

Increasing Labor Standards Compliance Among Small Businesses:

Lessons for Elected Officials from a Community Bookkeeper Pilot Program

I. Overview

- Municipal and state elected officials are championing and passing innovative employment laws targeting issues like living wages, wage theft, sick and safe time, and paid leave to protect workers. However, labor enforcement agencies across the country report difficulty ensuring these protections are extended to the employees of very small businesses. This toolkit provides elected officials with recommendations for the policies and resources needed for the successful implementation of these employment laws.
- Underpayment of wages and benefits in the United States is a serious problem. Wage and benefit violations, now commonly called wage theft, include: not being paid for all hours worked, not being paid overtime, being paid below the applicable minimum wage, not receiving mandated benefits and/or being misclassified as independent contractors and therefore not receiving full benefits. In 2021, over 4 million workers lost nearly \$19.8 billion in wages. This amount is higher than property theft—including robberies, burglaries, larceny theft, and motor vehicle theft—which cost Americans \$15 billion in 2019.¹
- When small businesses comply with employment standards laws regarding minimum wage, paid sick leave, and worker classification, they improve job quality for their employees, create the needed track record to secure loans and grants, avoid punitive action, and create an engaged workforce that can promote small business growth.
- However, very small business owners often need tailored network relationships and resources to learn about, and successfully comply with, these new employment standards policies.
- As a result, a disproportionate number of complaints about employment law violations are from employees of very small businesses; the benefits of these new policies fail to reach constituents most in need; and opposition from small businesses to these policies and government can grow.
- City and state employment law compliance is rarely integrated into other small business technical assistance programs. This is a missed opportunity to strengthen small business development and improve the economic well-being of both employers and employees in our cities and states.

¹ Galvin, Daniel J. *Alt-Labor and the New Politics of Workers' Rights*. Russell Sage Foundation, 2024;
https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/WJL_immigration_databrief_May2025.pdf

- This toolkit provides practical insights for elected officials on how to improve local and state employment law compliance through small business development.
- Drawing on insights from a promising Minneapolis pilot program that braids together small business economic development opportunities with employment law compliance through training, subsidizing, and leveraging the expertise of community bookkeepers, the toolkit outlines specific strategies elected officials can use to create, fund, and support small businesses with employment law compliance.
- Elected officials are uniquely positioned to: 1. Support and provide funding for such programs, and 2. Address silos that exist between business technical assistance and employment standards compliance.
- This toolkit is one of a series, funded by WorkRise, for key audiences about this strategy, including labor enforcement agencies and small business technical assistance offices. In a partnership with Aspen's Shared Success program, we also have a toolkit for community development financial institutions (CDFIs).



Minneapolis Mayor Jacob Frey, City Council Members, LSED and Pilot staff and participants at a press conference announcing the strong results from phase one of the Small Business Labor Law Compliance Pilot.

II. Enforcing Workplace Protection Laws: The Promise and Challenge of Small Businesses²

Cities and states have passed a variety of laws designed to raise the floor for and improve well-being among workers, especially those who are most vulnerable in the labor market. From 2012, when only five municipalities had laws that required employers to pay workers more than the federal level, now 65 cities and counties have minimum wage laws.³ Paid sick leave laws – now in 21 cities and counties – are often particularly important for women and other workers with caretaking responsibilities to not have to choose between their caretaking responsibilities and their formal employment.⁴ These exciting new laws have the potential to make material differences in the lives of many residents.

