



Supporting Small Businesses to Meet & Exceed Minneapolis's Labor Standards

Summary:

The Workplace Justice Lab@Rutgers University, working with the Minneapolis Office of Labor Standards Enforcement Division has undertaken an exciting pilot program, with support from the W.K. Kellogg Foundation and WorkRise, to support immigrant, black, indigenous, people of color (I/BIPOC) owned small businesses in creating healthy, just, and equitable jobs through meeting and exceeding minimum labor standards.

The Issue:

Very small, I/BIPOC-owned small businesses face more challenges complying with fair labor law standards due to these owners' systematic marginalization. In this innovative pilot project, over 30 I/BIPOC small businesses in Minneapolis will receive free payroll and scheduling software as well as bookkeeping services for a year. We believe that this model will help these businesses overcome the capacity limitations which undermine their financial health and their ability to comply with local labor law.

While some small businesses intentionally adopt exploitative business models, we know through years of conversations with local and state enforcement agencies that given the right support and tools, many small businesses would choose to invest in their employees and adopt high-road labor practices. We also know that for many of these same very small businesses, a punitive approach will not improve compliance – they simply face too many systemic barriers to fully implement labor standards without support.

We are particularly focused on supporting I/BIPOC firms who face multiple challenges, including racism, xenophobia, language barriers, and inequitable capital access that make compliance difficult to achieve. By more deeply understanding the operational barriers these businesses face, our goal has been to identify key moments and interventions that support businesses profitability while also providing good jobs. This is a first-of-its kind project that can lead to significant benefits for workers, businesses, and the local economy.

Minneapolis is uniquely positioned to address these challenges given the existence of both the City of Minneapolis Department of Civil Rights, Office of Labor Standards Enforcement Division, and the Minneapolis Small Business Office as well as the City's history of strong small business and worker organizing. With the support of Council Member Koski, the City has provided seed funding to help implement the payroll and bookkeeping pilot.

Pilot Program Phase 1

The project team with community partners, Main Street Alliance (MSA), spent the summer and fall of 2022 engaging small businesses and community stakeholders through outreach, interviews, and a roundtable. MSA conducted outreach to 325 businesses and 27 community organizations while the Rutgers research team assembled academic and policy research to understand the initiatives governments and organizations across the world have implemented to support small businesses. Together we convened a roundtable of stakeholders which meet monthly from August of 2022 to February 2023 to design the pilot program.

Following a bidding process the Metropolitan Consortium of Community Developers (MCCD), an association of nonprofit community development organizations, was selected to coordinate the procurement of the payroll and scheduling software and bookkeepers as well as manage the application process. 100 businesses applied to participate in the program, of which 52 were accepted. The vast majority of the accepted businesses were very small I/BIPOC businesses that are not currently in full compliance with labor standards laws. The program began with intake interviews in March, bookkeeping support and technical assistance courses in May, and electronic payroll support in June.

Preliminary Findings and Evaluation

Preliminary results from phase one confirm the numerous challenges faced by very small IBIPOC businesses – including their isolation, marginalization from existing technical assistance programs, and their lack of knowledge of key labor laws. It also confirmed their interest in strengthening the back office operations and coming into compliance with labor laws. Owners were enthusiastic about receiving bookkeeping support and coaching to better understand their books and to bring them online. However, our initial program design overestimated the value of free software and underestimated the time cost to small business owners to learn and transition to new back office systems. More hands-on support was needed for businesses to make this transition than we initially anticipated. We confirmed that having a standing offer to support businesses through this transition -- on their own timeline, and not the programs – is needed.

Phase 2 Design

During phase 1, we began working with several bookkeepers who work extensively with immigrant small businesses in key high labor law violation sectors such as restaurants and home health care agencies. Phase two of the project will explore how we can support bookkeepers who work with a large number of very small IBIPOC business clients to fully understand current labor law, including how to set up online payroll systems to meet guidelines, and work with their clients to come into compliance. We believe these bookkeepers can play a crucial role in tipping small IBIPOC businesses towards compliance and improved business outcomes. We will be surveying bookkeepers to better understand what training and incentives (such as certification and/or access to City business technical assistance funding) might help elevate labor law support as a priority for their standard business client support.

The research teams will continue monitoring and interviewing small businesses throughout the next year to evaluate the impact of these back office supports on the businesses' ability to improve operations and to comply with local labor regulations.

The second phase of the project will draw on the observations and insights from the year—including about the process of recruiting and retaining business participants directly and via bookkeepers. We will compare the effect of receiving the support services intervention from these two pilot program methods to the current standard practice among labor standards enforcement agencies: training and consultation.

Project Partners

- **The Workplace Justice Lab@Rutgers University.** The workplace justice lab@RU exists to address economic inequality through supporting, strengthening, and fostering innovations in government and grassroots organizing. We do this through building dynamic communities of learning and practice, carrying out cutting edge research, and offering specialized training and in-depth one-on-one consultations.
- **Minneapolis Office of Labor Standards Enforcement Division.** The City of Minneapolis' Office of Labor Standards Enforcement Division was founded in 2017 to enforce the City's new Sick and Safe Time, Minimum Wage, and Wage theft ordinances. Since its founding the Division has provided nearly 4,000 consultations collecting nearly \$700,000 in remedies impacting almost 10,000 employees. The Division is a national leader in innovative municipal labor law enforcement.