

## Free parking for teachers: Unfair hidden subsidy, or well-deserved perk?

*It's quite OBVIOUS whoever implemented this is an ignorant, ungrateful, greedy fool!! Someone who CLEARLY believes Teachers are mere tools for them... Before we were Ministers, Cleaners, Doctors, Buskers, we all went to schools once, & there'll always be Teachers who'd go the mile out, who never put themselves before us... But always unappreciated & sometimes forgotten. That's why there'd be MORONS trying to make Teachers' lives miserable...*

– Aspa M Hatta, Facebook user<sup>1</sup>

### Introduction

On 7 January 2016, the Chinese language newspaper Lianhe Zaobao reported that the Ministry of Education (MOE) was considering whether to charge teachers for parking in their school compounds.

The news was picked up by other news outlets and soon there was an internet firestorm. Netizens were overwhelmingly against the move, with many seeing this as an example of “calculative” behaviour on the part of MOE, and as evidence that MOE did not appreciate the sacrifices teachers made. Several opinion pieces in favour of charging for parking were published on news sites such as Mothership.sg and The Middle Ground, but netizens in favour of the change continued to be a minority.

According to news reports, MOE’s review had been prompted by a July 2015 Auditor-General’s Office (AGO) report faulting three educational institutions under MOE’s purview for not imposing market rate charges for the use of their car parks, including by their own employees. The AGO had said that the Institute of Technical Education (ITE), Singapore Polytechnic and Temasek Polytechnic were essentially providing “hidden subsidies” for vehicle parking.

Almost all civil servants in Singapore have to pay for parking at their place of work, including MOE employees who work at the MOE’s headquarters at North Buona Vista Road. School employees are a rare exception. (While the internet debate focused on teachers, other school employees, including school leaders, allied education officers, and executive and administrative staff, are not charged for parking either.) Only school employees and approved visitors are allowed to park within school compounds, and, when they do so, are not charged a fee.

On 12 January, five days after the news broke, MOE posted the following update on its Facebook account:

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<sup>1</sup> All Facebook comments are taken from the discussion on this thread:  
<https://www.facebook.com/TheStraitsTimes/posts/10153208615402115>, last assessed on June 14 2016.

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*There has been much online chatter on the review of free parking in schools. We understand the concerns raised and we are with you in appreciating the dedication and hard work by all our teachers.*

*We seek your patience and understanding as we are still in the process of reviewing the car park policy for schools, bearing in mind civil service guidelines and recent AGO observations. We are taking the time to do this carefully.*

Online discussion died down thereafter. At the time of writing, MOE had not yet announced the outcome of its review.

The public outcry may have been surprising to some observers. The economic and moral case for charging for parking might have seemed clear cut. There had been little or no public reaction to the AGO's July 2015 pronouncement that ITE and the two polytechnics should charge users, including their own staff, for parking. Government policies to control the car population have put owning a car out of reach of most Singaporeans, and even those who do drive are likely accustomed to paying for parking, even at their own place of work. Little sympathy for the driving teachers might thus have been expected.

And yet, if netizens' comments were representative, not only teachers but members of the public with no vested interest in the decision were strongly against a change.

This case study examines the arguments for and against changing the status quo. The status quo has two elements. First, school employees get the perk of parking for free at their place of work. The second element is that this perk is given as an implicit subsidy, one whose value is not easy to figure out. Even assuming that parking should be a perk, there is still the question of whether the subsidy should be an explicit one. We consider each of these issues in turn.

Where we discuss arguments that were commonly made or gestured at by netizens, we include some representative quotes. Netizens' comments shed light on how the public thinks about these issues, and some also raise powerful arguments that policymakers may tend to overlook. Many of these comments were brief, but we attempt to read the comments in as constructive a way as possible, to get at what netizens might have said had they had spent more time expanding on their arguments.

Before we go into the arguments about whether and how the status quo should be changed, however, we briefly touch on arguments made by netizens that even thinking about these issues is a waste of time.

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## **Is this worth reviewing at all?**

### **MOE should spend its time on more important things**

*I think they should spend the time on reviewing how to make education and learning better instead of the parking issue.*

Jade Wong, Facebook user

Many netizens argued that MOE should spend its time and resources on more important issues, particularly education. This is a valid argument. It is true that every government has to prioritise, given that it only has limited resources, including time, and part of deciding whether to charge school employees for parking must involve some consideration of the costs involved in making and implementing that decision.

MOE could conduct a thorough cost-benefit analysis to decide if it is worthwhile moving ahead with a change, or to implement it only in some schools, but this itself could take up considerable resources, and may not itself be worth the while.