With these new laws has come the challenge of ensuring businesses learn about and adopt these new policies, especially very small businesses who often lack dedicated human resources staff and links to traditional business and government information networks. Labor agencies are seeing employment law enforcement at small businesses as a major problem. Wage theft violations are higher in businesses with under 100 employees than in larger businesses; minimum wage violations were almost twice as prevalent in these small businesses.⁵

Small businesses provide important resources to a community and they help make cities and towns unique places. They can also promote economic mobility for their owners, and small business owners are often particularly interested in and capable of improving job quality for their employees⁶. At the same time, small businesses—particularly those owned by women, members of minoritized groups, and immigrants, which are often very small and have fewer than 20 employees—face many challenges to persisting and thriving, including difficulty accessing capital, technical assistance support, and human resource system support; and discrimination.⁷

² Employment law is the most accurate description for the collection of state and local laws governing employment standards such as minimum wage, paid sick leave, and fair scheduling laws. However, these laws are colloquially referred to as labor law or labor standards and local and state offices that have been set up to implement these standards are often called labor standards compliance offices. This toolkit uses both terms.

³ UC Berkeley Labor Center *2025 Inventory of US City and County Minimum Wage Ordinances*.

⁴ Slopen, *The impact of paid sick leave mandates on women's health*; Harknett and Schneider, *Mandates Narrow Gender Gaps In Paid Sick Leave Coverage For Low-Wage Workers*; these laws require most or all employers to provide pay to employees who could not attend work due to their own illness or, often, the illness of family members. <https://nationalpartnership.org/wp-content/uploads/2023/02/current-paid-sick-days-laws.pdf>

⁵ <https://www.nelp.org/app/uploads/2015/03/BrokenLawsReport2009.pdf> pg 30

⁶ Conway, Maureen, & Swartzel, Alex. 2020. "The Practice of Improving Job Quality: Views from the Field." The Aspen Institute. <https://www.aspeninstitute.org/wp-content/uploads/2025/05/The-Practice-of-Improving-Job-Quality-Views-from-the-Field.pdf>

⁷ Bates, T., & Robb, A. 2014. "Small-business viability in America's urban minority communities." *Urban Studies*, 51(13), 2844-2862; Blanchard, Lloyd, Bo Zhao, and John Yinger. 2008. "Do Lenders Discriminate Against Minority and Woman Entrepreneurs?" *Journal of Urban Economics* 63:467–97.; Cavalluzzo, Ken, and John Wolken. 2005. "Small Business Loan Turndowns, Personal Wealth, and Discrimination." *The Journal of Business* 78:2153–78; Federal Reserve Banks. "2022 Report on Firms Owned by People of Color: Based on the 2021 Small Business Credit Survey." 2022. Small Business Credit Survey. <https://doi.org/10.55350/sbcs-20220629>

Across the country, labor standards enforcement offices are experiencing a challenge: they are receiving disproportionately more complaints from employees of small businesses than from employees of larger businesses, which often have more resources and systems in place to comply with labor standards requirements.⁸ A study of complaints coming into the Minneapolis Labor Standards Enforcement Division found that 55% of complaints were directed at businesses with 30 or fewer employees.⁹

There are multiple reasons that small businesses might not comply with employment and labor laws. A portion of some businesses – both large and small – choose non-compliance as a business model. However, even when employers want to be in compliance, non-compliance can be widespread.

Non-compliance may stem from less support for understanding and implementing the laws; lack of formal systems that support compliance; and insufficient resources to change those systems. The absence of formalized accounting and bookkeeping systems often limits business owners' ability to secure credit from institutional lenders like banks, creating a cycle in which they operate on small margins. This prevents them from growing and improving the quality of their employees' jobs.

Consequently, for these small business owners, better channels of communication about the laws; robust back-office systems that support compliance; and tailored one-on-one support to set up those back-office systems are key dimensions of supporting employment law compliance.

A novel pilot project in Minneapolis has found that when provided appropriate support through their trusted bookkeepers and accountants who have been trained in employment law, many small businesses willingly come into compliance with employment standards, motivated by the benefit to their employees and community, and an interest in maintaining good business practices.

