

## Integrating Labor Standards Compliance with Small Business Technical Assistance

*A Resource for **Small Business Technical Assistance Offices***

### I. Why this toolkit?

- 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.
- Employment law compliance, however, is often not integrated into other small business technical assistance programs. This is a missed opportunity to strengthen small business development and improve economic well-being in our cities and states.
- This toolkit is for City and State Small Business support agencies and other non-profit groups who work with small businesses, particularly those businesses who need more technical assistance support.
- Small business owners face a patchwork of federal, state and/or local employment laws and lack dedicated HR staff to track these changing requirements. Figuring out how to set up systems for proper tax and payroll compliance is yet another hurdle. As a result, very small businesses are more likely to fail to meet minimum employment standards than larger businesses.
- Drawing on insights from a pilot program, the toolkit outlines specific strategies to support small businesses with employment law compliance, including key community partnerships to develop.



The community bookkeepers who have joined the pilot program as Core bookkeepers have been a key source of information about the challenges and needs of, and emerging issues among, the small business clients they serve. Pictured here are the pilot program Core bookkeepers at our August 2025 Roundtable meeting.

- Small Business Technical Assistance Agencies and Organizations can use this toolkit to identify new opportunities and strategies for supporting small business growth and community welfare through supporting employment law compliance among small businesses.
- With funding from Workrise, this toolkit is one of a series for key audiences about this strategy. Audiences for our other toolkits include: Labor Compliance Agencies and Elected Officials. In a partnership with Aspen’s Shared Success program, we also have a toolkit for CDFIs.

## II. The Case for Small Business Technical Assistance Office Engagement in Compliance

Compliance with employment laws rarely tops the list of issues small business owners raise when they seek out technical assistance. Unsurprisingly, then, most Small Business Technical Assistance offices and providers have not built compliance support into their offerings. And yet, the lack of accurate financial and employment records – the foundations for employment law compliance – is often a key stumbling block in accessing credit, which is a priority for small owners and business support offices. Expanding business technical assistance programs to include bookkeeping set-up and support that promotes employment law compliance can be a win-win for small business owners, their employees and the community.

*.....the lack of accurate financial and employment records – the foundations for employment law compliance – is often a key stumbling block in accessing credit, which is a priority for small owners and business support offices.*

Many business owners start their business with a love and knowledge of their product or service, anything from tacos to t-shirts. Few start knowing how to manage invoices or rules for setting up a worker as a contractor or an employee. Under-resourced small businesses<sup>1</sup> are even less likely to have formalized accounting and bookkeeping systems, or help from bookkeepers or accountants<sup>2</sup> due to having fewer resources. These same business owners also have fewer support networks and/or ties to government assistance as they develop tracking systems that support both employment law compliance and access to credit<sup>3</sup>.

Too often, small business owners seek out help with back office functions when they are already in trouble. Correcting bookkeeping, labor and tax compliance errors can quickly become a tangled, time-consuming knot of issues requiring multiple hours of technical assistance. Investing up-front in training and proper systems can save time and set up a business for successful growth.

<sup>1</sup> For more see [https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/MN\\_SBChallenges.pdf](https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/MN_SBChallenges.pdf);

<sup>2</sup> <https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/MinneapolisSpecificConditions.pdf>; Fordham, David R., and Carol W. Hamilton. "Accounting information technology in small businesses: An inquiry." *Journal of Information Systems* 33, no. 2 (2019): 63-75;

<sup>3</sup> <https://onlinelibrary.wiley.com/doi/10.1111/irel.70006>

### III. Isn't this a Labor Standards Department issue?

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, and/or being mis-classified as independent contractors and therefore not receiving full benefits. It is estimated that 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.<sup>4</sup>

A disproportionate number of complaints about violations that come into Labor Standards offices are from employees of very small businesses. Anecdotal evidence and research suggests that a substantial percentage of violations from very small businesses are due to businesses' capacity challenges, rather than willful violations.<sup>5</sup> Labor agency tools of investigation, including requiring the payment of back wages and occasionally levying fines are not successfully addressing the root causes and conditions that led to non-compliance among these businesses. Providing tailored one-on-one support to these small businesses to meet this need addresses the dual community challenges of labor standards violations and small business viability.