Note that this argument works against any attempt to change the status quo. If teachers had all along been charged for parking, and it became known that MOE was considering giving teachers a subsidy for parking, one can imagine that that some people, even teachers themselves, might be furious that MOE was not spending their time thinking about how to improve education and teachers' welfare in a more meaningful way.

## **Should the free parking perk be retained?**

We now examine the arguments for and against retaining the free parking perk. We discuss three different questions that the various arguments address.

The first two questions are about desert: whether teachers as a whole deserve this perk, and whether specifically teachers who drive deserve this perk. The third question asks whether the perk encourages the right kind of behaviour, the question that economists would tend to focus on. These are three different but equally valid and non-mutually exclusive ways of looking at the same issue.

It may be tempting to think that netizens were overwhelmingly against withdrawing the perk because they focused only on the first question, failing to consider whether driving teachers are particularly deserving, or whether free parking would create the right incentives. But we hope to show that lurking within the comments of many netizens were arguments that did in fact address these questions, even if they did not state the arguments in those terms.

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## **Do teachers deserve this perk?**

Many (perhaps even most) netizens' comments focused on whether teachers as a whole deserved this perk, without making a distinction between teachers who benefited from the perk because they drove, and teachers who did not. This is not a wrong way of looking at things – even teachers who do not currently drive may eventually do so and thus benefit from the perk in future.

We start by examining arguments that teachers do not deserve this perk, followed by arguments that they do.

### **No: Teachers should not get free parking because other civil servants do not**

*do ppl from across other branches of civil service get free parking to their office buildings?  
If not, why should teachers be any different? You mean to tell me the rest of civil service  
work less hard and less hours than the teaching service?*

Shi Wei, Facebook user

While not many netizens spoke up in favour of charging for teachers for parking, many who did so argued that teachers were no more hardworking or self-sacrificial and thus no more deserving of free parking than other civil servants.

### **However...**

As we will see below, many do think that teachers are special and more deserving than other civil servants.

Furthermore, this argument could equally be an argument for providing free parking to all civil servants, if indeed all were as hardworking or self-sacrificial as teachers.

More fundamentally, the civil service does not pay civil servants based on how hardworking or otherwise morally-deserving they are. Instead, it pays civil servants “a salary comparable with that of the private sector for an employee with similar abilities and responsibilities.”<sup>2</sup> Unless one rejects wholesale this basis for civil servant compensation, one would have to accept that there can be circumstances in which teachers may have to be paid more, or differently, than other equally hardworking groups of civil servants, in the form of free parking if need be.

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<sup>2</sup> <http://www.careers.gov.sg/build-your-career/career-toolkit/salary-and-benefits>

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**No: There are better uses for the money than subsidising spending on a luxury good by an already well-off demographic**

*So are you implying that it is fair to use taxpayers' money who are at the bottom half of the income distribution to fund for the building and maintaining of parking spaces for teachers to park for free? Is this a fair system?*

Muhammad Zhafran, Facebook user

*Nowadays, if one can afford to drive a car amounting to more than \$100k+++, a minimal parking fee is no problem. Excellent proposal.*

Tan Kiam Hu, Facebook user

In its report, AGO provided estimates of the revenue forgone by each of the educational institutions due to their failure to charge market rates for parking. Revenue foregone is clearly one of the key reasons AGO faulted the educational institutions, and the rationale is straightforward: if the government does not maximise returns on government assets such as car parks, the government would have less resources to carry out government programmes, unless it raises revenues in other ways. Similarly, by not charging for parking, MOE is giving up government revenue that could be used for meaningful government programmes.

Worse still, as some netizens pointed out, the beneficiaries of this failure to charge market rates already earn more than the average Singaporean, and they have a car, something that most Singaporeans are unable to afford. It seems unfair to help this privileged group at the expense of worse-off Singaporeans.

**Yes: Teachers are special**

Many netizens, including the netizen quoted at the beginning of this case study, argued that teachers are special, and perhaps more special than those in other “noble” occupations because even people in those occupations are indebted to their own teachers. So even if they are better paid than most Singaporeans, they fully deserve to be, and perhaps deserve even more than they are currently paid.

This is closely-related to the next argument.

