Bridging Small Business and Labor Compliance:
A Minneapolis Case Study

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Today’s Speakers

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Industry Concentration for Minneapolis BIPOC Businesses

Figure 1. Count of BIPOC Small Businesses in Minneapolis in Non-Professional Service Industries

Source: Workplace Justice Lab Analysis of Axel Database
Demographics of Minneapolis Small BIPOC Businesses

Source: Workplace Justice Lab Analysis of Axel Database
Small Businesses in Minneapolis Dominate Labor Violations

In Minneapolis 55% of violations affected less than 30 employees and 38% affected less than 20 employees.

Source: Workplace Justice Lab Analysis of Mpls Data
Violations Patterns in Minneapolis

• Geographic concentration of violations overlaps with areas of disadvantage and IBIPOC business ownership in Minneapolis

• Targets Industries with greatest levels of violations and high concentration of IBIPOC ownership

• Payroll and bookkeeping directly help combat highest violation laws

Table 1. Industries with most complaints submitted to Minneapolis LSED

<table>
<thead>
<tr>
<th>Industry</th>
<th>Complaints</th>
<th>Workers Effected</th>
<th>Remedies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation and Food Services</td>
<td>199</td>
<td>3695</td>
<td>$275,801</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>80</td>
<td>920</td>
<td>$143,656</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>56</td>
<td>2089</td>
<td>$11,212</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>43</td>
<td>839</td>
<td>$42,431</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>27</td>
<td>232</td>
<td>$173</td>
</tr>
<tr>
<td>Other Services (except Public Administration)</td>
<td>21</td>
<td>807</td>
<td>$10,500</td>
</tr>
<tr>
<td>Educational Services</td>
<td>18</td>
<td>399</td>
<td>0</td>
</tr>
<tr>
<td>Administrative and Support and Waste Management and Remediation Services</td>
<td>18</td>
<td>123</td>
<td>$18,000</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>18</td>
<td>219</td>
<td>$5,430</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>14</td>
<td>93</td>
<td>$771.11</td>
</tr>
</tbody>
</table>

Source: Workplace Justice Lab Analysis of Mpls Data

Figure 6. Complaints submitted to Minneapolis LSED by violation type

NOTE: Each complaint may include more than one type of alleged violation
Program Outline

- Roundtable
- Pilot
  - Payroll
    - Compliance ready subsidized support
  - Bookkeeping
    - Group Classes
    - Ongoing One-On-One Support
  - Training & Mentoring
    - Labor Law Compliance Classes
    - Assigned Mentor
- Evaluation
Back-Office Systems Pilot Project

Progress

- City seed funding: $125,000; sponsored by CM Koski, unanimously approved
- RFP for program administration issued in August
- Program administration contract just awarded in Oct.
- Pilot program launch: early 2023
- Small Business roundtable convening since August 2022
How do we address the IBIPOC Small Business Labor Problem?

• How do we strive for equity?
• How do we balance the carrot and the stick?
• How do we actually improve standards?
The Nature of IBIPOC Self-Employment

- Historical and systemic racism complicate the operation of IBIPOC small businesses
- Turn to self-employment due to racism
- Opportunities are often marginal
- This history hints that enforcement must be balanced with support

The Barriers and Opportunities Encouraging IBIPOC Entrepreneurship

- Barriers to Traditional Employment that Encourage Entrepreneurship
  - Racial discrimination.
  - Lack of language proficiency.
  - Exploitation at poor quality jobs.
  - Weak Networks.
  - Home country skills/edu devalued in U.S..
- Opportunities Which Motivate Entrepreneurship
  - Niche cultural goods.
  - Opening in abandoned areas.
  - Open in marginal segments
  - Community support.

What has worked elsewhere?: Breaking Down Silos

• The classic distinction in labor policy is between two approaches to government administration:
  • A general system
  • A specialized system

Sources: Piore & Schrank 2018
The Limits of a Specialized System

• Silos

• Redundancy, overlap, repeated visits to the same shop
  • Competition among agencies for jurisdiction

• Most importantly:
  • Failure to perceive the relationship among different violations
  • Failure to identify the root cause
What could a joint structure look like in the U.S. Context?