III. Minneapolis Small Business Labor Standards Pilot

In Minneapolis, the Labor Standards Enforcement Division (LSED) noticed that many of the complaints they were receiving were coming from the employees of small minority and immigrant owned businesses. When the Workplace Justice Lab analyzed the LSED cases, we found that 55% of labor standards complaints occurred at establishments with fewer than 30 employees and 38% were from employees at establishments with fewer than 20 employees. Complaints are also concentrated in the same communities where immigrant- and marginalized-businesses are

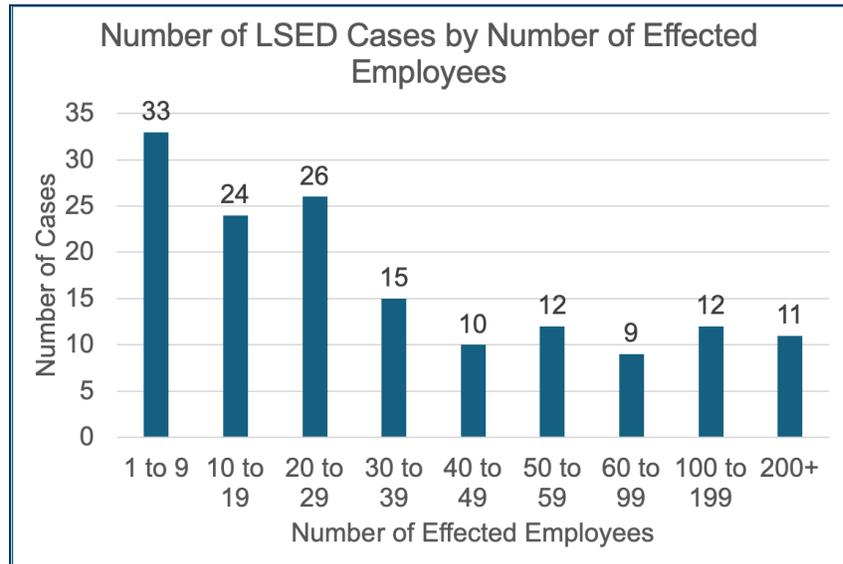
⁸ See more about conditions of work in small businesses in “Job Quality Insights from Small Business Employees,” The Aspen Institute Economic Opportunities Program. November 2025.

https://www.aspeninstitute.org/wp-content/uploads/2025/09/Aspen-Report_Job-Quality_FINAL.pdf

⁹ <https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/MinneapolisSpecificConditions.pdf>

concentrated, and they largely overlap with the minority and immigrant cultural districts and parts of the city with the highest rates of poverty.¹⁰

In response to this challenge, the Minneapolis Labor Standards Enforcement Division (LSED) partnered with the Neighborhood Development Center (NDC), a local CDFI, and the Workplace Justice Lab to address the challenges that small businesses face in coming into compliance. This first-of-its-kind program has piloted two novel strategies.



In Phase One, with City American Rescue Plan Act funding, the Pilot program team reached out directly to small business owners, offering financial literacy and employment law training, hands-on support and back office tools to small business owners. Phase One demonstrated the acute need for such support in addition to city small business support programs, but also that the model of training small business owners directly was difficult to scale.¹¹

Consequently, Phase Two focused on training and subsidizing the work of a key part of the small business ecosystem: the community bookkeepers who under-resourced or otherwise marginalized small businesses often turn to for advice with their accounting and bookkeeping needs. NDC, a Twin Cities-based CDFI with experience in small business loan and technical assistance support was identified to manage the effort. Together with the Workplace Justice Lab, the Pilot has trained 40 community bookkeepers in employment law. Of these, the Pilot vetted and recruited 17 to partner as core bookkeepers and deliver up to 8 hours of financial literacy and 6 hours of employment law compliance support to their clients, free of charge.

Lessons from the Pilot include:

- **Small Business owners want and need this program.** Small business owners in the Pilot program were candid about what they did not know about current employment standards. They were quick to tell us that they are not in compliance and did not know how to get there. Participating business owners identified the need for technical assistance programs which were designed with their businesses in mind.

¹⁰ Workplace Justice Lab. 2022. "Minneapolis-Specific Small Business Conditions." Workplace Justice Lab@Rutgers. Accessed at <https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/MinneapolisSpecificConditions.pdf>.