**Yes: Teachers constantly make sacrifices they do not have to make, so why begrudge them something small like this?**

*Is this how you value your teachers, MOE? To want to teach is a calling, it's not just a job. For all the extra that a teacher puts in, not just the OT and effort but the passion, the nurturing of students and imparting of ethics and values to our next generation, is this how you want to repay your teachers?*

Kim Foong Foo, Facebook user

*Teaching is a vocation that really requires so much more from a person than a regular job. Teachers spend holidays, after school hours and report so early at work to teach our children, the next generation. I hope the Ministry can consider granting them this little perk for they give up so much more to teach our children. Not everything can and should be measured by dollars and cents.”*

June Tay, Facebook user

*“No more staying back in school for students...no need to do any extra...since MOE so calculative...”*

Yuen Sen Neo, Facebook user

*If MOE is going to measure everything in dollars and NO SENSE then teachers will also have to do likewise. When I was in service, I had to use my car for emergencies, carry equipment for functions, send sick students to clinics or home, send students down for competitions and even ferry things down to a central store for auction after condemnation. If teachers have to pay for parking in schools in line with commercial practices, then teachers will also have to charge schools/MOE commercial rates for such work.*

Ron Lim, Facebook user

Many netizens argued that teachers often go above and beyond their job scope, for the sake of their students. They see their job as a calling and not something they do merely to earn a living.

To these netizens, for the government to revoke a long-time benefit like free parking on the basis that it was a mistake to have given teachers this benefit in the first place (for all the reasons outlined in the AGO report) would be to focus on the one area in which teachers have received too much, without acknowledging the many areas in which they willingly give too much. It would be to apply a transactional lens to what is and ought to be a non-transactional relationship.

This is a powerful sentiment. Many of us would be shocked if a good friend insisted on splitting the cost of a meal down to the last cent. Or if our employer attempted to enforce a prohibition against using any of our working hours to run personal errands, when we regularly use our personal time for work without thinking twice.

### **Yes: If you charge teachers for parking, you might as well charge them for the use of school toilets**

*Next time teachers may also be charged for photocopy paper, classroom rental and utilities, teaching stationery, air intake within the school, content leasing from MOE for lessons..*

Chris Jack, Facebook user

*There is no efficiency or economics to consider here also, if there are, then toilets in schools also have to pay for usage, because they require cleaners also.*

Richard Tay, Facebook user

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Another common argument against withdrawing the perk was that the nature of teachers' jobs is such that they need to drive to work, just as much as they need to use classrooms, stationery, and even the toilets. In an employment relationship, the employer pays for the tools of the trade. While it could be argued that driving is not used directly in the course of teaching and therefore not a tool of the trade, neither are toilets, and it would be ridiculous to charge teachers for the use of toilets.

### **However...**

Not all teachers drive to school, whereas all teachers use classrooms and the toilets in school. Hence driving is clearly not necessary for the job, at least not in the sense that classrooms or toilets are. Because classrooms and toilets are truly necessary for the job, nothing could be achieved by charging teachers for their use,<sup>3</sup> whereas there are reasons, to be discussed shortly, for wanting to charge teachers for parking in school.

### **Do teachers who drive deserve this perk?**

Even if we accept that teachers as a whole deserve their current level of compensation, there is the separate issue of parity among school employees. While free parking is in-principle available to all school employees, it benefits only those who currently drive to work. Another group of arguments speak to this issue.

### **No: Teachers who drive to work do not deserve more than teachers who do not drive**

*Some teachers do take buses to work. I used to take bus early in the morning to teach in a faraway school. Driving is not a necessity. If u drive for the convenience, u pay for the parking at workplace. Those teachers who do not drive but accept the inconvenience, they do not need to pay. Nothing wrong with paying for parking in the workplace. If one can afford the high price of a car with COE, then one should not be so resistant to paying the parking*

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<sup>3</sup> If teachers were charged a flat fee for the use of classrooms and toilets in their school, they would have to be paid more in order to be willing to do the same job, and the government would not be financially any better off, and would instead have to incur the cost administering the classroom/toilet fee.

If the fee was on a per-use basis, the arguments are slightly different. If teachers have to pay to use classrooms to teach, but have no choice about how much they use the classrooms, this would simply be an arbitrary and unfair tax on teachers who happen to be scheduled more classroom teaching time. If teachers have a choice, they would have an incentive to use the classrooms less often, which is highly likely to be detrimental to students' education.

Teachers do have some degree of choice about how often to use the toilets. But MOE has no reason for wanting to discourage teachers' use of toilets; if the aim is to ensure teachers work hard instead of malingering in the toilets, MOE could reply on its performance management framework.

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*fee, especially when most other civil servants are also paying for parking at their workplaces.*

Yi Qi Chong Liang, Facebook user

School employees' pay, like all civil servants' pay, is determined by the government based on private sector benchmarking. The free parking perk gives school employees who drive a further additional benefit.