A common assumption is that wage theft is almost always an intentional business strategy. However, many businesses inadvertently violate employment law. While the extent of willful vs. inadvertent violations is a matter of debate, there is more agreement, particularly among labor standards enforcement officials, that they need more strategies to address wage theft violations that stem from a lack of access to information or systems support.<sup>6</sup>

*As an investigator in the Seattle Office of Labor Standards shared, "One of the things that makes me feel most guilty... is that the vast majority of [businesses against whom we have received a complaint of a violation] are small businesses owned by people of color or immigrants. It feels like most of our cases are pointed at people who didn't know about the ordinance, didn't know how to implement it, or didn't know how to run the business...."<sup>7</sup>*

<sup>4</sup> 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](https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/WJL_immigration_databrief_May2025.pdf)

<sup>5</sup> Wolf, A., Shepherd, H., Fine, J., Piore, M., Guezeon, S., and Ahmed, Z. (2025). "Generating legal and programmatic legitimacy in labor law enforcement regimes within immigrant and minority communities." *Industrial Relations: A Journal of Economy and Society*.

<sup>6</sup> See Clibborn, Stephen and Sally Hanna-Osborne. (2023). The employer perspective on wage law non-compliance: State of the field and a framework for new understanding. *Industrial Relations: A Journal of Economy and Society*, 62(4), 411–438; Feldman, Yuval. (2018). *The Law of Good People: Challenge State's Ability to Regulate Human Behavior*. Cambridge, United Kingdom: Cambridge University Press.

<sup>7</sup> Shepherd, Hana and Janice Fine. *Cities at Work: Administration and Politics in Local Workplace Standards*, 2025, p. 85.

New small business owners face a dizzying array of requirements and regulations that vary by city and state and are regulated across siloed agencies and departments -- making set-up even harder for very small businesses to understand and access. Building partnerships between City and non-profit agencies and between Business Technical assistance and Labor Standards agencies can strengthen the mission of both agencies and better meet the needs of small businesses.

#### **IV. Small Business Labor Law Pilot: Needs, Launch & Lessons Learned**

Improving the jobs that small businesses provide to their employers is an important aspect of improving economic well-being in the U.S. Helping small businesses comply with existing employment standards both improves the quality of jobs for their employers and can make those businesses more viable by creating an engaged workforce that supports business growth and by avoiding punitive action for non-compliance.

Small businesses account for a high percentage of wage theft violations. 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.<sup>8</sup> A study of complaints coming into the Minneapolis Labor Standards Enforcement found that 38% of complaints were directed at businesses with 20 or fewer employees.<sup>9</sup> 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.<sup>10</sup>

Too often, small business owners – especially those with fewer resources, connections, and support – lack access to the back-office accounting systems and the hands-on support to implement those systems. Challenges in setting up and using basic accounting and payroll systems can create problems for employees and the business owners alike including:

- Inadequate information for strategic business planning
- Falling behind in employment and sales tax submissions and reporting
- Lack of formalized records that restrict access private and public capital
- Mistakes and/or underpayment of employee wages and benefits
- Employee turnover
- Labor law compliance complaints, backwages, or fines

The Minneapolis Small Business Labor Law Pilot was launched in 2022 to address this challenge. The Pilot aimed to level the playing field by providing small businesses with back-office software and support, including payroll processing, employee time tracking, and bookkeeping. By

---

<sup>8</sup> <https://www.nelp.org/app/uploads/2015/03/BrokenLawsReport2009.pdf> pg. 30

<sup>9</sup> <https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/Mpls%20Small%20Business%20Pilot%20Year%20One%20White%20Paper-3.docx.pdf> For additional analysis of Minneapolis Labor Standards complaints see <https://smlr.rutgers.edu/sites/default/files/Documents/Centers/WJL/MinneapolisSpecificConditions.pdf>

<sup>10</sup> 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>.

systematizing back office functions, the goal was to help small businesses maintain good jobs that meet labor law standards and more successfully grow their business. Throughout the pilot, we looked for opportunities to strengthen communication, and program synergies between the Cities Labor Standards and Business Technical Assistance agencies.

Phase 1 of the Pilot [demonstrated](#) that many small business owners welcome tailored hands-on support to learn about the laws and back office systems that make compliance and business management easier. We also identified untapped networks of technical assistance providers interested in adding labor law compliance to their menu of services: community bookkeepers and CDFIs.

