



Written Statement for the Record Before the U.S. House Committee on Education and Workforce Subcommittee on Workforce Protections

“Balancing Careers and Care: Examining Innovative Approaches to Paid Leave”

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Dear Chairman Mackenzie, Ranking Member Omar and members of the Subcommittee on Workforce Protections:

As a leading representative of America’s 36 million small businesses, Small Business Majority is pleased to submit this written statement for the record to the U.S. House Subcommittee on Workforce Protections regarding the importance of expanding access to paid family and medical leave (PFML) through innovative approaches that meet the needs of small businesses and their workers.

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. From our 11 offices across the country, we engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enables us to educate stakeholders about key issues impacting America’s entrepreneurs, with a special focus on the smallest, most under-resourced businesses.

Small employers recognize PFML as an essential benefit, but many lack access to viable solutions

While small businesses account for more than 99% of all U.S. businesses and employ nearly half the nation’s private sector workforce, millions of small employers lack the resources required to offer PFML to their employees – leaving millions of entrepreneurs and small business workers without access to comprehensive PFML benefits for emergency caregiving situations or parental leave. In fact, data from the U.S. Bureau of Labor Statistics indicates that only 27% of the private workforce have access to paid family leave.¹ Additionally, nearly half of private sector workers also lack the option to take unpaid leave under the Family and Medical Leave Act (FMLA), which excludes smaller employers and many part-time workers from its protections.²

As small businesses compete for the next generation of talent, workers are increasingly prioritizing employers that offer comprehensive benefits, including robust PFML. Small business owners also recognize the importance of benefits like PFML not only for the health and wellbeing of their employees, but for workplace productivity and employee retention. Small Business Majority research found that 82% of small employers think that having access to paid family and medical leave is important to their employees’ economic security and 86% support access to PFML as an employer and also as someone who

¹ “Employee Benefits in the United States, March 2023.” U.S. Bureau of Labor Statistics. September 2023. <https://www.bls.gov/ebs/publications/employee-benefits-in-the-united-states-march-2023.htm#appendix2>

² “Closing the Gaps on Paid Leave.” Center for Economic and Policy Research. February 5, 2026. <https://cepr.net/publications/closing-the-gaps-on-paid-leave/>

cares about the people who work for them.³ Furthermore, 78% of entrepreneurs are convinced that PFML boosts employee morale and productivity, contributing not only to the overall health and wellbeing of employees, but also to the financial stability and growth of the business. This perspective is echoed by the following small business owners, who illustrate why expanded PFML access is vital to the wellbeing of both their business and their workforce.

“Throughout my journey as a small business owner, I’ve come to realize the importance of flexibility, especially when it comes to accommodating employees’ needs. This experience has made me acutely aware of the importance of paid family and medical leave (PFML) and how a paid leave program can help ensure that employees have the financial support they need during challenging times. New Mexico families and businesses need PFML to thrive.”

- Kristen Worthington, owner, Worthington Farms, LLC, Mesilla Park, NM

“My employees who are full time have access to full paid family and medical leave. I’m proud to offer them paid leave and I know that if an employee takes two months off that I will eventually get a full salary’s worth of work from them whether it’s over 10 months or 12. The flexibility I offer is a big reason why great people stay with me for such a long time even though they likely have opportunities to work elsewhere for higher pay. This is critical because workers will gravitate to the businesses that offer the best benefits but all too often those businesses are the largest corporations.”

- Kristin Horowitz, Owner & CEO, The Pad Climbing (CA, NY)

“Our paid maternity/paternity leave benefit wasn’t created to attract new talent, necessarily-- it was created in response to having a compassionate and human response to the needs of our team.”

- Small business owner in Atlanta, GA

“It doesn’t matter if you work for an organization with five employees, 500 or 5000, you are still human and you are going to more than likely in your life experience an adverse event. Foreseen or unforeseen, you are going to experience it. I personally have experienced some serious losses and some serious challenges, as have my employees. And we just plough through because we have no cushion. I pay my employees when they have an adverse event. I can’t afford to lose them. The fact of the matter is that paid leave is absolutely necessary. Equality across the size of businesses. Small business needs help.”

