news from
cuasa

Volume 14, No. 7 Editor: Jon Alexander February, 1984.

OCUFA infoletter: ONTARIO RETAIL SALES TAX

We have received a number of enquiries from members who had heard about changes in the rules governing rebates of Ontario retail sales tax on research equipment and supplies purchased by Ontario universities. Enquiries to COU indicate that some changes have indeed taken place although the situation remains far from clear. Following is a summary of events and the current status of the situation.

You may recall that in the 1982 provincial budget university research equipment purchases were made subject to retail sales tax (see Infoletter #30, July 9, 1982). As a result of lobbying by OCUFA, UTFA, COU and the University of Toronto administration, the Treasurer agreed to provide rebates of provincial sales tax paid on the purchase and repair of university research equipment. Research supplies were also included in the regulation.

It seems that in 1983, Treasury decided to exclude research supplies from rebate and advised the Retail Sales Tax branch of the Ministry of Revenue. COU was only informed of this in December 1983 and told that the effective date for the changes was 1 December 1983. Some correspondence ensued in an attempt to clarify the definition of supplies vs. equipment and the meaning of "equipment designed for use ... in research". Another change communicated at the same time was that computers would be considered tangible personal property (as opposed to real property, that is, affixed to the building) and the service labour to repair these would be taxable.

Dr. James McAllister, Research Associate (Finance) at COU has been communicating the most recent information about these changes to the Senior Finance Officers of the universities, some of whom have sent out general memos to members of the university community advising them of the changes. The following paragraphs are from a letter from an official in the Retail Sales Tax branch explaining the expression "... of equipment designed for use ... in research and investigation" contained in subsection 21a(1) of regulation 904.

> "Scientific equipment would be designed for use in research, for example, but chalkboards, boats and word-processors, would not. Computers, although used for many applications, could be said to be designed for use in research and we would allow them to be included in any claim. All of this equipment must, of course, be used exclusively (100%) in research and not be for teaching or administration.
>
> As a further clarification and guide to the types of items to be included under equipment we would consider utensils, instruments and other apparatus that are designed for use in research; skeletons; scientific apparatus and equipment ancillary thereto; scientific utensils and instruments; "glassware" for laboratory or scientific uses; animals for laboratory or scientific uses; all as qualifying for a refund of the tax."

Although further clarification is still being sought, COU is advising its members to implement the changes in procedures which are unavoidable, e.g., not claiming rebates for items which are obviously supplies; computers to be considered tangible personal property.

OVER

It has also been suggested that those on your campus responsible for such financial matters draw up lists of items to send to your local tax office in order to get a written interpretation from them on the eligibility for rebate of a given item. Should you have questions about particular items, you would be well advised to call the person on your campus responsible for such matters in order to get more information.

OCUFA will continue to monitor this situation and keep you informed if there are further changes or if matters are clarified further.

SALARY EROSION IN AN AGEING PROFESSORIATE

by R. Riseborough, Professional Officer/CUAT

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The five year period, 1976-77 to 1981-82, saw a steady increase in the cost of living coupled with a decline in the real salaries of university teachers. At the same time, a slowdown in the growth of universities contributed to the ageing of the university professoriate.

The following tables illustrate these phenomena. The first table shows mean salary for Canadian university teachers at eight age levels for the years 1976-77 and 1981-82. Mean salaries for 1981-82 are shown in constant 1981-82 dollars (Row 2) as well as in deflated 1976-77 dollars (Row 4).

TABLE 1
MEAN SALARY BY AGE
1976-77 and 1981-82
AGE LEVEL

	YEAR	27 $	32 $	37 $	42 $	47 $	52 $	57 $	62 $	CPI 1976-77 = 100
1.	1976-77	16223	20369	23923	26884	29254	31031	32215	32808	100.0
2.	1981-82	25252	29876	34194	38204	41908	45303	48392	51174	162.2
3.	% change (constant dollars)	55.6%	46.7%	42.9%	42.1%	43.3%	46.0%	50.2%	56.0%	62.2%
4.	1981-82 ($1976-77)	15568	18119	21081	23554	25837	27930	29835	31550	Average % change Weighted by Age
5.	% change (real $1976-77)	-4.0%	-9.6%	-11.9%	-12.4%	-11.7%	-9.9%	-7.4%	-3.8%	-10.3%

Notes:

1. Mean Salaries for 1976-77 taken from: D. Balzarini, "The Economic State of the Academic Profession". CAUT Bulletin. October 1979 (using Statistics Canada data).
2. Mean Salaries for 1981-82 from Statistics Canada Data.
3. Consumer Price Index data from Statistics Canada Catalogue 62-001. Based on year July to June.

In constant terms, the mean salary for each age level increased between 1976-77 and 1981-82 (Row 3). The average percentage increase, weighted by the number of faculty at each age level, was 45.5%. But at the same time, the cost of living rose by 62.2%, much faster than the increase in salaries.

