

CANADIAN WOMEN'S  
CHAMBER OF COMMERCE



CHAMBRE DE COMMERCE  
DES FEMMES CANADIENNES

# **Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget**

**By the Canadian Women's Chamber of Commerce**

## **Recommendations**

- That the government follow through on its promise to modernize the Employment Insurance program to fully and equitably support self-employed individuals.
- That the government evaluate all programs and policies designed for SMEs to ensure the inclusion, accessibility, and eligibility of self-employed individuals.
- That the government amend the *Income Tax Act, RSC 1985, c 1 (5th Supp), s 18* in order to implement a 100% refundable tax credit (personal and corporate) for expenses related to proof of status and other qualification requirements for diversity and equity programs.

## **About the Canadian Women's Chamber of Commerce**

The Canadian Women's Chamber of Commerce is the first and only chamber of commerce to expressly advocate for the 1.2 million self-identified women and gender-diverse business owners, and self-employed in Canada.

For more information, visit our website at [CanWCC.ca](https://www.CanWCC.ca).

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## **Self-Employed Individuals**

Public policy discussions about small business consistently focus on employers and formal waged with benefits job creation. This excludes 10% of Canadian businesses and workers<sup>1</sup>, making it harder for them to survive, make a living, and grow their businesses. There is no recognition that the self-employed individual is an employer of one. There is also no recognition of self-employed business owners' indirect economic contribution, providing goods and services to each other, the public, and small and medium-sized businesses (SMEs).

An excellent example of the problem is the Canada Digital Adoption Plan (CDAP)<sup>2</sup>. In Budget 2021<sup>3</sup> the Federal Government announced a **\$4 billion investment**<sup>4</sup> in CDAP. This program provides microgrants and loans to businesses to assist with technology adoption expenses. To qualify for the program, a company of one enterprise must have at least one additional employee, **making 80% of women entrepreneurs and 50% of Black and Indigenous entrepreneurs ineligible**<sup>5,6,7</sup>.

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Equity-deserving groups are disproportionately represented in self-employment:

- 10% of the Canadian labour force are self-employed.
- 80% of women entrepreneurs are self-employed.
- 50% of Black and 68% of Indigenous entrepreneurs are self-employed.
- 25% of all self-employed individuals are people of colour<sup>8</sup>.
- 18% of individuals living in rural Canada are self-employed<sup>9</sup>.

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Self-employment is a crucial avenue for individuals to pursue their innovative ideas, aspirations, and livelihoods outside the realm of traditional employment. While it presents an opportunity and a privilege for some, for others, especially those already marginalized by various factors such as intersecting identities, geographical location, and socio-economic context, self-employment is a necessity. The Organization for Economic Co-operation and Development (OECD) defines self-employment as both a survival strategy for those unable to secure alternative sources of income and as an expression of entrepreneurial drive and autonomy<sup>10</sup>.

Some individuals are self-employed because of the nature of their work. For example, freelance writers or dancers are unlikely to have employees. They are also unlikely to find employment in the traditional labour market to match their specific profession or skill set. Consequently, they are excluded from social safety nets such as Canada's employment insurance system, which is designed for those in paid employment.

By designing and implementing support for the self-employed, whether they are aspiring to become employers or are self-employed due to the nature of their work, resources will naturally go toward individuals who are systemically marginalized and excluded. About half of Black and Indigenous entrepreneurs are self-employed. 18% of self-employed people are immigrants. Self-employed people tend to be

older, with an average age of 48.6<sup>11</sup>. This group epitomizes the inclusive economy that government policy is designed to foster.