This may be problematic for two reasons. First, many of those who do not drive to work may be unable to afford a car, perhaps because they are more junior staff, or in less well-remunerated schemes of service. Even among employees who do the same job and earn the same amount, those who do not own a car may be those who have a lower family income, or more dependants. If these reasonable assumptions hold, free parking would be a regressive benefit because only the more well-off members of the staff can benefit from it, not unlike a staff subsidy for luxury watches or expensive vacations.

Even among employees who have a car and are equally well-off, some may not drive to work, for reasons unrelated to their value as an employee; for example, another household member may need the car more, or the employee may find taking public transport less stressful. Even if not outright unfair, it seems at least arbitrary to give a driving employee a parking subsidy without giving a non-driving employee an equivalent amount in public transport subsidies. Or, to put it another way, it seems arbitrary if not unfair to give an employee a higher effective salary simply because driving to work happens to make sense for them.

*Can I suggest a really simple way to implement the parking charges for teachers? Increase all the teachers' pay by the average amount of parking charges. Therefore, teachers who drive wouldn't complain while teachers who don't drive get extra cash. Win-win situation for all.*

Jaymie Lim, Facebook user

Combined with the idea that teachers overall deserve at least as much as they are currently paid, this suggests that free parking for teachers should be replaced with something that benefits all teachers, not just those who drive, e.g. an across the board raise.

### **However...**

The persuasiveness of this argument depends on empirical assumptions that might not be true. For example, it could well be that all school employees, or at least all teachers, earn enough to be able to own a car if they want to. And those who do not own a car, or who own a car but do not drive to work, may in fact be those who do not need to, for example because they have no dependents requiring private transportation, are fortunate enough to live close to the school at which they work, and/or are less committed teachers who do not work long hours. If this is the case, it may not be unfair for MOE to give

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free parking to those who are “unfortunate” enough to need to drive. This is the thrust of the next argument.

### **Yes: Free parking for teachers is a form of social insurance**

An argument can be made that all teachers who drive do so because of family and personal circumstances that cause them to need to drive, and their need to drive makes them more unfortunate in some sense than colleagues who do not need to drive. As earlier suggested, perhaps teachers who drive have dependants who need to be driven to various care arrangements before the start of the school day, or perhaps they live far away from their place of work. Teachers who do not drive may simply be those lucky enough to have been posted to a school near their home and have no dependents.

If the above is the case, providing free parking is a way for non-driving teachers to “cross-subsidise” driving teachers, a form of social insurance within the school system. Paid sick leave has a similar function: it benefits employees unevenly, because it allows less healthy employees to work less than healthy employees while still earn the same wage. Increasing the number of vacation days by the average number of sick days taken by employees would be a more “equal” system in one sense, because all employees, even those who are less healthy, would have to work the same number of days to earn the same wage. But many would object to such a system, on the basis that less healthy employees deserve some kind of support from their healthy colleagues.

A further additional consideration is that teachers do not have complete control over where they teach, and the market rate for parking in schools may vary with the location of the school. It seems unfair that teachers may have to pay more in parking simply because MOE posted them to work at a location where parking is more expensive. MOE paying for parking for all teachers is one way of ensuring that no teacher is unfairly penalized for agreeing to work at an expensive location.

### **Yes, at least for now: Teachers have counted on free parking, not fair to suddenly take it away**

Even if the arguments for charging for parking are, on reflection, compelling, the reaction from netizens suggests that, to the average person, schools charging their own teachers for parking within the school compound would be unthinkable. So it would not be unreasonable that teachers, too, took it for granted. It is understandable for teachers to have made important decisions on the basis of an understanding that parking in their school would continue to be free for the foreseeable future, such as accepting a posting to a faraway school, placing their child in a school that is not close to their home, or even buying a car. Suddenly thwarting a legitimate expectation can be unfair. This is an argument for finding some way to cushion the impact on existing teachers, for e.g. by delaying the implementation of parking charges, or reducing the subsidy gradually.

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### **Does this perk encourage the right kind of behaviour?**

The third group of arguments is not concerned with whether teachers morally deserve to get free parking, but with the kinds of incentives that free parking, or the lack thereof, would create, and the kind of behaviour that would ensue.