¹¹ Read more about the lessons of the first phase of the pilot here: <https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/White%20Paper%20Exec%20Summary%20For%20City%20Council%20draft%205.1.24.pdf>

- **Disparities are apparent by race and ethnicity.** The Pilot program highlighted that immigrant and racially-minoritized business owners encounter greater challenges accessing resources, and receiving needed support for employment standards compliance. When compared to white business owners in our program, immigrant and racially-minoritized business owners reported greater hurdles in accessing capital; less robust support networks; and poorer quality relationships with city government and local agencies.
- **Small business owners often believe they are buying employment standards compliance with payroll software -- but this is not the case.** While payroll software routinely flags violations of tax law, it does not always flag violations of employment laws, especially at the local level.
- **Financial literacy support and training is a key precursor to supporting small business owners with access to capital.** Inadequate tax and employment records are often a key barrier to financial growth among small businesses. This type of support is often best delivered in ongoing relationships of trust, instead of one-off counseling relationships that are more common as part of government small business support programs.
- **Community bookkeepers have specialized knowledge of and a base of trust in their clients and communities.** Community bookkeepers often concentrate their services within key communities, and industries, developing a keen understanding of the challenges within those industrial sectors that can be useful to both labor law agencies and elected officials. Their knowledge and expertise means they are also trusted messengers within their communities, making them particularly effective at talking with their clients and potential clients about sometimes sensitive compliance issues.
- **Community bookkeepers are eager to be part of addressing non-compliance among their clients.** Many community bookkeepers are motivated to participate both by a desire to support community empowerment through improving their clients' financial health and through improving the quality of jobs they provide. They are also interested in the opportunity to strengthen their own business through being able to offer specialized services.



Community bookkeepers and trainers from the day-long Small Business Labor Compliance training in August 2025.

- **Community bookkeepers are able to reach and engage small businesses who are not being reached by traditional outreach methods.** Of the 100 businesses that community bookkeepers engaged in Phase Two, 80 percent did not know that they were supposed to be providing paid sick leave to their employees. Forty percent were not aware of rules regarding when to classify workers as contractors or employees. Twenty percent were paying their workers in cash without adequate tracking systems. Bookkeepers can provide information to their clients and tailored support in a way that more effectively promotes compliance among populations that are often missed in traditional methods of outreach.
- **Community bookkeepers identified three needs for supporting clients with employment law compliance:**
 - **Free employment law training for bookkeepers** to ensure their knowledge of current laws is updated. An example training used in Minneapolis is [here](#).
 - **Subsidized bookkeeper services for clients** to bring small businesses into compliance. Since many small businesses do not identify employment law compliance as a critical need, it is challenging to get them to pay for the service themselves.
 - **Stronger messaging to small businesses.** Bookkeepers reported that while businesses worried about tax compliance, most did not have a similar level of concern about employment law compliance. They highlighted the need for consistent messaging from bookkeepers and others about the community benefits of compliance alongside the costs of non-compliance for business sustainability.

IV. How Elected Officials Can Support Small Businesses to Provide Better Jobs through Employment Standards Compliance

Below, we outline strategies which elected officials might consider when either designing new legislation and programs or reforming existing legislation and programs to address the twin challenge of employment law and small business development.

Before Passage of Employment Standards Laws:

- Do not assume that workplace protection laws necessarily hurt small businesses. In many jurisdictions, elected officials' concerns about the impact of employment regulations on small businesses stops, slows, or complicates the passage of legislation. However, laws supporting workers can also benefit small businesses by reducing their costs through reducing employee turnover, and putting more resources into the local economy.¹² This is especially true if elected officials take into account the specific needs of small businesses in writing and implementing laws.

