

RESEARCH-TO-ACTION BRIEF

Empowering Small Businesses and Their Workers

Achieving and Exceeding Minneapolis
Labor Standards Together

OCTOBER 2024

A new WorkRise-funded study, “The Minneapolis Small Business High-Road Labor Standards Intervention Pilot Project,” seeks to understand the conditions and key networks in which small businesses operate and to support immigrant and BIPOC small-business owners for whom various challenges with language, capital, and service access can hinder labor compliance.

WorkRise staff has synthesized the following findings and recommendations from the study to inform next steps for policymakers, government agencies,

and small-business owners who can use this research to change policy and practice. For more insights on the findings and recommendations, see the full study authored by Andrew Wolf, Cynthia Ward, Hana Shepherd, Janice Fine, Sylvie Guezeon, and Zuhur Ahmed at <https://smlr.rutgers.edu/wjl-ru/beyond-bill-MN>.

Small businesses play an important role in a local economy, where they can create equitable and high-quality jobs for workers and economic growth that benefits communities and future generations. However, some cities across the country are enacting strong labor standards that many small businesses may not have the capacity to comply with. In most localities, labor enforcement and small-business support largely work independently. Even when these functions reside within the same agency or office, the staff often do not work together, nor do they work with the unique needs of immigrant business owners and business owners of color in mind. These labor standards can be challenging for small businesses to adopt—especially for those owned by Black, Indigenous, and people of color (BIPOC) and immigrants. But this problem also creates an opportunity for new collaboration to set businesses toward a high-road model of employment practices and provide new benefits for workers, businesses, and the local economy.

While many communities experience this challenge and opportunity, one city trialed a new approach that may be applied to cities across the country. In 2023, the Minneapolis Small Business High-Road Labor Standards Intervention Pilot Project was launched (1) to more deeply understand the conditions and key networks in which small businesses operate; and (2) to support immigrant and BIPOC small-business owners for whom various challenges with language, capital, and service access can hinder compliance. The pilot project is a partnership between the Workplace Justice Lab at Rutgers University and the Minneapolis Office of Labor Standards Enforcement Division and is supported by the City of Minneapolis, the W.K. Kellogg Foundation, and WorkRise.

Design of the Pilot Project

The Rutgers research team selected Minneapolis for this pilot project because of the city's history of strong small-business and worker-center organizing, combined with its

innovative Labor Standards Enforcement Division within the Department of Civil Rights and its Small Business Assistance Office within the Department of Employment and Economic Development.

The team first reviewed academic and policy research to understand the city's labor law violation trends by industry sector, business size, and demographics. It then investigated innovative public and private proposals and initiatives for increasing high-road business practices that governments and organizations around the world have implemented to support small businesses. Next, the team—working with their community partner, Main Street Alliance—conducted a comprehensive analysis of the information gathered from interviews with key actors in the city's small-business ecosystem, including 325 businesses, 27 community organizations, 14 officials at city agencies, and 6 economic development organizations.

The study's findings informed the design of the pilot program to serve small-business participants. The pilot program received a total of 100 applications—52 were from small-business owners of color, 37 were within the team's key focus sectors (food service and retail), and 39 were situated in underinvested areas of the city—and accepted 55 applicants. The businesses were offered the following supports:

- intensive education seminars on local labor regulations and how to achieve compliance
- free, yearlong subscription to Quickbooks, Gusto payroll, and Deputy scheduling
- ten hours of individualized technical assistance with bookkeepers who have experience working with the city's BIPOC communities
- regular follow-ups with case managers to help with the onboarding process and address any concerns

The businesses were also offered an opportunity to participate in comprehensive interviews with the research team to provide insights on what leads to long-term labor standards compliance.

Out of the 55 original cohort, 40 small-business owners have remained in active contact with the program beyond the initial courses. Currently, 25 business owners are

engaging in regular ongoing support with program bookkeepers, including technical assistance with Quickbooks and other software.