#### **No: Free parking encourages teachers to drive to work, which has negative externalities**

*It's one way of controlling car population.*

Cindy Ho, Facebook user

*I hope MOE plan to charge teachers parking in school is not to increase revenue but to promote public transport n less car usage. Reducing car park space in schools to free up space for other activities is more practical n beneficial.*

Loh Wai Poon, Facebook user

Driving to work has two negative externalities, the externalities involved in the trip between home and school (emissions, congestion), and the cost of land used for parking at the workplace. The Singapore government has policies to try to get drivers to fully internalise these externalities, including the Electronic Road Pricing system, petrol taxes, and the way land is priced (which influences the price of parking in different areas across the island).

Assuming the Singapore government has gotten these policies right, the market price for parking is at the level that is best able to ensure drivers fully internalise the costs of owning a car and driving it. If MOE does not charge school employees for parking, teachers would drive to work at a higher than optimal rate, and there would therefore be higher than optimal levels of emissions, traffic congestion, and land used for parking spaces.

#### **No, but neither will withdrawing the perk: Teachers who drive have no choice**

Another spin on the “necessity” argument we saw above is that, since most teachers who do drive really need to drive, an increase in driving costs of a few hundred dollars a month would not change the behaviour of significant numbers of teachers. Most of the teachers interviewed by the Straits Times said they would continue to drive to work even when they have to pay for parking, because they already have long work days.<sup>4</sup> If the demand for driving among teachers is highly price inelastic, imposing parking charges would not change driving behaviour significantly, but primarily serve to redistribute resources from teachers to the government. This would mean that, unless the government compensates teachers for the imposition of parking charges, revenue collection would appear to be the main motive for implementing the change, even if the government claims it does so to create the right incentives.

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<sup>4</sup> <http://www.straitstimes.com/singapore/education/moe-reviewing-free-school-parking>

**Yes: There is plenty of space to park**

*AGO report only highlighted tertiary institutions providing lower than market rates parking. Btw, those institutions have canteens and restaurants and even supermarkets for public usage. This is why AGO highlighted this subsidised carpark. The problem schools primary or secondary do not serve and cannot serve the public this way.*

Richard Tay, Facebook user

*Schools are not a public place that public can happy happy go there and park their cars. So there should be no shortage of lots in school that warrants charging of parking fees...*

Lawrence Pong Kiat Lau, Facebook user

*When the supply of carparks in schools can meet the demand for carparks comfortably, there should be no charges for the usage of carparks. Furthermore, there are hardly any outside visitors requiring carparks in schools unless MOE's intention is to make public parking available!*

Fong Siew Hong, Facebook user

*After all the school compound is usually big and other cars are not allowed to use for parking. Instead of letting it empty why can't you let the teachers to park their cars there?*

Stephen Hwang, Facebook user

Netizens argued there was no need to use the price mechanism to ration parking space in school compounds, since the car parks were not open to the public, and many lots were often empty. The rationale for charging for parking in order to discourage the use of land for parking at the workplace thus cannot apply.

Indeed, the government has used the need to ration parking as a reason for imposing parking charges in government-owned car parks, even where there is a reason for wanting to encourage the use of the car parks. For example, in parks and Housing Development Board (HDB) car parks, when parking is free, those who are the intended beneficiaries of this policy stay longer than they would otherwise stay, and even those who are not the intended beneficiaries may be induced to choose the free parking over other alternatives. In some cases, this has meant that some of the intended beneficiaries are not able to find a parking lot. Hence, the National Parks Board has started charging in many park car parks, and the free parking scheme has been withdrawn from popular HDB car parks.

Since there is no shortage of parking lots in schools, there is one less reason for charging for parking in schools.

**However...**

While this argument applies to existing schools, if by charging for parking we are able to reduce the demand for car park spaces in schools, we would be able to build future schools at a lower cost and with a smaller land footprint, freeing up resources and land for other uses. And there may be ways to use freed up space in existing schools.

**Yes: Otherwise, teachers would go home early in order to avoid racking up parking charges**

*If this is the case, then MOE Teachers can leave earlier to save on parking charges. Have less time to spend and invest in our precious younger generation...*

Pei Qi Xie, Facebook user

One argument was that charging for parking would penalise teachers who stayed back late at school and encourage some not to do so, compromising the quality of education for students.

**However...**

Civil servants parking at the government buildings at which they work have the option to purchase season parking tickets, and there is no reason to think that this would not be the case for school car parks as well.

