

Increasing Labor Standards Compliance Among Under-resourced Small Businesses

*A Resource for Labor Standards Enforcement Offices and Agencies on a
Community-Engaged Support Program*

I. The Need for a Novel Approach to Small Business Engagement

- Labor enforcement offices from across the country report that a disproportionate number of complaints they 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, such as requiring payment of back wages and occasionally fines, do not successfully address the root causes and conditions that led to non-compliance among these small businesses. This means that, even when these businesses experience an enforcement action and want to comply in the future, they often violate laws again because the conditions that led to the violations were not changed.
- A pilot program was launched in Minneapolis, Minnesota in 2022 to address this challenge. This memo is written to share our findings with City and State Labor Enforcement Offices.
- The memo includes background on the issue and a new strategy of partnering with community bookkeepers and other community advisors to small business owners to a) train them in labor laws, and b) subsidize their time advising small businesses about systems to promote compliance. We provide suggestions about how local and state labor enforcement offices can implement this type of program to improve worker protections in small businesses.
- This toolkit is one of a series of toolkits funded by Workrise for key audiences about this strategy. Audiences for our other toolkits include: Small Business Technical Assistance Providers and Elected Officials. In a partnership with Aspen's Shared Success program, we also have a toolkit for Community Development Financial Institutions.



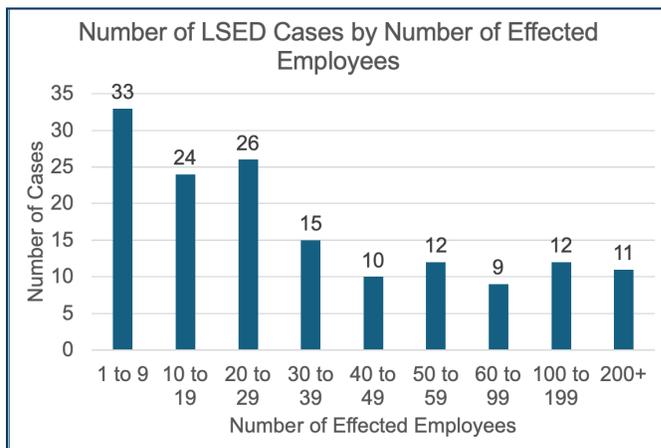
Community Bookkeeper Labor Law Trainings sponsored by the City of Minneapolis provide an opportunity for Labor Standards Enforcement Division (LSED) staff to meet community bookkeepers outside of enforcement cases .

II. Disproportionate Enforcement Against Small Businesses is a Common Issue

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. 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,¹ technical assistance support, and human resource system support; and discrimination.

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. Often, complaints are from employees of under-resourced small businesses and/or entrepreneurs of necessity—those who become business owners due to a lack of opportunities in traditional labor markets. These businesses often have less formal accounting and bookkeeping systems; lack access to traditional forms of business capital; have fewer institutional relationships, including with government; and may experience forms of discrimination and language barriers.

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 concentrated, and they largely overlap with the minority and immigrant cultural districts and parts of the city with the highest rates of poverty.²

¹ 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>

² Workplace Justice Lab. 2022. "Minneapolis-Specific Small Business Conditions." Workplace Justice Lab@Rutgers. Accessed at <https://smr.rutgers.edu/sites/default/files/Documents/Centers/WJL/MinneapolisSpecificConditions.pdf>.

III. Causes and Consequences of Labor Law Non-Compliance Among Small Businesses³

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. Economic conditions in some sectors make it extremely challenging to make a profit, especially for new businesses, increasing the temptation to routinely evade minimum wage and overtime pay rules and rules about the classification of employees. In these cases, strong, consistent enforcement of the laws continues to be the best strategy for achieving compliance. However, there are many other causes of non-compliance that are not willful.

Many small businesses are motivated to comply with labor standards because they see their business as contributing to their community and providing good jobs to their employees. However, many of these businesses do fall out of compliance. In these cases, non-compliance may stem from a lack of knowledge about or understanding of how to implement the laws; lack of formal systems for complying or knowledge about how to set up those systems; or lack of 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 labor law compliance.

Disproportionate enforcement against small businesses presents an equity problem for labor standards enforcement offices. It is also suboptimal for maximizing the usually-limited enforcement resources that exist: larger businesses are often the ones setting the standards in a local labor market, making them more able to create the type of widespread changes that would benefit workers. Enforcement against smaller employers is less likely to achieve long-term compliance from the businesses and less likely to have the type of ripple effects to other employers that would amplify the resources of enforcement. Because there is often a mismatch between the source of complaints from workers and underlying rates of violations across the economy⁴, an equitable application of enforcement in a complaint-based system requires outreach to and support for small businesses in particular. And, given the importance of small businesses to the heart of cities and towns, supporting small businesses to come into compliance is often politically popular.