Key Findings from the Pilot Project

- **Small-business owners of color want to comply with labor standards but need more and different business support.** Business owners of color discussed the need for labor standards compliance training, software instructions, and technical assistance programs designed with them in mind.
- **Significant confusion persists among small-business owners about labor laws and their application.** Many business owners were candid about their unfamiliarity with current labor laws and their lack of compliance; they wanted to comply but did not know how.
- **There are apparent disparities in accessing resources to support labor law compliance by race and ethnicity.** Business owners of color encountered greater challenges in accessing resources and receiving business technical assistance support. Compared with white business owners, business owners of color reported greater hurdles in accessing capital, fewer support networks, and less trusting relationships with city government and local agencies.
- **Current small-business support programs are difficult for small-business owners of color to access.** Many business owners of color who had accessed or attempted to access city programs or nongovernment organization support programs in the past expressed having difficult or negative experiences. Few central complaints were that the programs were challenging to navigate, did not allow for ongoing support, and lacked the kind of technical assistance they needed.
- **Small-business owners think they are in compliance when they buy payroll software.** Many businesses already had some form of payroll or bookkeeping software. Few business owners believed that the software programs automatically provided compliance with local labor laws and were surprised to learn that they did not. Business owners lacked the technical and legal knowledge to properly set up these programs to ensure compliance, and guidance on labor law compliance from

software providers is sometimes complicated to follow, inadequate, and even occasionally out of date or wrong.

- **Participating in the pilot program is difficult for small-business owners of color.** Pilot participants are stretched very thin, making their engagement in the program variable and their capacity to complete each step of the program on a set timeline very difficult. This highlights the need for future iterations of this program to have the lowest possible barriers to entry and maximal flexibility in accessing training and support.
- **Community-based intermediaries are key for small-business owners of color to achieve compliance.** When faced with new labor laws, small businesses often turn to their communities for help because they do not have human resources capacity like larger businesses. Community business service providers are often informal or underresourced, but they understand the needs of small businesses and can develop relationships with business owners that allow for ongoing support.

Recommendations and Next Steps

The second phase of the pilot project will build on these findings to redesign the support in a way that works for small-business owners and is scalable. This phase will focus on the community service providers—bookkeepers and accountants—who work in communities with immigrant and marginalized small-business owners. It will include labor law compliance training for service providers and subsidies for the time they spend with their clients. It will also include testing for the most effective messaging to increase interest in compliance among service providers and small-businesses owners. This phase will involve working closely with the city’s Small Business Assistance Office to find ways to partner with the Labor Standards Enforcement Division to better support small businesses on their path to compliance.

WorkRise has developed the following recommendations to inform next steps and objectives for key audiences affected by this research.

Recommendations for Government Agencies

- **Identify and increase capacity for community-based intermediaries to support small businesses achieve compliance.** Connecting small businesses with community intermediaries, regardless of industry, builds bridges between communities and people invested in providing good jobs.
- **Lead with mentorship and make the stakes clear.** Small-business assistance programs need to provide education and technical support, while making it clear that failing to comply with labor laws could result in audits, fines, and penalties. Communicate to business owners that the agency or office understands the structural forces that make compliance difficult for immigrant and BIPOC communities and provide administrative support to achieve compliance.
- **Understand and plan for capacity constraints of small businesses before rolling out tools.** There should be targeted outreach to communities about the need for and cost of compliance and the availability of support. Many small-business owners may feel overwhelmed as they navigate current systems, and therefore become discouraged from continuing with the process. Build in interventions that fit within their existing routines and relationships.
- **Cross-agency dialogue regarding enforcement and education is key.** Building long-term, mutually beneficial relationships among various agencies is critical. Labor enforcement offices and business technical assistance providers can coordinate to manage outreach and education, provide ongoing technical assistance, monitor progress, train community intermediaries in labor law, and develop a diversion program for enforcement.

Recommendations for Small-Business Owners

- **Seek out a learning partnership with a bookkeeper.** Learning how to keep records of transactions with a bookkeeper provides key skills for understanding and growing your business. Find time to schedule regular sessions with a bookkeeper every month.
- **Share what you know about labor standards.** City and state labor standards are in place to make sure businesses are providing quality jobs to their employees. Share

with other business owners the importance of providing good jobs and why compliance helps small businesses, workers, and the community overall.

- **Keep learning about compliance.** It is critical to learn about labor standards and how to meet them. The labor standards enforcement offices are there to help small businesses succeed and provide compliance information. Guidance is also available outside of the traditional government offices and agencies, such as community intermediaries and service providers.
- **Seek out informed, fellow small-business owners in the community.** Find other businesses and business service providers that have worked through compliance with labor standards and learn from them.
- **Know that payroll software supports but does not guarantee labor compliance, especially with city labor laws.** When setting up a new employee in your systems, establish automatic calculations that are compliant; this will save you time and effort later. Consult with your labor office, lawyer and/or bookkeeper, or another more experienced small-business owner to ensure that you are set up correctly to avoid issues in the future.

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