How did the increase in the rate of inflation affect the real salaries of the professoriate? Row 4 of Table 1 shows 1981-82 salaries in deflated dollars using 1976-77 as the base year. Each age level experienced a decline in real salaries or a decline in purchasing power. Faculty between the ages of 37 and 47 seemed to be affected the most, with declines approximating 12%. The average percentage decline in real salaries, weighted by age distribution was -10.3%.

The demography of the university community was not static during these years. Universities experienced a slowdown in growth, replacing and hiring fewer teachers. As a result, the median age of faculty in Canada changed from 40.4 years in 1976-77 to 44 years in 1981-82. The following graphic and table illustrate this ageing process.

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(reprinted from CAUT The Negotiator, Vol. 1, No. 2 January 27, 1984)

FACULTY AGE PROFILES

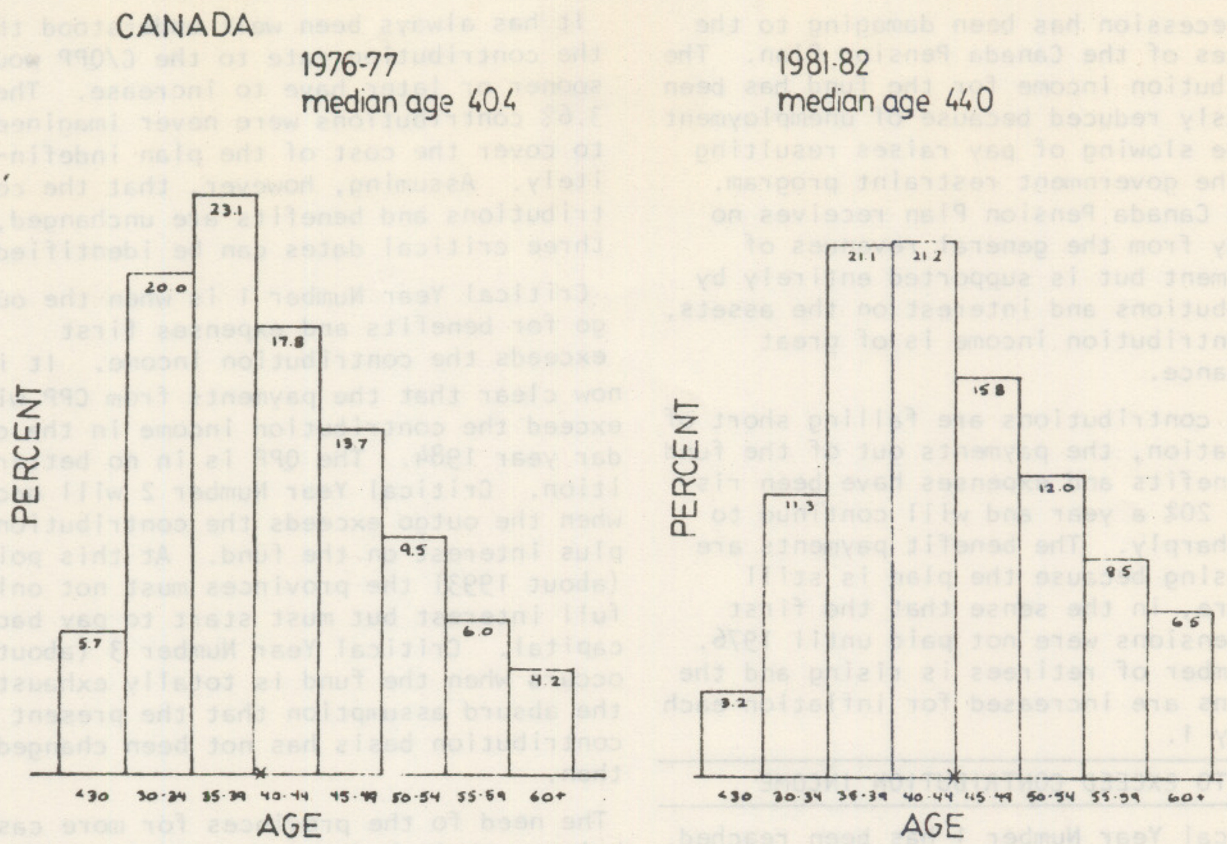

TABLE 2

PERCENT DISTRIBUTION OF FACULTY BY AGE GROUP

1976-77 and 1981-82

AGE GROUP	<30 %	30-34 %	35-39 %	40-44 %	45-49 %	50-54 %	55-59 %	60+ %	Median Age
1976-77	5.7	20.0	23.1	17.8	13.7	9.5	6.0	4.2	40.4
1981-82	3.2	11.3	21.1	21.2	15.8	12.0	8.5	6.5	44.0

Source: Statistics Canada. Post-Secondary Education Section.

The age group showing the greatest increases in number is the 40-44 year group. Faculty of these ages also experienced the highest declines in purchasing power (see Table 1). A 42 year old in 1981-82 earned 12.4% less than a 42 year old in 1976-77. A 47 year old in 1981-82 earned 11.7% less than a 47 year old in 1976-77. Even more disheartening, a 42 year old in 1981-82 earned 3.9% less than a 37 year old in 1976-77, and a 47 year old in 1981-82 earned 4.5% less than a 42 year old in 1976-77.

