

Building a Main Street Friendly Workforce: The business case for implementing federal paid family and medical leave

Across the country, millions of small businesses and their employees lack access to a paid family and medical leave plan, which forces them to make unimaginable choices between caring for a family member or recovering from an illness and keeping their jobs or their businesses afloat. While small businesses account for more than 99% of all U.S. businesses and employ nearly half of the nation’s workforce, many small businesses lack the resources to afford offering robust benefits programs that larger companies can provide. Small businesses know how important it is for their employees to be able to access benefits like paid family and medical leave (PFML) and recognize that providing these benefits can help attract and retain workforces to ensure their business remains competitive with larger corporations.

Workers nationwide are still not federally guaranteed a single paid day off to care for a new child, recover from childbirth or care for a sick family member. Only **43% of the private sector workforce** has access to short-term disability coverage through their employer and only **27% have access to paid family leave**.^{1,2} Unpaid leave is not an option for many low-income workers and self-employed individuals, and roughly **44% of workers** are not eligible for *unpaid* leave under the **Family and Medical Leave Act (FMLA)**.³

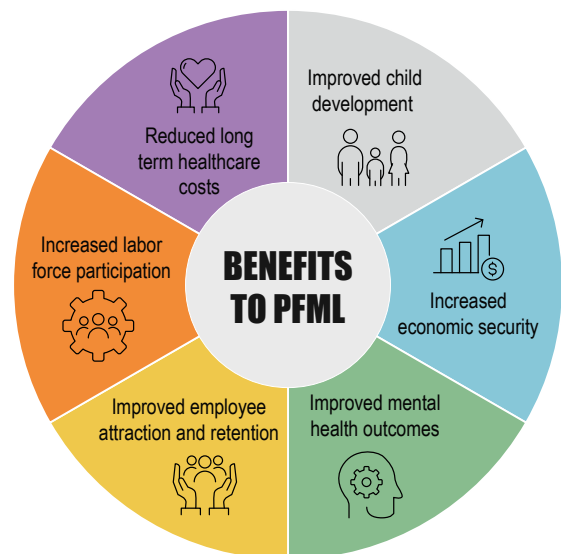
Small Business Majority [research](#) has found that small business owners strongly support increased investments in PFML and federal legislation, like the **Family and Medical Insurance Leave (FAMILY) Act (H.R. 5390, S. 2823)**, which would create a national PFML program. In fact, nearly 8 in 10 small business owners support the creation of a national PFML program that would guarantee employees wage replacement for up to 12 weeks.⁴ Numerous states have mobilized to implement or expand paid leave programs in the absence of a comprehensive federal PFML program. This policy brief outlines successful models at the state level and proposes federal solutions that would help bridge the benefits gap for America’s small business community.

Successful models in action: States continue to implement and expand paid leave programs that benefit employees

13 states and the District of Columbia have [enacted](#) state-run programs of which provide guaranteed benefits to non-government workers for personal medical leave, caregiving leave and parental leave. An additional ten states have adopted voluntary paid leave systems that allow private insurance markets to provide these benefits.

Nearly all state PFML programs cover employers no matter their size and provide at least 12 weeks of benefits, which are capped at a maximum weekly amount that varies annually by state. States with voluntary, privatized paid leave programs are not comprehensive and do not guarantee access to paid leave for small business employers and employees.

The benefits of PFML are wide-ranging, as it not only improves health outcomes and economic security, but it provides significant bottom-line benefits for small businesses by taking the burden of this benefit from small employers while making it easier for them to attract and retain employees.



How the employer tax credit for paid leave (45S) falls short for Main Street

Existing incentives like the Section 45S Employer Credit for Paid Family and Medical Leave fall short for small businesses, shifting the financial burden and responsibility of critical benefits like PFML onto small employers operating on razor-thin margins. While employer tax credits like 45S are intended to help employers offset the cost of offering benefits like PFML to their employees, the reality is that these credits only benefit a small share of larger employers that can afford to make robust investments in employer-sponsored PFML. For example, to qualify for the full 45S credit, a small business must offer a PFML program that replaces 100% of an employee's wages during leave—a level of benefit that is financially out of reach for most small employers. Even when small businesses do participate, the credit only replaces 12.5% for businesses that cover 50% of normal earnings for PFML to 25% for businesses covering 100%. Due to this, only 0.5% of employers nationwide have claimed this credit – underscoring its failure to support employer and worker access to PFML.

Despite its inadequacy in meeting the PFML needs of small employers and their employees, the 45S credit was made permanent and expanded through the passage of H.R. 1 in July 2025. Continued reliance on underutilized and ineffective tax credits like Section 45S, which place the burden of addressing our nation's paid leave crisis on small employers, who employ nearly half of the private workforce, will only intensify financial strain on Main Street businesses while still leaving millions of workers without access to comprehensive, reliable benefits.

What should a federal PFML program include?

The U.S. remains the only high-income country that lacks a nationwide PFML policy. Without access to a comprehensive federal paid leave program, small businesses and their employees will continue to be left behind and struggle to compete with larger employers. Small Business Majority encourages lawmakers to prioritize legislative proposals like the **FAMILY Act** which would create a federal PFML program to support millions of workers on Main Street who currently lack access to PFML. At the most basic level, a federal PFML program should:

- Provide up to 12 weeks of partial income, at a minimum, to allow individuals to care for a new child after birth, adoption or foster placement, care for one's own serious medical condition or a loved one's; provide household coverage through military deployment; and to address concerns related to domestic and sexual violence, which certain states have already included in their state paid leave policies
- Cover employees and self-employed individuals no matter the size of the company at which they work
- Work in tandem with and supplement existing state-run plans to ensure workers and small businesses can seamlessly participate
- Collaborate with state governments as well as private and nonprofit sectors to ensure resources and educational materials may be distributed widely to hard-to-reach populations

¹ "Employee Benefits In The United States – March 2022." Bureau of Labor Statistics. September 22, 2022. https://www.bls.gov/news.release/archives/ebs2_09222022.pdf

² "Employee Benefits, Chart 2." U.S. Bureau of Labor Statistics. March, 2023. <https://www.bls.gov/ebs/factsheets/family-leave-benefits-fact-sheet.htm>

³ "A National Paid Leave Program Would Help Workers, Families." Center for Budget and Policy Priorities. April 27, 2021. <https://www.cbpp.org/research/economy/a-national-paid-leave-program-would-help-workers-families>

⁴ "Small businesses support a national paid family & medical leave program." Small Business Majority. October 24, 2024. <https://smallbusinessmajority.org/our-research/workforce/small-businesses-support-national-paid-family-medical-leave-program>