



## **PRE-BUDGET SUBMISSION**

**From the  
Direct Sellers Association of Canada  
Association de ventes directes du Canada**

**August 14, 2009**

## 1. INTRODUCTION

Since 1954 the Direct Sellers Association of Canada (DSA) has established and upheld rigorous standards, ethics and good business practices as the recognized voice of our industry. As an industry that connects more than 1.3 million Canadians to entrepreneurial opportunity and enrichment, we provide assurance of member company integrity and a foundation of trust for independent sales contractors (ISCs) and consumers.

The DSA and its **41** direct selling member companies are committed to operating in accordance with the comprehensive industry standards set out in the DSA's Codes of Ethics and Business Practices.

The direct selling companies and their ISCs market and distribute a wide variety of products and services directly to the consumer, usually but not exclusively in the consumer's home, rather than in traditional retail establishments. Generally, these products and services are sold by ISCs in the context of group presentations (party plan), or on a personal consultation basis.

The strength of direct selling lies in its tradition of independence, providing accessible business and career opportunities to people whose entry is not restricted by gender, age, education or previous experience. Direct selling increases access to retail markets in rural areas, generally underserved by traditional retailers with 26% of direct selling consumers living in rural areas across Canada.

Direct selling contributes significantly to the Canadian economy. The industry's associated labour pool includes 3,900 permanent employees and **1.3 million ISCs**. ***The combined labour force earned an estimated \$1.08 billion, in income, through their association or employment with the direct selling industry. Total labour compensation, including \$218 million in wages paid to permanent employees and \$867 million of commissions and bonuses paid to ISCs, illustrates the very significant "direct" economic impact of the industry's activity in Canada.***

During the past year, more than **1.3 million** individual Canadian women and men were engaged as ISCs in operating their own direct selling businesses with more than **\$2.2 billion** of sales. In terms of the ISCs, it should be noted that 88% are women, 81% are married, and 56% have full-time jobs – using this business opportunity to earn extra income. Additionally 15% worked part-time and have no other occupation, while **11% were unemployed** prior to entering the industry.

In a **Socio Economic Impact Study of the Direct Selling Industry** conducted by Ernst & Young, using an income multiplier, it was estimated that an additional \$492 million in personal income was created, with the total personal income contribution of the direct selling industry to the Canadian economy being in excess of \$1.57 billion.

## 2. SUMMARY OF RECOMMENDATIONS

### *Employment Insurance*

- i) The DSA recommends that the government of Canada ensures that programs aimed at encouraging individuals transitioning from EI include direct selling as a legitimate form of self-employment and income creation.
- ii) The DSA recommends that the government of Canada fulfill its commitment to allow self-employed individuals to voluntarily opt-in to the EI program for maternal and parental benefits.

### *Taxation*

The DSA recommends that the government ensure that changes to the Direct Sellers Alternate Collection Mechanism announced in the 2009 federal budget are contained in forthcoming enabling legislation and that the legislation be passed by all Members without undue delay.

## 3. EMPLOYMENT INSURANCE

### *i) Direct Selling and income creation for Canadians*

In these challenging economic times, many Canadians find themselves either out of work or in need of additional income. With fewer full and part-time jobs available, Canadians are looking for other options to meet income needs, including direct-selling.

The direct selling industry can meet the needs of thousands of Canadians, who find themselves in these difficult situations, by assisting in and promoting entrepreneurial activity. Direct selling offers flexibility of hours, training, education and support for running a business. It offers a wide variety of earning situations, and the opportunity of maintaining, or returning to, a meaningful and fulfilling standard of living.

In an address to the DSA Annual Conference in 2007, then Minister of National Revenue, the Honourable Carol Skelton spoke of her own experiences in direct selling, saying that ***“the experience with the direct selling industry gave me the independence, the confidence, and the knowledge to pursue other career opportunities later.”***

This viable business opportunity has been clearly recognized by the U. S. Internal Revenue Service, which has stated the following in its *Direct Seller Audit Technique Guide*:

Direct selling provides important benefits to individuals who desire an opportunity to earn an income and build a business of their own; to consumers who enjoy an alternative to shopping centers, department stores or the like; and to the consumer products market. It offers an alternative to traditional employment for those who desire a flexible income earning opportunity to supplement their household income, or whose responsibilities or circumstances do not allow for regular part-time or full-time employment.

**The direct selling industry has an unlimited capacity to transform individuals who are dependent on social programs, such as employment insurance, into successful small business entrepreneurs.** Unfortunately, this has not always been recognized by all areas of government. Indeed, at a meeting of the Standing Committee on Finance in 2005, then Conservative Finance Critic, the Honourable Monte Solberg told the DSA that *“I think it’s important to underline how important your industry is. I know you provide primary income for some people, but you provide supplementary income for a lot of folks, and I don’t think your industry ever gets the credit it really deserves.”*

The DSA believes there are improvements that can be made to the Employment Insurance system that would both enhance the benefits to the self-employed, but also encourage - rather than discourage - individuals from transitioning from dependence on EI to independence.