³ 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, because these laws are colloquially referred to as labor law or labor standards and because the local and state offices that have been set up to implement these standards are often called labor standards compliance offices, we continue to use the term labor standards in this toolkit to avoid confusion.

⁴ Weil, David, and Amanda Pyles. 2005. "Why Complain? Complaints, Compliance, and the Problem of Enforcement in the U.S. Workplace." *Comparative Labor Law and Policy Journal* 27: 59-92. An example of this in Minneapolis is documented in Barnes, Jake, 2023. "Minimum Wage Non-Compliance in Minneapolis." Workplace Justice Lab@Rutgers.

https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/Minneapolis_Wage_Theft_Report_Nov2023.pdf

IV. The Community Bookkeeper Pilot Program

In response to 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. This first-of-its-kind pilot program focuses on training and subsidizing the work of a key part of the small business ecosystem: the community bookkeepers that under-resourced or otherwise marginalized small businesses often turn to for advice with their accounting and bookkeeping needs.

Community bookkeepers might be formally-trained accountants or individuals who simply develop a reputation for “being good at numbers” in a community. They themselves are small businesses with a community orientation serving largely under-resourced small businesses, who often advertise tax services. They often share the same language, nationality and/or race as the clients they serve. Bookkeepers are especially valuable because they are trusted advisors to small businesses and have direct insights into wage, hour, and recordkeeping issues—core aspects of labor law compliance. However, we found that their level of knowledge about labor law varied widely, and many did not routinely build support for labor standards compliance into their practice. However, they are uniquely positioned to educate small business owners and to intervene when needed. Because they routinely discuss taxes, payroll, benefits, and other sensitive financial matters, bookkeepers can flag compliance risks early. Their routine touchpoints make it easier to introduce compliance in a manner tailored to their clients.

The Community Bookkeeper Pilot Program:

- **Identified interested community bookkeepers,**
- **Engaged them in conversation about what would be needed for them to make labor law a more regular service they offered to small business clients,**
- **Identified three areas of need:**
 - Free training for bookkeepers
 - Subsidization of bookkeeper hours to bring small businesses into compliance. Since many small businesses do not identify labor 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, they did not have a similar level of concern about labor 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
- **Conducted in-person, free, participatory training on labor laws that:**
 - Allowed participants to meet and talk with each other
 - Provided example scenarios for participants to work through

- Gathered ideas from participants about messaging to clients about the importance of compliance
- **Subsidized a group of bookkeepers to support their existing small business clients** with technical assistance and access to free accounting and human resources software to help them come into compliance with local labor and employment standards. Given that these bookkeepers are themselves small businesses largely serving underserved small businesses, subsidizing their work with clients is a way to promote equity in the distribution of resources for coming into compliance.
- **To date, the program has trained 60+ community bookkeepers** and non-profit small business technical assistance staff in labor standards compliance and partnered with 12 community bookkeepers and CDFIs to subsidize their time with their small business clients toward coming into compliance. To date, 50 small businesses have received Pilot services and the program is on target to reach 100 businesses by the end of 2025.

V. Comparison with Other Approaches to Engaging Small Businesses about Labor Standards Laws

Most labor standards enforcement offices conduct outreach to both employees and employers about their rights and responsibilities under local or state labor standards laws. There are many ways that offices have undertaken this task, and they can be characterized in terms of how much engagement and support they provide to small businesses to come into compliance, and in terms of whether they go directly to small businesses, or whether they interface with community organizations or intermediaries such as community bookkeepers.

The most common approach to outreach among labor standards enforcement offices involves the distribution of information about the laws to small businesses through leaflets, direct mailings, emails, social media, and other channels in a relatively unidirectional way, from the office to employers.

More engaged outreach directly to small businesses takes the form of trainings, either in-person or virtual, where business owners have a chance to apply the knowledge or ask questions specific to their businesses. Some offices send investigators to businesses in key industries for face-to-face meetings with employers.

- In Minneapolis, before the Community Bookkeeper Program launched, another pilot program provided subsidized software to businesses participating in the program and limited support to learn to use it for a year, along with training in labor laws. Phase 1 of the Pilot [demonstrated](#) that many small business owners need more hands-on support to implement back office systems that make compliance and business management easier for them.
- As an example, the Seattle Office of Labor Standards has dedicated staff and resources—the Business Outreach and Education Fund – to provide grants to community and

employer advocate organizations for under-resourced communities to do engaged outreach specifically to businesses.