- Shirley Modlin, Owner, 3D Design and Manufacturing LLC, Powhatan, VA

While small businesses and employees alike recognize the importance of PFML, small employers continue to face challenges in providing employer-sponsored PFML to their employees. Notable barriers, such as high costs and the administrative burdens of managing PFML internally, are particularly taxing for small businesses operating on razor-thin margins. According to Small Business Majority national polling, only about half of small businesses offer at least some PFML to their employees for scenarios including parental leave, medical leave and short-term disability leave. However, those that are able to offer some form of PFML to their employees are unable to offer more robust, long-term policies, placing small business owners and employees in difficult situations in relation to big corporations. Among small businesses offering paid medical leave, 67% offer one month or less, and among those offering paid leave for pregnancy or childbirth, 54% offer just one month or less. The inability to match the 12-16 week paid

³ “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>

leave policies offered by larger employers puts small businesses at a distinct disadvantage in the competition for skilled workers who prioritize comprehensive benefits. In fact, 14% of small business owners report that insufficient paid family or medical leave has caused a valued employee to quit or leave their business.

Small businesses support the creation of a national PFML program

Main Street employers are eager to find solutions that enable business owners and employees alike to access robust PFML benefits that support employee wellbeing and business substantiality. Eight in 10 small business owners want to provide more robust paid leave than their budgets allow, highlighting a stark disconnect between employer intentions and available resources. To address this gap and improve access to PFML for millions of small business owners and employees, 79% of small business owners support enacting a national PFML program that would guarantee wage replacement for up to 12 weeks. 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 Congress to prioritize legislative proposals like the Family and Medical Insurance Leave (FAMILY) Act (H.R. 5390/S. 2823) to create a federal PFML program that would support millions of workers on Main Street who currently lack access to PFML. In alignment with the national PFML program outlined in the FAMILY Act, we call on Congress to adopt a federal program that includes these fundamental components:

- 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.

While state-run PFML programs have proven successful where enacted, the current patchwork system is failing millions. Without a federal standard, entrepreneurs and small business workers in nearly 40 states remain stranded without access to essential paid leave benefits. Furthermore, our research shows that small business owners are about twice as likely to prefer a universal PFML program with premiums set by the government over a voluntary PFML insurance program with premiums set by insurance companies rather than the government. Critically, state-run programs and the FAMILY Act alleviate the primary obstacles for small firms by significantly reducing the financial and administrative burdens associated with providing PFML – expanding access to flexible and robust paid leave benefits for entrepreneurs and small business employees.

Section 45S vs. Main Street: Why Current Tax Credits are Inaccessible to Small Employers

Existing incentives like the Section 45S Employer Credit for Paid Family and Medical Leave, which provides a tax credit for employers who provide PFML to their employees, represent inadequate solutions for Main Street businesses that simply cannot afford the costs and administrative requirements associated with running an employer-sponsored PFML program. 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

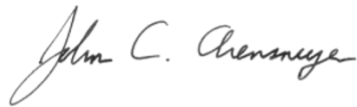
employer sponsored PFML. For example, to qualify for the full 45S credit, a small business must offer a PFML program that replaces 100% of an employee’s wages during leave—a level of benefit that is financially out of reach for most small employers. Even when small businesses do participate, the credit only replaces 12.5% for businesses that cover 50% of normal earnings for PFML to 25% for businesses covering 100%. Due to this, less than 500 employers claimed the credit in 2021 – underscoring its failure to support employer and worker access to PFML.⁴

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. Small Business Majority urges lawmakers to reconsider their continued reliance on investing in underutilized and ineffective tax credits like Section 45S and Section 45F, the Employer-Provided Childcare Tax Credit, to address our nation’s care crisis. These incentives not only place the weight of the care crisis on the shoulders of small employers but also reinforce a fragmented system where essential benefits remain tied to employment rather than being universally accessible. The continued reliance on employer-linked benefits creates an uneven playing field, penalizing small employers who find the costs of providing comprehensive PFML, childcare or healthcare financially and administratively out of reach.

Without comprehensive, innovative solutions like the FAMILY Act, small businesses and their employees will be left without access to robust PFML benefits that contribute to economic growth and wellbeing on Main Street.

Small Business Majority is encouraged by the ongoing congressional dialogue regarding PFML. Strengthening federal paid leave infrastructure is a vital economic driver that will empower small business owners to scale their operations and better support their workforce. For any questions or additional information, please contact our Senior Director of Federal Government Affairs Director Alexis D’Amato at adamato@smallbusinessmajority.org.

Sincerely,



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Small Business Majority

⁴ “Beyond Tax Credits: A Path To Meaningful Paid Family Leave.” Tax Policy Center. June 6, 2021. <https://taxpolicycenter.org/taxvox/beyond-tax-credits-path-meaningful-paid-family-leave>