Backgrounder

GRATUITY

The first known retirement gratuity for teachers dates back to 1941. By 1969, all but 4 jurisdictions had a gratuity. The rationale for gratuities followed the same rationale for sick leave plans*: if a teacher used their 20 days statutory leave each year, they would have been paid for a total of 700 days of illness for a 35 year teaching career. Good health would result in not taking that time off, so the gratuity was a reward for good health and service to the board.*

Presently, retirement gratuities in OSSTF collective agreements appear as follows:

84% of teacher collective agreements have active gratuity provisions
16% of teacher collective agreements have grandparented only gratuity provisions

49% of support staff collective agreements have active gratuity provisions
21% of support staff collective agreements have grandparented only gratuity provisions
30% of support staff collective agreements have no gratuity provisions

Teachers in five other provinces are entitled to some form of gratuity or retirement allowance. Data is not readily available for support staff in other provinces.

The Education Act allows for and spells out retirement gratuities in Section 180. These provisions have stood the test of time in legislation by surviving economic ups and downs as well as the prerogative of the governments formed by all three major political parties in Ontario.

Collective agreements containing retirement gratuities, have been achieved through the give and take of collective bargaining and by forgoing other improvements over the years. Generations of teachers and education workers have fought to create and maintain gratuities.

By comparison, the Ontario Public Service is entitled to receive one week of salary for each year of continuous service if the member retires or resigns. This is in addition to benefits after retirement. These entitlements are not dependent on good attendance and are more valuable than the gratuities in the education sector.

Backgrounder

The retirement gratuity can be viewed as money in lieu of benefits after retirement, recognition of long service employees and as payment of cents on the dollar for sick leave entitlement not taken throughout a member's career. Retirement bonuses, severance packages and retirement incentives are not uncommon in the private sector or in the public sector outside of education. They are also not uncommon in other jurisdictions.

Several studies have shown that plans and programs that provide a cash incentive for unused sick leave credits significantly decreases rates of absenteeism. On the other hand, research shows that punishment for frequent absenteeism does not result in a reduction in absentee rates.

Gratuities create a win-win situation between employers and employees as the employer pays out only a fraction of the initial liability on the books created by sick leave.

The government's gratuity proposal is as follows:
The gratuity would be frozen at its value as of August 31, 2012. Only if a member meets the minimum eligibility requirements at that time would the years of service and salary rate be frozen, and that fixed amount would be paid out upon retirement. No person ineligible as of August 31, 2012 would ever become eligible. Future salary increases, sick leave credits and years of service would not count toward a gratuity.