Phase 2 of the Pilot trained 60+ community bookkeepers and non-profit small business technical assistance staff in labor standards compliance. The pilot partnered with 12 community bookkeepers and CDFIs to provide their small business clients subsidized services to strengthen their back office systems and skills to use them, as well identifying and addressing any compliance issues. To date, 50 small businesses have received Pilot services.



The Pilot also looked for opportunities for coordination and collaboration between the Minneapolis Business Technical Assistants program and the Labor Standards and Enforcement Division. We planned joint training of the city's BTAP staff in labor compliance, helped recruit community bookkeepers as BTAP providers and launched a joint diversion program between the two agencies.

This toolkit shares what we've learned for Small Business Technical Assistance agencies and others interested in exploring this model to support small business owners. Improving job quality in small businesses helps make the businesses more resilient as better jobs lead to a stable workforce that is more able to address problems and challenges. We share options for this work at several capacity levels for you to consider in your own unique context.

## **V. Options for Integrating Employment Law Compliance with Business Technical Assistance Support**

Below, we outline five strategies that Small Business Technical Assistance offices might pursue, based on their context and the fit of their existing services and client population.

### **1. Communication and Coordination with Labor Agencies**

- Meet with state, county and/or city labor law office staff
- Share interest in supporting small business owners to understand employment law and reducing errors that limit access to credit.
- Identify areas of mutual interest for small business outreach, training, and technical assistance including:
  - Using small business outreach channels to publicise upcoming changes in employment law
  - Give out basic labor standards information to all small businesses seeking agency TA support and/or other key moments like registration or licensing.
  - Co-host labor law trainings
  - Establish diversion program for the labor agency to refer business owners for small business technical assistance support
  - Work together to engage elected officials to understand and support this small business need and program.

### **2. Host Employment Compliance Training for Technical Assistance Staff & Business Owners**

- Ask Labor agencies to co-host employment compliance training for your agency staff and technical assistance providers
- Designate Labor agency staff as point persons for follow-up questions and support from TA providers
- If a new employment law is coming on line, use this opportunity to generate interest among business owners
- Co-host labor compliance trainings for small business owners
- Explore recruiting and training non-profit small business technical assistance providers (CDFIs, community bookkeepers) in employment law

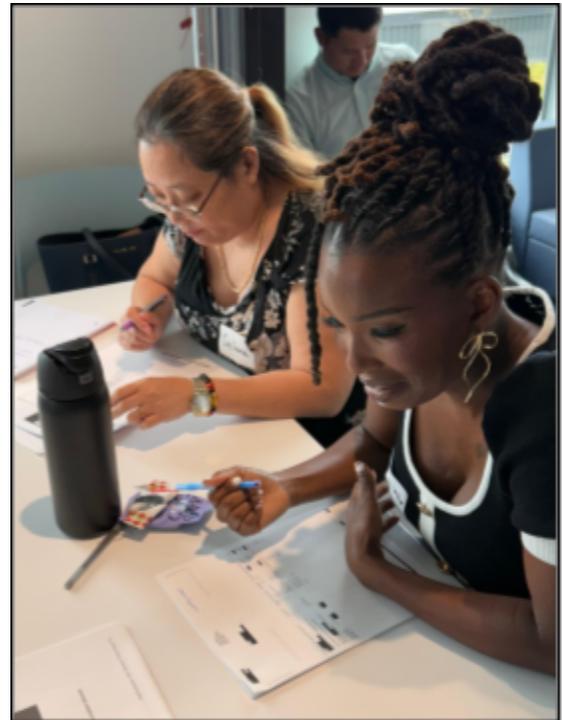
### **3. Integrate Labor Compliance into Technical Assistance and/or Capital Access Services**

- Adopt “not now” instead of a “no” approach with clients who do not meet credit criteria to keep the door open to businesses who have fewer resources or networks of support
- Add employment law questions to your small business client intake process to identify common issues and support needed

- Build requirement for review of a small business client's financial and payroll systems to ensure compliance built into access to credit programs
- Add employment law basics training to menu of small business support services
- Support business with payroll set-up that is employment law compliant
- Document issues small business clients are facing to make the case to public policy leaders for adding outreach, training and back office support on employment law compliance for small business owners

#### **4. Add Bookkeepers Trained in Employment Law Compliance to Existing Small Business Assistance Services**

- Identify community non-profits and/or bookkeepers specialized in small business financial literacy and set up for small business owners.
- Establish program guidelines for back office support focused on tailored set-up and learning so that limited TA assistance and not on-going support is the program objective.
- Set up a service contract with CDFI's and/or community bookkeeper (trained in employment law basics) as part of your technical assistance team.