**Yes: It will stress teachers out and may cause more teachers to quit**

*...charging of parking fees that further stressing our poor teachers that often work under extremely stressful environment and long hours.*

Lawrence Pong Kiat Lau, Facebook user

*Schools cannot act as carpark vendors, they must package MOE staffs and not burden them with more payables.*

Richard Yen Wei, Facebook user

*In no time there will be a shortage of teachers. Why face this problem ? Already so many teacher are under stressed in this occupation , don't give additional stress to teachers.*

May Voon, Facebook user

*They need to send their own kid to sch or even to sch bus and rush for their own work as mostly all sch have the same timing! [...] U really wan all Sg ppl to stop being a teacher and hire from overseas ?*

Monchhichi Yu, Facebook user

Another common theme was that the job of a teacher was already so stressful, and the additional financial burden would further stress them out, perhaps reducing their ability to teach well and possibly causing

more to leave the teaching force. The sentiment seems to be that teachers are already under-compensated for the jobs that they do, and removing a benefit would make things worse.

It is true that, if under-compensation were the issue, paying all teachers more, not just those who drive, would be the solution. But to be fair to netizens, this was not being discussed as an option at the time. It is possible that those who objected to the removal of the parking benefit would have agreed to a raise for all teachers instead.

### **Yes: Driving has positive externalities**

*Some live too far away from their schools but unfortunately are unable to transfer to a nearer school. When they must send their own kids of different age to childcare centres and schools at 7am and they themselves must reach school at 7.30am, what should they do? Drive.*

Lim Yen Tong, Facebook user

*Many teachers drive to work because their workplace is far from where they live. Many do not choose their workplace locations as their schools are allocated by MOE. The teachers need to be in school before 7am and driving to work shortens their commuting time, which also means having more energy for their work.*

Yin Hui Lim, Facebook user

*Driving to school is not a privilege esp if teachers hv to bring bundles of work to do n it wld help to hv some sort of personal space after getting your energy sapped up by already 40 over kids in class...it is quite overpowering!*

Tok Sock L ZeSox, Facebook user

*Language teachers have to rush from lessons to other schools to conduct oral exams. [...] Teachers attend inservice courses in the afternoon which start at 3pm. School ends at 2.30. [...] National exams: officers with own transport are appointed as supervisors at exam centres. Transport claims don't cover COE costs. In the private sector, companies provide transport allowance for employees who are required to drive on company business.*

Angeline Lee, Facebook user

Many netizens made the argument that teachers need to drive because their work schedules are too punishing to allow them to spend time taking public transport, both during the work day as well as getting from home to work and back. They also need to carry too many things back and forth from home, including assignments or tests they have to mark.

Certainly not all teacher drive, so driving cannot be a “necessity” for teachers in the same way that, say, using the toilets in school is a necessity.

But a slightly different argument in the same neighbourhood can be made: there are positive externalities to driving, in that driving allows many teachers to do their jobs better. If driving (including parking) was too expensive, more teachers would choose to take public transport, and this would make them perform their jobs more poorly. Similarly, in the days where not many workers had home broadband connections, one could argue for subsidies for home broadband on that basis that, even if not strictly necessary for the job, home broadband would allow workers to do their jobs better.

### **Assuming the parking perk is retained, should it remain an in-kind benefit?**

Let us now assume that the parking perk is to be retained. There is still the question of whether it should remain an in-kind benefit, given AGO's concerns about transparency.

### **No: An implicit subsidy for parking reduces public accountability and goes against the principle of clean wages**

Even where there is a policy reason for wanting to give a particular good away for free, providing the good as an in-kind benefit, rather than as an explicit subsidy, makes it harder for the government and the public to evaluate the cost of the subsidy against its benefits.

When given to civil servants in particular, in-kind benefits go against the policy of clean wages adopted by the Singapore government. When civil servants are given in-kind benefits that are difficult to value, citizens are less able to make informed evaluations about civil servant compensation and government expenditure, and government is less able to set compensation accurately. Hence, even if MOE were simply to declare that free parking was a benefit for all teachers, as suggested by some netizens, this would still go against the principle of clean wages.

To retain the subsidy but make it fully explicit, MOE would have to compute the market rate for parking in schools,<sup>5</sup> and start charging visitors these rates. It could then continue to allow school employees to park for free, since it would be able to compute the cost of providing free parking to school employees based on the market rate for parking and employees' usage of the car parks. Alternatively, it could charge school employees for parking, but then reimburse the employees. Depending on the method adopted, the revenue forgone, or the amount reimbursed, should be reflected as expenditures in government accounts.

Either way, school employees who make use of this benefit would have to pay tax on the value of the benefit, which the Singapore tax authorities take to be the amount non-employees would have had to pay to park in the school.<sup>6</sup>

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<sup>5</sup> This is not a straightforward task. As netizens have noted, members of the public cannot park in the school without prior approval. So it may not be accurate to assume that the cost of parking at a nearby public car park is the market rate for parking charges.

