



DIRECT SELLING ASSOCIATION

1667 K Street, NW, Suite 1100 | Washington, DC 20006-1660
202.452.8866 | Fax 202.452.9010 | www.dsa.org

REQUIRING DIRECT SELLERS TO PAY UNEMPLOYMENT COMPENSATION AND WORKER'S COMPENSATION IS INCOMPATIBLE WITH THE DIRECT SELLING MODEL

Background

The freedom and flexibility to build your own business is one of the many benefits of direct selling. Conversely, in an employer-employee relationship, the employer exercises a certain level of control and influence over an employee's hours and wages. The law requires that these companies contribute to unemployment compensation, paid to employees who have lost their jobs, and workers compensation, paid to employees injured in the course of employment.

Position

Payment of unemployment and workers' compensation is appropriate for businesses with full-time employees. Payment into these programs is not appropriate for direct selling companies utilizing an independent salesforce who are independent contractors. Direct sellers choose to be independent contractors for the freedom and flexibility and should not be subject to paying into programs intended for businesses using an employer-employee relationship.

Additionally, many direct sellers enter into their business to achieve distinct financial, business or personal goals and then exit once those goals are met. If direct selling companies were forced to pay into programs intended for businesses with employees, insurmountable financial and administrative burdens would result, creating significant obstacles for the direct selling industry and hindering its growth.

Policy Alternatives

- Due to the overwhelmingly part-time nature and independent contractor relationship of direct sellers, direct selling companies should be exempt from unemployment and workers compensation for their direct selling salesforce. This exemption has been recognized under both federal and state law.
- DSA supports defining direct sellers as independent contractors consistent with federal law – 26 USC § 3508, the direct seller exemption under the U.S. Internal Revenue Code, which defines direct sellers as statutory non-employees.