¹² "Shared Success Results Evaluation" Aspen Institute, <https://www.aspeninstitute.org/wp-content/uploads/2025/12/Shared-Success-Endline-Findings-Deck-12.17.25.pdf>
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During the Passage of Employment Standards Laws:

- **Avoid trade-offs to pass bills that lead to complicated communication and enforcement.** In an effort to build the political support necessary to pass employment laws, many jurisdictions exempt very small businesses from these policies; have slower phase-in periods; and/or include additional incentives for those businesses to defray costs. Ensuring small business owners have time to adapt to these new programs is critical. However, some exemptions can also make the laws more complicated and confuse businesses about which laws apply to them, thus making compliance more difficult. Ensuring that policies are simple and clearly communicated is key to securing rights for workers and increasing compliance from small businesses that do not have human resources staff.

When Planning Implementation of Employment Standards Laws:

- **Build in funding for outreach to very small businesses.** When passing new employment standards laws that raise the minimum wage or ensure access to paid sick and safe leave, include specific resources to support small businesses to learn about the new laws. This Pilot suggests that:
 - **Designating funds** for CDFIs and community bookkeepers to communicate with small business owners, who are often missed by other government outreach programs, is particularly valuable.
 - **Labor enforcement offices**, which are often siloed from the work of relevant offices like business technical support offices, should be encouraged to collaborate on outreach to small businesses to amplify the use of government resources. For example, outreach to small businesses about available resources and services can also include information about employment standards compliance.
- **Build in funding for back-office support for implementation.** The Pilot demonstrated that for many small businesses, education alone is not adequate for successful implementation of new employment laws. Many businesses need tailored support to set up the back office systems that simplify payroll, and tracking overtime and benefits. The Minneapolis Pilot offered \$1,400 of subsidized bookkeeper support to small business owners to come into compliance. While this is not a small up-front cost, it is a small investment relative to the magnitude of wage theft, which weakens the economic stability of a community.
- **Build in opportunities for interagency collaboration.** Interagency collaboration can support small business compliance through:
 - **Coordinated outreach, education, and technical assistance.** Officials can evaluate current points of contact and identify opportunities for stronger coordination and the additional resources or policies needed for implementation.

- **Joint Referrals.** Creating a joint business outreach/service provider referral program between a labor standards office and a business technical assistance office can connect businesses with the services and providers needed to answer compliance questions.
- **Cross-office Training.** Training business technical assistance office staff on employment standards work and training labor standards office staff on the services provided by business technical assistance offices can strengthen support for small businesses. This can include formalizing roles and practices of small business service providers and staff who work directly with small businesses about basic labor standards compliance. This networked outreach could be especially important to activate when new labor standards go into effect.
- **Employment Standards Certification Program.** A formal certification program required of all small business office service contract providers involving training in employment standards laws can integrate the work across offices.
- **Diversion Program.** When complaints are filed against a small business, the current tools of offices of labor standards enforcement are typically limited to education, requiring payment of back wages, and/or levying fines or penalties. These do not address underlying issues of technical capacity and online tools that help with compliance. Set up procedures and inter-agency agreements to refer first-time violating businesses to the small business technical assistance office providers who can assist with rectifying violations.
- **Coordinating Enforcement Mechanisms Across Agencies.** Exploring policies and data sharing processes across agencies to broaden city employment standards enforcement mechanisms. For example, consider conditioning receipt of a business license on completion of a short employment standards compliance program. Repeat violators might be prohibited from receiving city subsidies, contracts, and/or renewing city food or operating licenses until compliance is initiated and/or achieved.

Committing to the Ongoing Success of Employment Standards Laws:

- **Continue to adapt support to the needs of small business owners.** Ongoing communication with small business owners and the community bookkeepers and accountants who support them can provide insight into changing needs among these businesses for support in providing high quality jobs in their communities though compliance with employment laws.
- **Explore policies that require payroll companies to support compliance.** New policies might require payroll companies to provide education and compliance monitoring to their clients about state and local employment laws.