<sup>6</sup> Email from Inland Revenue Authority of Singapore to the author, 10 May 2016.

**However...**

Some might argue that free parking for teachers, even if made fully explicit, would form a miniscule part of government expenditure and teachers' salaries, and that an exception could therefore be made without too much detriment to transparency.

**Yes: There is lots of free parking everywhere, and we do not keep track of the revenue forgone**

*Let go thru some public places in Singapore that is free parking. 1) Parks some only 2) landed property road side many places. Should we stop them from parking there for free to have a balance too?*

Kim Song Daniel Koh, Facebook user

*Also remove Sunday parking for all hdb.....*

Chong Kian Beng, Facebook user

Some netizens pointed out that the government offers free parking in many places. Many parks, streets, and, on Sundays and public holidays, car parks run by the HDB, offer free parking.

To netizens, this was an argument for retaining the free parking perk. But it could also be an argument for keeping the perk implicit. In many of these parking places, parking gantries do not exist, and so it is hard for the government or the public to tell how much revenue is being given up. Even where gantries exist, it is unclear if the revenue forgone is being tracked, or if it is being reflected as a government expenditure. Yet the government considers these "hidden subsidies" acceptable. This suggests that it may be acceptable, even by AGO's own lights, to give teachers free parking without attempting to convert it into an explicit subsidy.

**Yes: To convert all benefits into cash would commoditise teachers' sacrifices**

*Though it may make economic and financial sense to charge teachers for parking, to do so would be to imply that the work of our educators should be commodified.*

Kevin Tan Kwan Wei, Straits Times Forum contributor<sup>7</sup>

A few netizens argued that to charge teachers for parking would be to commodify their sacrifice.

Stated this way, the argument misunderstands the problem of commodification. To commoditise desirable behaviour is to pay people for it; to commoditise undesirable behaviour is to charge people for it. There

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<sup>7</sup> "Look beyond money on parking", *The Straits Times*, Jan 13 2016.

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are well-known reasons not to commoditise desirable or undesirable behaviour: for example, if you pay for blood donations, you might reduce the amount (and possibly quality) of donations, because altruistic people might be put off from giving blood (for e.g., because they feel there is no longer a need to do so since enough people are willing to sell blood), while people who now give blood because they want to earn money may be less inclined to be truthful in disclosures regarding the quality of their blood. On the flip side, if you commoditise undesirable behaviour by charging people for it, you might actually increase the undesirable behaviour, perhaps because some people feel more entitled to bad behaviour knowing that they can pay for it. A famous experiment found that fining parents for being late to pick their children up from childcare made more parents late.

In this case, however, charging teachers for parking commoditises the (arguably) undesirable behaviour of teachers parking in school, not their desirable behaviour of making sacrifices for our children. So even if we accept that teachers' sacrifices should not be commoditised, this does not provide an argument against charging teachers for parking – in fact, it provides an argument for not trying to fully compensate teachers for their sacrifices. It might well be, for example, that if we paid teachers too much, altruistically-motivated people may no longer want to become teachers, while those who are interested primarily in earning money for themselves fill our teaching ranks.

The dangers of commodification may, however, provide an argument against converting the perk into an explicit cash subsidy for parking. To see why, take the blood donation example. We consider it acceptable for blood donors to be offered a snack and drink after their blood donation (the practice in Singapore), but many would think that offering donors the equivalent amount in cash instead is problematic commodification. To the extent that we were already paying teachers for their sacrifices, we were already commoditising their desirable behaviour, but by converting what was previously an in-kind benefit into cash, we are commoditising their sacrifice even more.

A related argument appeals to the value of in-kind gifts over cash gifts. Many people think that it is a good idea to spend money on awards and ceremonies recognizing people in “noble” professions such as teaching, nursing, and policing, instead of simply giving them the money in cash. Giving a good Samaritan a medal for suffering an injury in the course of saving another person seems like a recognition of his good character and an acknowledgement of his sacrifice, whereas giving him cash would be insulting. Unlike giving a gift, giving cash, it seems, does not convey the message that we recognize that someone has made a sacrifice; in fact, it may even suggest that we think (wrongly) we have fully compensated him for his sacrifice. This an argument against clean wages, at least in the “noble” occupations.

### **However...**

The cost of parking forms such a small percentage of a teacher's overall compensation that it seems unlikely that this would create the kind of incentives that we worry about in the blood donation case.