## **ii) *EI and transitioning from dependence***

The Canada Skills and Transition Strategy announced as part of Canada's Economic Action Plan. Aimed to protect Canadians during the global recession and invest in Canada's long-term growth. The Plan includes increased funding of over \$1 billion over two years for training delivered through the Employment Insurance program existing Labour Market Development Agreements for provinces and territories. The stated goal was to train an additional 100,000 EI eligible clients.

One of the programs - the Strategic Training and Transition Fund - will provide \$500 million over two years, administered through existing Labour Market Agreements with provinces and territories, to help meet the different training and support needs of workers, whether or not they qualify for EI. The DSA believes that HRSDC-funded programs – present and future – should not exclude individuals from entering direct selling. The DSA would like to see direct selling recognized by HRSDC as a legitimate form of self-employment – as it has been by Finance Canada, the Canada Revenue Agency, and the Competition Bureau.

Over the years, we have received some anecdotal evidence from member companies that suggests direct selling has not been viewed as a legitimate form of employment by HRSDC. This has kept some members from being involved in HRSDC-sponsored ‘job fairs’. It keeps information about direct selling as an income/career choice out of Service Canada Centres. We believe direct selling may not be contemplated in the design of programs that help individuals transition from EI benefits to self-employment. As a result, employment programs may, in fact, be biased against direct selling.

The DSA wants to ensure that individuals on EI benefits who pursue direct-selling can do so without undue penalty. We want to ensure that EI programs accommodate the nature of entering and building a direct selling business.

The DSA believes that individuals on EI benefits who choose to start a direct-selling business should be eligible for some measure of transitional relief – perhaps under the government’s Self-Employment Program. The Self-Employment Program provides individuals who are eligible for EI with income and support while they develop and implement business plans.

The DSA is not asking the government to design new programs – we are suggesting that there may be modifications that can be made to existing programs that would accommodate the unique nature of direct selling.

Accordingly, the DSA has initiated a dialogue with the Government of Canada in order to determine what program changes may be required to better enable individuals to enter the direct selling industry and increase the efficiency and effectiveness of creating entrepreneurial jobs, training and transitioning to independence.

***Recommendation:* The DSA recommends that the government of Canada ensures that programs aimed at encouraging individuals transitioning from EI include direct selling as a legitimate form of self-employment and income creation.**

### ***iii) Self-employment and EI benefits***

The Conservative government promised to offer self-employed Canadians the opportunity to, on a voluntary basis, opt-in to the EI system for at least six months prior to making a claim for maternity and parental benefits. The estimated cost of such a move was \$147 million. Canadians operating a direct selling business are by definition, self-employed. While we believe only a minority of individual direct-sellers would choose to opt-in to such a program if it were made available, we strongly believe it is an appropriate benefit that should be available to the growing number of self-employed Canadians.

Recognizing that there needs to be adequate study and consultation on the costs and administrative feasibility of such a change, the DSA supports the concept and encourages the federal government to support the work of the Expert Panel on EI reform that was created in June of this year. We encourage the panel to examine how this important change could be achieved as part of a broader package of EI reforms.

***Recommendation:* The DSA recommends that the government of Canada fulfil its commitment to allow self-employed individuals to voluntarily opt-in to the EI program for maternal and parental benefits.**

### 3. TAXATION

#### ***i) GST Alternate Collection Mechanism***

The GST/HST Direct Sellers Alternate Collection Mechanism (ACM) has been a “**win-win-win**” for the government, DSA member companies and their independent sales contractors in streamlining the administration of the GST/HST in the direct selling industry while ensuring the security of government revenues. For many years, the DSA has been recommending that the ACM be expanded so that it is available to all direct sellers and their independent sales contractors, including the 25% who operate on a sales representative basis and were excluded from using the mechanism. This recommendation has been a fixture of many pre-budget submissions from the DSA to the Standing Committee on Finance.

After years of consultation and constructive dialogue with the government, the DSA was very pleased that the government adopted this recommendation in the 2009 Federal Budget. We anticipate the announced changes, with certain technical refinements discussed with Finance officials, will be made in forthcoming enabling legislation and the DSA asks all Members for their support and passage of the legislation when it comes before the House of Commons.

***Recommendation:*** The DSA recommends that the government ensure that changes to the Direct Sellers Mechanism announced in the 2009 federal budget are contained in forthcoming enabling legislation and that the legislation be passed by all Members without undue delay.

### 4. CONCLUSION

**The Direct Sellers Association appreciates the opportunity to participate in the Budget Consultation process. We believe that our recommendations are consistent with the governments’ objectives and address the needs of Canadians and we look forward to working with the government to help put Canadians back to work.**

**Respectfully submitted**

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