Despite their importance, the self-employed face neglect from policymakers when it comes to program and policy design. This was true before the COVID-19 pandemic, during the pandemic, and remains true now. It is not a new phenomenon nor unique to the current government. There are many examples, some of which are listed below:

- **Canada Job Grant:** \$500 million dollar program announced in Budget 2013<sup>12</sup>. The program offers a non-repayable grant of up to \$10k for job-specific training. However, only employees are eligible to take the training. Owners are not allowed to be the person taking the course (and the program is not open to self-employed individuals).
- During COVID-19, the **Canada Emergency Business Account (CEBA) loans**<sup>13</sup> were initially only available to businesses with a minimum 2019 payroll spend. Only after months of external pressure did the Federal government create an additional eligibility scheme for business owners without employees.
- **Canada Digital Adoption Plan (CDAP)**, announced in Budget 2021, is a \$4 billion program that offers grants and loans to businesses for technology adoption. To be eligible, businesses must have at least one employee.
- Promises for a comprehensive EI plan to cover self-employed freelancers, independent contractors and “gig” workers have been on the table for many years with **no action**<sup>14,15</sup>.

All of these examples share two things in common: one, they exclude the self-employed. Two, they represent access to capital. Programs like these can help self-employed individuals live a more secure life and grow their business by either moving towards becoming an SME or increasing their indirect effect on the economy.

It is critical to pay attention to the shared needs and challenges self-employed individuals face. While they may often feel isolated in their struggles, they are united as an indispensable group of business owners and workers who demand attention and support. Building a truly inclusive economy requires robust support for self-employment, both within communities and through policy initiatives. It is misguided to ignore 10% of the labour market - a group that represents the pipeline of Canada's SMEs, artists, journalists and others who contribute greatly. By recognizing and addressing the unique circumstances of the self-employed, we can foster a more equitable and thriving economic landscape for all.

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## **Refundable Tax Credit for Diversity Certification Expenses**

Access to large corporate and government supply chains is critical to accelerating revenue growth<sup>16</sup>. The business case for supplier diversity is clear<sup>17</sup>, and a number of large corporations have established supplier diversity policies that allocate a percentage of annual procurement from minority suppliers (including majority women-owned businesses). Many of these corporations are based in the United States but have implemented a global supplier diversity strategy or have established similar domestic policies at their Canadian headquarters<sup>18</sup>.

In the 2018 Federal budget, the Canadian Government set a goal to commit to 15% annual procurement from majority women-owned businesses but has yet to table any specific legislation<sup>19</sup>.

Two organizations in Canada certify majority woman-owned businesses: Women Business Enterprises (WBE) Canada<sup>20</sup> and WEConnect International<sup>21</sup>. WBE Canada is a Canadian not-for-profit organization. WEConnect International is a US-based organization with operations in 60 countries worldwide. Beyond certification, both organizations offer training, corporate matchmaking, and networking opportunities for certified firms to connect with corporate supplier diversity representatives.

Certification is touted as an opportunity to access lucrative contracts and gain a foothold in the corporate supply chain. However, the 2022 State of Supplier Diversity in Canada Report noted that only 19% of surveyed companies had formal supplier diversity policies in place, and, on average, only 0.6% of their total budget went to women-owned suppliers<sup>22</sup>.

The certification process requires a lengthy application, an annual fee, and an on-site interview or online assessment. Certification is only available to businesses that are majority women-owned and led (i.e. 51% owned by women and substantively managed by women)<sup>23</sup>.

The rationale for certification is to prevent fraud. That is, to prevent corporations that are not women-owned and -led from participating in the supplier diversity program. This is a due diligence issue that is the responsibility of the buyer corporation - not an underutilized supplier. Furthermore, legitimate suppliers should not be penalized because the potential for fraud exists.

The extensive information collected for certification purposes suggests that the process goes beyond simple ownership verification and includes a more sophisticated level of due diligence. Is certification validating ownership or suitability to be a corporate supplier (or both)? If there is any hint of scrutiny beyond the gender of owners, it is absolutely outrageous that women (and minority) business owners are being charged for this.

In Canada, the Canada Revenue Agency could perform simple certification (for free or for a nominal fee). The Federal Government already has an audit procedure it uses with the Procurement Strategy for Indigenous Business (PSIB) Set-aside Program<sup>24</sup>, which could easily be replicated for women-owned businesses. Alternatively, marginalized groups could be extended the dignity of self-identification.

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