Thus, five more years of age and experience are not rewarded by a higher real salary. The bulk of university teachers find that not only are they earning less than their counterparts five years earlier, but are taking home less than they themselves earned five years earlier.

I N S U R A N C E

Bob Jones is on campus TUESDAYS and WEDNESDAYS from 10:00 a.m. to 4:00 p.m. and is located in the CUASA Office - Room 447 St. Patrick's Building.

You can reach Bob by phone at 4310 (Tuesdays and Wednesdays)

1-800-267-7996 (other times)

This information is printed on the inside cover of your CUASA Calendar as well as on the inside back cover of the Staff Directory.

CRITICAL YEAR NUMBER 1 FOR THE CANADA PENSION PLAN

Reprinted from THE MERCER BULLETIN VOL.35 NO.12 published by William M. Mercer Limited

The recession has been damaging to the finances of the Canada Pension Plan. The contribution income for the fund has been seriously reduced because of unemployment and the slowing of pay raises resulting from the government restraint program. As the Canada Pension Plan receives no subsidy from the general revenues of government but is supported entirely by contributions and interest on the assets, the contribution income is of great importance.

While contributions are falling short of expectation, the payments out of the fund for benefits and expenses have been rising at 20% a year and will continue to rise sharply. The benefit payments are increasing because the plan is still immature, in the sense that the first full pensions were not paid until 1976. The number of retirees is rising and the pensions are increased for inflation each January 1.

OUTGO TO EXCEED CONTRIBUTION INCOME

Critical Year Number 1 has been reached. For the first time since CPP was started in 1966, the outgo for benefits and expenses will exceed the contribution income. At this point the provinces are unable to borrow back all the interest charges they must pay on their loans from the fund.

There is continuing pressure to improve the Canada/Quebec Pension Plan benefits, apart from a general increase. The child-rearing drop-out rule will, with effect from January 1, 1984, raise the pensions of CPP members who left work to care for young children, although the immediate effect will be small. The Green Paper proposed improvements in the benefits for survivors and disabled contributors. The QPP now allows a retired contributor to take his pension at age 60. Considering all these pressures, the rise in C/QPP outgo is likely to accelerate, if anything.

It has always been well understood that the contribution rate to the C/QPP would sooner or later have to increase. The 3.6% contributions were never imagined to cover the cost of the plan indefinitely. Assuming, however, that the contributions and benefits are unchanged, three critical dates can be identified.

Critical Year Number 1 is when the outgo for benefits and expenses first exceeds the contribution income. It is now clear that the payments from CPP will exceed the contribution income in the calendar year 1984. The QPP is in no better position. Critical Year Number 2 will occur when the outgo exceeds the contributions plus interest on the fund. At this point (about 1993) the provinces must not only pay full interest but must start to pay back capital. Critical Year Number 3 (about 2002) occurs when the fund is totally exhausted, on the absurd assumption that the present Act and contribution basis has not been changed before then.

The need fo the provinces for more cash to balance their budgets is pressing. They too have been affected by the recession and by increasing demands on their welfare services and higher interest charges. Accordingly, the provinces are likely to be very receptive to proposals to increase CPP benefits and contributions. For governments to impose an increase in contributions on the Canadian workers without promising some increase in benefits would be politically unwise and unlikely. Unfortunately this combination increase would produce immediate income whereas a benefit increase would mainly have a deferred cost effect.

Whatever the recommendation of the Parliamentary Committee on Pension Reform and the outcome of the federal-provincial negotiations that will follow, the first critical year has come a little sooner than expected and is a milestone of great significance. It raises the likelihood that the CPP will soon be amended inone way or another to increase the contribution income.

CUASA SPECIAL GENERAL MEETING

APPROVES TEMPORARY FEE INCREASE

FOR PUBLIC INFORMATION CAMPAIGN

The Special General meeting of the Association which took place on February 10th, 1984 heard reports from Bill Jones (Psychology) the President of OCUFA and Carleton's OCUFA Director, Gene Swimmer (Public Administration) on the urgent need for a major campaign to tell the public why Bette Stephenson's plan for restructuring the university system from above must be resisted.

On the basis of the preliminary budget for the first stage of the campaign the CUASA Steering Committee had recommended that the original motion for a fee increase of ten dollars per month for one year be decreased to an increase of eight dollars per month for a period of ten months.

This proposal moved at the General meeting by Professor Swimmer and seconded by Professor Jones was amended from the floor to read ten dollars per month for ten months. Both the amendment and the main motion carried overwhelmingly.

The temporary fee increase will be reflected in member's pay starting with the March 1984 cheques. On an after-tax basis the temporary fee increase approved will amount to less than $1.50 per week for the average member, surely not too much to let the public of Ontario know that the continued accessibility and quality of the postsecondary school system to which they want to send their children is seriously threatened.