Other outreach efforts, including the Minneapolis Community Bookkeeper Pilot Program, attempt to amplify the effect of outreach resources and efforts by working with community organizations, employer advocates, CDFIs, and community bookkeepers who serve under-resourced small businesses. Seattle’s Business Outreach and Education Fund also takes this approach.

- A less resource intensive version of this type of outreach would provide trainings for community bookkeepers directly, so they can apply the education in their work with their small business clients.
- A more resource intensive version provides subsidies to these community bookkeepers to actively work with their clients to come into compliance, since these relationships are already in place and are relationships of trust.

<i>Type of Engagement and Support</i>	<i>Work with Small Businesses Directly</i>	<i>Work with Community Intermediaries</i>
Distribution of Informational Materials about Labor Laws	Common; unclear impact on increasing compliance among small, under-resourced businesses	Contracts with community-based organizations for outreach (a common model of implementing co-enforcement ⁵)
Trainings and Active Education on Labor Laws	Common; may not reach marginalized small business owners	Contracts with community-based organizations for trainings (e.g., Seattle Business Outreach and Education Fund)
Providing or Subsidizing Back-office Support	Phase 1 of Minneapolis Pilot; difficult to implement and scale	Phase 2 of Minneapolis Pilot: Subsidies to bookkeepers for Client Support for labor law-compliant back-office systems; greater impact

VI. Steps for Undertaking Community-based Outreach and Support to Small Businesses

Based on observations from many labor standards enforcement agencies about the relative efficacy of different approaches to engaging small businesses, and the findings from the Minneapolis Pilot program, we suggest that offices consider implementing **community-based**

⁵ Learn more here:

https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/Toolbox_Tool12_Intro_to_Co-enforcement_final.pdf

outreach and back-office support through partnerships with CDFIs and networks of bookkeepers. CDFIs and bookkeepers can provide information to their client and tailored support in a way that more effectively promotes compliance among populations that are often missed in traditional methods of outreach. In the Minneapolis Pilot, we found that 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 and the opportunity to strengthen their own business.



To date, 32 community bookkeepers have attended the day-long Small Business Labor Compliance training as part of the Pilot program. Pictured here are the participants and trainers from our August 2025 training.

1. Identifying Community Bookkeepers is a key first step in the process. *Some ideas for identifying them include:*

- **Engage Directly** through visits to local malls and business centers where these types of small businesses operate to directly inquire about their accounting services, especially in hubs that serve immigrant or racially/ethnically marginalized communities.
- **Leverage Social Media by**
 - identifying online forums to share announcements about connecting with community bookkeepers
 - reaching out to organizers, leaders, and other influential figures from various communities to ask them to share posts in their native languages to help identify community bookkeepers
 - Posting consistently on various platforms to reach a wider audience
 - Conduct LinkedIn and Google searches for local community accounting professionals
- **Use Networks** to identify community bookkeepers by asking personal connections and small business owners about community bookkeepers
- **Track and Engage community bookkeepers identified through investigations into violations.**

- [Sample flyer](#)

2. Building Interest and Engagement with Labor Standards Compliance among Bookkeepers:

- **Position Labor Law Expertise as a Growth Opportunity and a Community Benefit by:** explaining how offering labor law compliance guidance may attract new clients or interest existing ones, as well as potentially provide opportunities for city or state contracts; and emphasizing how promoting labor standards compliance among small business owners improves jobs for employees, reduces employee turnover, and strengthens communities
- **Assess Current Practices, Interest, and Concerns** with initial intake conversations. Sample [questions](#) to engage community bookkeepers.
- **Address Common Concerns** by assuring bookkeepers that: extensive legal knowledge isn't required—understanding key compliance basics is often enough; they can lean on a support network (labor standards enforcement office, CDFIs, local legal aid) for advanced questions
- **Use Best Practices for Outreach:** As always, outreach is best when it takes place in the language the recipient is most comfortable with; prioritizes human connection (especially in-person); uses multiple channels to communicate (email, phone, text, voicemail); uses persistent and consistent follow-up because of the busy schedules of these bookkeepers, especially from January-April, the heart of tax preparation season. Outreach that is attentive to differences between different small business communities is also:
 - Intentional about listening
 - Employs outreach personnel familiar with the community
 - Respects cultural nuances and communication preferences
 - Understands that building trust takes time

3. When Resources are Scarce: Municipal or state labor standards enforcement offices can start doing community-engaged outreach to small businesses without additional sources of funding in several ways:

- **Develop and hold trainings,** and promote ongoing engagement for Business Technical Assistance Providers (CDFIs and other government offices) and community bookkeepers specifically
 - Include time for bookkeepers to meet each other, to facilitate networking opportunities, build community around the training, and provide peer support and resources
 - Host periodic roundtables or Q&A sessions with government representatives to keep bookkeepers updated on new regulations
 - Offer refresher training sessions for continued professional development
 - Sample [Community Bookkeeper Labor Standards Certificate Training slides](#) from Minneapolis Pilot Training and [Participant packet](#) with interactive exercises.

