to subcontractors that have already met these requirements. In an industry seeking to attract younger workers, hampering their chances of success with further hurdles will only disincentivize them from joining the labor force. Additionally, the new legal culpability could deter general contractors from hiring subcontractors. Instead of subbing the work out, the general contractor could choose to change the nature of the contracting work so that subcontracting is no longer necessary.

Lastly, the legislation itself simply redistributes the legal liability away from the uncompliant party. It fundamentally fails to address the issue of wage theft because it simply passes the fault, not to the lawbreaking subcontractors, but to possibly compliant general contractors. The root

⁵ <https://www.nahb.org/news-and-economics/housing-economics/housings-economic-impact/households-priced-out-by-higher-house-prices-and-interest-rates>



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cause of the problem is not addressed in this legislation; it makes potentially innocent people at fault for other crimes.

SIMILAR LEGISLATION or LAW

- [New York](#)
- [California](#)
- [Oregon](#)
- [Minnesota](#)

SIMILAR COURT CASES

- [Newway Forming, Inc. v. City of Seattle](#)
- [Salinas v. Commercial Interiors, Inc.](#)

POTENTIAL SUPPORT

Rhode Island Branches of Labor Unions (AFL-CIO and Affiliated Groups), Legal Aid Organizations, Immigrant Advocacy Organizations

POTENTIAL OPPOSITION

Rhode Island Builders Association (RIBA), Rhode Island Chamber of Commerce Branches, Rhode Island Association of Realtors, Rhode Island Association of General Contractors (RIAGC)