V. Conclusion

This toolkit provides concrete suggestions for elected officials to begin addressing the joint challenge of compliance with local employment standards and the provision of small business technical assistance. Drawing on lessons from a pilot program in Minneapolis, Minnesota, we suggest specific strategies to pursue and ways to structure government programs to support good jobs, small business growth, and community sustainability.

VI. Pilot partners, authors, and acknowledgements

Partners

About Workrise

WorkRise invests in research on policies, programs, and practices that have the potential to accelerate economic security and mobility for low-wage workers. We fund analyses and the creation of data that shed light on labor market barriers, trends, and opportunities. And we engage in strategic partnerships that help advance evidence-based solutions in support of our mission. Learn more about [how you can collaborate](#) with WorkRise.

About the Workplace Justice Lab

The Workplace Justice Lab (WJL) uses research and partnerships to tackle economic inequality by strengthening innovations in government and grassroots organizations. We conduct research on the enforcement of workers' rights, collaborate with public agencies and worker organizations, and build communities of learning through training, webinars, and direct support. Our work focuses not just on what government should do, but also on how to do it-- reimagining labor standards enforcement to center the most impacted communities and ensure policies deliver their intended impact. It is a multi-institutional partnership anchored by the [Workplace Justice Lab @ Rutgers University](#) and including the [Workplace Justice Lab @ Northwestern University](#) and the [Pilipino Workers Center of Southern California](#).

About Neighborhood Development Center

Neighborhood Development Center (NDC) is a non-profit organization that offers business training, lending and technical assistance to entrepreneurs in the Twin Cities area. NDC believes in the power, drive and daring of local entrepreneurs to transform their lives and revitalize their neighborhoods. NDC provides the tools and resources entrepreneurs need to help realize their dreams. For more information <https://www.ndc-mn.org/>

About the Minneapolis Labor Standards Enforcement Division

The Minneapolis Labor Standards Enforcement Division (LSED) oversees investigations and compliance with the City's Workplace Regulations ordinances, which currently include Sick and Safe Time, Minimum Wage, and Wage Theft ordinances. The City's labor standards affect all employees and employers across the city. The work of the division is performed in support of the

City-wide goal of economic inclusion so that all workers and families are supported and can thrive. Learn more at <https://www.minneapolismn.gov/government/departments/civil-rights/labor-standards-enforcement/>.

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Toolkits for other target audiences:

This toolkit is part of a series for key audiences about this strategy, funded by WorkRise. We also have a toolkit for community development financial institutions (CDFIs) created in partnership with The Aspen Institute's Shared Success program.

Labor Enforcement Agencies

Increasing Labor Standards Compliance Among Under-resourced Small Businesses - *A Resource for Labor Standards Enforcement Offices and Agencies on a Community-Engaged Support Program*****

Nov 2025

This [toolkit](#) provides an overview of the core features and findings of the community-engaged support pilot program and provides suggestions for how labor standards enforcement agencies can reach out to and partner with community bookkeepers. We compare this program that supports small business owners to comply with employment standards laws to commonly used outreach and education methods among labor standards agencies.

Small Business Technical Assistance Offices:

Integrating Labor Standards Compliance with Small Business Technical Assistance - A Resource for Small Business Technical Assistance Offices

Jan, 2026

In this [toolkit](#), we make the case for why government small business technical assistance agencies should consider coordinating more closely with labor standards enforcement agencies to support small business owners to come into compliance with employment and labor laws. We highlight how lacking the systems that support compliance with these laws also serves as a barrier to access to capital.

Community Development Financial Institutions (CDFIs)

Bridging Small Business Support & Employment Law Compliance: A Toolkit for Community Development Financial Institutions (CDFIs)

Sept, 2025

This comprehensive [guide](#) geared toward community development financial institutions illustrates the relationship between employment law compliance and good jobs; reviews the landscape of labor and employment laws and how to evaluate the legal landscape in a particular jurisdiction; suggests ways to identify and engage allies in partnerships for supporting small businesses to come into compliance; and provides guides and exercises to help evaluate the fit between the organization and community needs for support with employment law compliance.