And, even if we agree that there is value in giving teachers some in-kind benefits, parking may not be the right kind of in-kind benefit. Unlike a medal or award, it is hard to see how free parking signals our recognition of the sacrifices teachers make, and it benefits teachers unevenly. There are in-kind benefits that do not risk creating excessive incentives for driving to work, and that benefit teachers more evenly.

## **Conclusion**

A policymaker studying this situation might have three goals, not all of which can be simultaneously satisfied:

- 1) Remove the disparity of benefits between drivers and non-drivers (to remove the incentive to drive and/or make the compensation system more fair);
- 2) Ensure no teacher is made worse off than they were before; and
- 3) Ensure that the change is at least revenue neutral, if not revenue positive for the government.

The government faces a trilemma: if it withdraws the parking perk without compensation, it removes the disparity between drivers and non-drivers and government is better off, but driving teachers will be made worse off. If it removes the parking subsidy but increases the pay of all teachers in compensation, the incentive to drive will be removed, but government expenditure will increase, likely by more than any parking fees collected from non-employees. Finally, if government wants to ensure that teachers are no worse off, and it does not spend more, then it cannot remove the parking perk.

If we are persuaded by the arguments listed above for the view that it is acceptable to incentivise driving and the view that it is not unfair to give more benefits to driving teachers, the trilemma disappears – the policymaker can give up goal (1) and achieve (2) and (3), simply by maintaining the status quo, or converting the implicit subsidy into an explicit one to address the AGO's concerns. Goal (1) also seems to be a goal the public and even non-driving teachers are happy to give up.

But if the policymaker holds on to goal (1), he has to give up either goal (2) or goal (3). Giving up goal (3) would likely be the most popular. But it would be expensive, and goal (1) may not be important enough to justify the increase in government expenditure.

Giving up goal (2), on the other hand, is likely to create a strongly negative public reaction, as we already saw.

At least on hindsight, we know that there are many reasons that the mere possibility that MOE might remove the free parking perk would generate very strong negative reactions among the public. As Lee Kuan Yew School of Public Policy economist Donald Low argued, human beings rely on decision-making heuristics that influence how they evaluate outcomes, and many of these heuristics are likely to be deployed when Singaporeans consider whether the perk removal would be unfair, and how unfair it would be:

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*These include the power of free (free is not just a low price, it is a source of irrational happiness - so taking away something that was free for so long is bound to be very unpopular); loss aversion (we value losses much more, as much as two times more, than gains of the same size); the endowment effect (which predicts that we value something we own much more than if we didn't already own it); mental accounting (which says that money isn't always fungible, and we have different mental accounts for different things - which suggests that even if we reimbursed teachers for parking, it's not the same as free parking); and how we think in terms of stories (in this case, society seems to subscribe to the story of teachers as over-worked, under-paid, self-sacrificing public servants and therefore deserving of special privileges like free parking).<sup>8</sup>*

As we have seen, the different arguments that can be made in favour of removing the parking perk are likely to have different levels of acceptance among the public and teachers. Furthermore, the feelings that the public and teachers already have towards the government and MOE specifically are likely to colour how they interpret the government's actions; even if the government says that the objective is to remove disparities and not simply to collect more money from teachers, the public may not believe it.

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<sup>8</sup> <https://www.facebook.com/donald.l.fc/posts/10153442240423299>

**Case questions**

1. Discuss the timing, medium, tone, and content of MOE's 12 January response. Would you have done anything differently?
2. Suppose you are the permanent secretary of MOE, and your staff present the arguments laid out above for and against the status quo. What additional information, if any, should you request before you make a decision? Based on the information you currently have, what would you decide to do?
3. How and when would you announce the decision, and what argument(s) would you give for the decision?
4. If your decision is to withdraw the parking perk, how and when would you implement the change? Would you compensate teachers in any way, and, if so, how?
5. The review became known to the public not through an official MOE announcement, but likely because a teacher had alerted Lianhe Zaobao about the review. The teacher, in turn, might have found out about the review because MOE consulted teachers as part of its review. Consider three scenarios: scenario (A), in which the leak happens, the online discussion unfolded as it did, and MOE eventually announces that it has decided to charge for parking; scenario (B), in which MOE announces the same decision, but in which the leak did not occur and the online discussion did not happen until after the announcement; and scenario (C), which is like scenario (A) except the public comes to know of the review, not through a leak, but through an MOE announcement that it was studying whether to withdraw the parking perk in light of AGO's findings. Would the public reaction differ in the three scenarios, and, if so, how? From the government's and the public's perspective, which is the best scenario?