- Map what exists
- Facilitate coordination:
  - Interagency task force
  - Engage the community
- Staffing to facilitate coordination
- Understand the politics of coordination (e.g. agency structure & authority)
1. Joint business outreach/service provider referral program
   • Dedicated staff and/or funding for community partnership

2. Integrate labor standards into B-TAP services
   • All B-TAP providers and staff participate in labor law & job quality training
   • B-TAP providers integrate compliance into services and give out labor law info to all clients
   • B-TAP incorporates job quality metrics into evaluation
   • Create data sharing process & prohibit employers outstanding LSED cases/violations from receiving B-TAP services
3. Coordination on cases
   • LSED would refer small businesses when they appear to need basic business support to be able to comply with labor regulation
   • LSED and small business team would coordination on what services are needed to get into compliance/stabilize biz

3. Process requirements such as
   • Interagency planning retreat
   • Required reporting to Mayor/City Council on Task Force program implementation
What has worked elsewhere?: Engaging Small Businesses

Design with IBIPOC Businesses in mind (SF Entrepreneurs of Color Fund)

- On-going support not one-and-done
- “Not yet” instead of “no” model of service delivery

Involve the Community

- Large employers have HR departments and lawyers
- Small businesses have their community
- Community intermediaries help set norms on how to conduct business and follow the law

Sources: Ram et al 2020
What we know so far?

• Small businesses need a voice

• Support must be ongoing

• Government/Non-profit models cannot be one size fits all

• Enforcement must be holistic and include support

• Community intermediaries must be involved
Involving Community Intermediaries

- **Media Outreach**
  - Flyer and application link posts to private community social media pages
    - Locus
    - SNABPI
    - Minnesota Business Networking
    - Tusmo Times
    - Minnesota Muslim Community
  - Press releases sent to community media outlets
    - KFAI-community radio
    - KMOJ-African American community radio
    - Somali TV of Minnesota
    - Tusmo Times
    - Minnesota Public Radio
    - Sahan Journal
  - Interview at KFAI Radio (Somali Community Link show)
  - Council members recording segments urging small business owners to apply Ormo TV (three pieces recorded in Somali, Spanish, and Oromo)
- **Direct outreach to small business owners**
Thank you and Questions
Where the small business voice comes in:

- Grassroots small business movement
- Connected to existing members, and did outreach to small businesses and community organizations that work with small businesses
- Mapped out geography of areas to focus on given the knowledge of the communities we want to serve
- Main Street Alliance leaders stepped up to canvass and connect with community members where other barriers exist
Theory to Practice: How we got to the pilot project

- Convened a roundtable with small business owners, community partners, and decision makers like City Councilmembers.
- Capital came up as the core issue during the roundtable discussions, both as a general need and a barrier to compliance (electronic back office systems)
- We knew we needed a new strategy focused on accessing these tools - MCCD will elaborate more on how they went about setting up the pilot project
- High need for relationship-based organizing to get folks to apply for the pilot project.
- We ended with 93 applications total!
City of Minneapolis Pilot Project

Timeline

- Application Process: Complete
- Pilot Business Selection: Complete
- Intake Interviews: March 2023
- Bookkeeping Group Learning: March 2023
- Grant Distribution: March-December 2023
City of Minneapolis Pilot Project

Pre-Grant Process

• Intake Interviews for Pilot Businesses

• Selecting and Implementing a Payroll Provider

• Bookkeeping Support – Provide bookkeeping support with group learning sessions and optional one-on-one sessions with local bookkeeping professionals.
City of Minneapolis Pilot Project

Grant Disbursement and Tracking

• Grant Funding and Tracking

• Act as the Escrow Agent of the Funds

• Disperse 40-60 grants to eligible business participants for eligible purposes, including contracting of payroll provider services for one year.
City of Minneapolis Pilot Project

Technical Assistance and Support

- Bookkeeping Support - Ongoing
- Ongoing check-in’s from MCCD business advisors
- Technical assistance with other partners depending on client needs
Our Intervention: The Life Cycle of Support

- Bookkeeping & labor law compliance
- Mentoring: Legal, Business plan, Marketing, WMBE, Lease support
- HR Support: Payroll, Accounting, HR
- Second round of mentoring on growth

Goals:
- Compliance & Capital Access Growth

Provided through the pilot program

Provided by other programs in Minneapolis
Where we go from here in Minneapolis

- Seeking ongoing City funding in Minneapolis
- Pursuing additional private funding
- Expand to more businesses and additional services
  - Time tracking
  - Point-of-sale
  - HR 2.0
Conduct Rigorous Evaluation

In-depth Qualitative evaluation of first cohort

- Interviews at intake & end of the pilot
- Sitting in on payroll onboarding & bookkeeping training
- Job quality & metrics: wages, providing ESST, showing ESST on paystubs
- Business stability metrics: revenue, employees, employee hours

Randomized control trial planned for year 2 cohort

- Test group assigned to back-offices services pilot program
- Control group assigned to traditional outreach/education (webinar, etc.)
Cross-agency coordination

• Integrate focus on enforcement on job quality and compliance into City infrastructure
• Enroll Mayor and City Council in requiring economic development programs to include a labor compliance focus.
• Partner with Small Business Team and Business Technical Assistance Providers (B-TAP) to coordinate on moving small businesses toward compliance
Share what we learn!

We’ll be back! Plan to disseminate results of evaluation studies

Create space for sharing pilot project lessons and other models
Thank you and Questions