The day-long Small Business Labor Compliance training includes small group hands-on exercises to help community bookkeepers problem-spot issues and get to know one another.

#### **5. Build partnerships with community agencies and bookkeepers to reach key small business constituencies**

- After building successful training partnerships, explore interest with state and local labor agencies in a deeper partnership through supporting compliance technical assistance
- Meet with policy leaders, public and/or private agencies to make the case for small business technical assistance with financial literacy combined with employment law compliance. Services can range from compliance assessments, financial literacy training, compliant payroll set-up and/or software upgrade funding.
- If public small business assistance programs exist, see if funds can be expanded to include technical assistance on labor law compliance and payroll set-up..
- If a new employment law is coming on line, make the care for designated technical assistance funding as part of the implementation of the law

## VI. Conclusion

This toolkit provides concrete suggestions for Small Business Technical Assistance Offices and organizations to begin to add compliance with employment laws into their menu of small business services. Drawing on lessons from a pilot program in Minneapolis, Minnesota, we suggest specific strategies to pursue and types of relationships to develop in order to support small business compliance, growth, and community welfare.

We close with a few quotes from Small Business Labor Compliance Pilot participants about the benefits they gained from the program.

*Before the program I felt ashamed -- I am running a business, but I don't know about business. But at the first meeting -- I see I am not the only one who does not understand accounting and how to run a business! The (program's) bookkeeper was so patient with me and all my questions. I can now read my profit and loss. Before I had no clue. Now I am really participating in my business -- in the financing part. It is really helpful. Before the program I didn't do sick time, I thought since I was so small, it didn't apply to me. But now I know I have to and it is all set up in my new payroll software. This program is a gift for me. Someone at the City cares about me as a small business owner and that feels nice.*

**— Cafe owner with 12 part-time employees**

*When you are a small business you are trying to juggle so many different things. And if it's something you don't know or understand.. it's easy to put it on the back burner. What was most valuable about the program was having someone to talk to and connect to and having the accountability. We had a regular meeting and action steps. And the bookkeeper was very small business oriented. Before, we were working with too big of a firm. It was a disconnect. Now I feel like I have someone who is on my side. Now I am using Quickbooks Online and a payroll software and it is so much easier. And we are all set up for sick time!*

**-- Shop owner with 3 employees**

Assisting small businesses with back office systems, including employment law compliance can support small business success, improve job quality for small business employees, which improves community economic and social well-being; and increase the viability of the small businesses themselves by strengthening their labor force and by avoiding costs associated with non-compliance.

## **VII. 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

## Report Authors

Cynthia Ward is the Small Business Labor Standards Pilot Coordinator and Senior Strategist with the Workplace Justice Lab.

Hana Shepherd is an Associate Professor of Sociology at Rutgers University and a Senior Affiliated Researcher with the Workplace Justice Lab.

Andrew Wolf is an Assistant Professor of Industrial Relations at Cornell University and an affiliated researcher with the Workplace Justice Lab.

Zuhur Ahmed is a Research Associate with Workplace Justice Lab.

## Acknowledgements

The conception, launch, learning and evolution of the Small Business Labor Standards Pilot project is the shared product of many talented individuals and unique partnerships.

We want to thank Workrise for their early and generous funding support of our research team to document this Pilot and to produce these toolkits so that our findings are shared with key audiences.

In addition we want to thank: Workplace Justice Lab Director Janice Fine, Minneapolis Civil Rights-Labor Standards Enforcement Division Associate Director Brian Walsh, Minneapolis Labor Standards Enforcement Division Investigator Nicolette Gullickson, Neighborhood Development Center Accounting Advisory Manager Dan Fehrenkamp, Neighborhood Development Center Outreach Coordinator Andy Vu, Neighborhood Development Center Director of Business Services Natalia Mercado, Workplace Justice Lab Research Assistant Sylvie Guezeon, and Workplace Justice Lab Program Manager Ellen Love for their contributions.

## **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.

## **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.