Increasing Labor Standards Compliance among Under-resourced Small Businesses:

The Community Bookkeeper Program Results

I. Program Background

A disproportionate number of complaints labor standards enforcement offices receive about employment law violations are from employees of very small businesses, many of them operating on very small margins. The traditional set of tools for promoting compliance do not successfully address the root causes and conditions that led to non-compliance among these small businesses. To address this challenge, the Minneapolis Labor Standards Enforcement Division (LSED) partnered with the Neighborhood Development Center, a local Community Development and Finance Institution (CDFI), and the Workplace Justice Lab@Rutgers University to address the challenges that small businesses face in coming into compliance with labor laws. More information is available here.

The **Community Bookkeeper Program**:

- Identified interested community bookkeepers,
- Conducted in-person, free, participatory training on labor laws for 80 bookkeepers and others,
- Subsidized a group of 17 bookkeepers to support up to 10 of their existing small business clients with 8 hours of technical assistance and 6 hours of labor law support, as well as access to free accounting and human resources software to help them come into compliance with local labor and employment standards

Bookkeepers engaged 102 clients with businesses from 0-250 employees in industries such as home care, food services, transportation, retail and technology; 90% of owners were immigrants and/or identified as people of color

II. Program Results

- Demonstrated Need:
    - 82% of clients were not aware of the city's Sick and Safe Time Law; 25% were unclear about overtime rules; 52% were unclear about classification rules; several paid employees in cash
- Participation:

    - 75% engagement rate among small business clients
- Changes Among Participating Small Business Clients:
    - Moved 21% to 96% of clients into compliance with city and state sick leave laws
    - Increased awareness of employee classification rules from 48 to 85%
    - Moved 60 contractors to payroll
    - Estimated improved employment standards for 400 employees

III. Program Lessons

The program was most successful when:

- There was a strong existing relationship between the bookkeeper and client. This often included cultural and linguistic alignment and bookkeeper knowledge of the particular needs of the small business
- Bookkeepers continued to engage with program staff
- Bookkeepers saw their involvement as a benefit to their own business and community

The program faced challenges due to:

- Community bookkeepers are busy, time-strapped small businesses themselves who need support
- Entrenched practices among clients in industries that rely on non-compliant business practices (e.g., misclassification in construction)
- Disruption in communities targeted by escalated immigration enforcement

IV. Implementing the Program in Your Jurisdiction

We identified the following required components of the program for implementation beyond Minneapolis:

- Identification of and relationship building with community bookkeepers
- Labor standards education and support
- Devoted program staff member to organize and anchor the program
- Non-profit partner to coordinate with community bookkeepers
- Resources to subsidize community bookkeeper work with clients. Some possible sources include: municipal or state budget, business technical assistance office, foundation grants
- Combination of supporting small businesses to come into compliance and impressing upon them the negative consequences of non-compliance through enforcement actions