- **Provide support to community bookkeepers** as they have questions in the process of helping their clients come into compliance
 - Establish direct points of contact for them
 - Encourage open communication channels—hotlines, email support, or dedicated liaisons for small business queries
 - Maintain a one-page reference with website links, phone numbers, and key contact info for labor law questions
 - Encourage bookkeepers to share these resources with small businesses

- **Create a certificate for bookkeepers** trained in labor standards that they could use to advertise their services to clients and drive business to certified bookkeepers or have trainings count toward continuing education credits. In Minneapolis our free day-long training has drawn 20 community bookkeepers to attend; potentially reaching an estimated 1,500 small businesses.

- **Build partnerships for recruiting and training community bookkeepers:**
 - Partnerships with other government service or offices can amplify outreach efforts if they integrate outreach about the laws into their policies and procedures in a way that goes beyond the traditionally limited reach of government agency efforts
 - In Minneapolis, the project team worked with the Business Technical Assistance Program to add bookkeepers who had been trained in labor standards laws to the technical assistance providers eligible for subsidies from the city government to increase the resources for technical assistance available to small businesses.

- Begin working with **interested elected officials** when new labor laws are passed or after to provide them evidence about the nature of the problem, and to highlight the need for more resources for engaged community-based outreach.

4. When Opportunities for Expansion and Funding Exist: Labor standards enforcement offices that are operating with more resources, or see opportunities for expansion of funding might consider the following steps:

- **If government or private funds already exist for small business technical assistance** (for example, as part of a city’s small business technical assistance office), labor standards offices can encourage community bookkeepers or CDFIs to apply for these opportunities to provide services and make the case that back office assistance and bookkeeping support should be included in the service portfolio

- **Implement a subsidized diversion program**, in which small businesses against which there have been complaints undergo a period of working with a bookkeeper or other technical assistance provider to remedy possible sources of violations
 - Minneapolis’s Labor Standards Enforcement Division has undertaken initial steps towards such a program, which is based on the principle that a relational,

collaborative approach to bring a business into compliance may be more effective for those owners who are motivated to comply. When a very small, undercapitalized business has a first time complaint not involving retaliation or discrimination made against it, LSED has offered the opportunity to participate in the diversionary program in the Notice of Investigation to the business. This offer involves working with a city-approved bookkeeper to bring the business into compliance with all city labor laws, in addition to making any wronged employees whole, and securing an agreement to comply going forward. This diversionary approach requires a sufficient number of city-vetted, trained, and trusted bookkeepers and sufficient funding for paying those bookkeepers for their time with the small businesses. Because of the novelty of the approach, LSED is continuing to develop the procedures they use for implementation.

- **Identify elected officials or other policy leaders advancing employment policies and/or championing small business issues** as a potential opportunity for funding the training and financial support of community bookkeepers to provide back-office support for their clients.
 - Provide evidence to city council members or CDFIs regarding the types of violations of under-resourced small businesses to help better understand the nature of the problem and what type of support is needed for those businesses

VII. Summary

Achieving compliance among under-resourced small businesses requires community-engaged outreach and support; community bookkeepers and other trained community intermediaries are key allies in this process. They can not only inform their clients about labor and employment standards laws, but they can uniquely provide the kind of technical support that many small businesses need to come into compliance. Labor standards enforcement offices can target their own trainings towards groups of community bookkeepers to amplify the effect of their scarce resources to address the challenge of over-enforcement or ineffective enforcement against under-resourced small businesses. They can also partner with other government offices and CDFIs to create programs that recruit, train, and subsidize community bookkeepers to support their small business clients to come into compliance with labor standards.

VIII. 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.

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.

Elected Officials:

Increasing Labor Standards Compliance Among Small Businesses - *Lessons for Elected Officials from a Community Bookkeeper Pilot Program*

Feb, 2026

In this [toolkit](#), we share a broad overview of the program and then review the unique ways that elected officials can support the integration of small business technical support and labor standards enforcement during the design, passage, and implementation of legislation.