Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

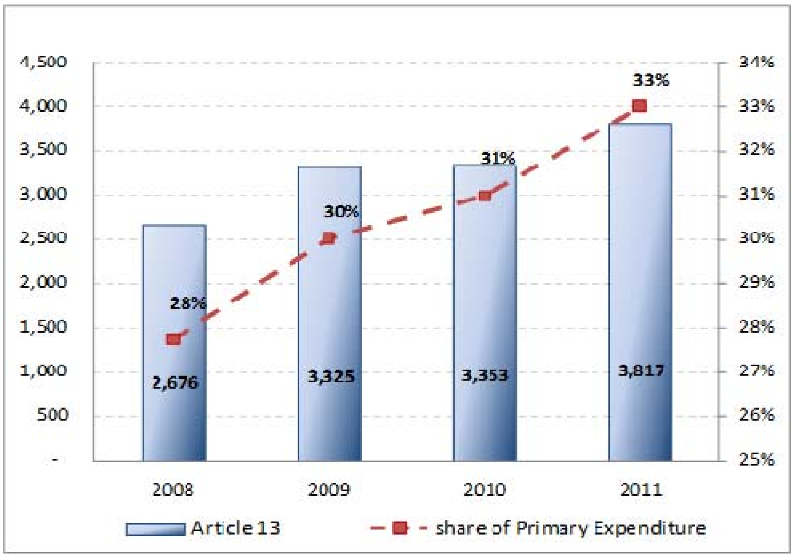
December 2011

I. Introduction

Salaries, wages and related benefits payments which mainly include the cost of basic salaries, indemnities and allowances, increased by LL464 billion, from LL3,353 billion in January-December 2010 to LL3,817 billion in January-December 2011. Of the LL464 billion increase witnessed, LL427 billion or 92 percent are explained by payment of retroactive to military personnel holding other factors constant. The rise in the article 13 in 2011 compares to a much smaller increase of LL28 billion in 2010 as compared to 2009.

The figure below depicts the evolution of the article 13 both in nominal terms and in terms of its share of total primary expenditures from 2008 to 2011.

Figure 1: *Article 13 Evolution – 2008 to 2011 (LL billion, %)*



Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

Payments of salaries, wages and related benefits have been gradually increasing since 2008, as a result of several factors:

- The significant increase witnessed in 2009 as compared to 2008 that amounted to LL649 billion (24 percent) is primarily the result of the decision taken to increase the minimum wage of public sector employees by LL200,000[1] from LL300,000 to LL500,000 per month.
- The important rise witnessed in 2011 as compared to 2010 (14 percent) is primarily attributed to numerous factors such as (a) differences in timing of payment between 2010 and 2011- particularly retroactive disbursments[2]; (b) continuous recruitment policies in both public education sector and within the military forces and (c) the integration of contractual internal security forces as permanent elements.

[1] For further enquiries about the Salary and Wage increase decision taken in 2008, please refer to the 2008 annual report pp. 16-17.

[2] Some of the 1996-1998 retroactive amounts that should have been paid in 2011 will be finally paid in 2012. No final figures are available yet regarding the 2012 payments and their breakdown.

II. Salaries, wages and related benefits in January-December 2011 compared to January-December 2010

Salaries, wages and related benefits represent the largest component of primary spending, accounting for 33 percent as of end December 2011.

Table 1. Breakdown of Article 13: Salaries, Wages and Related Benefits

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2010 Jan-Dec	2011 Jan-Dec	2010 Jan-Dec	2011 Jan-Dec	2010 Jan-Dec	2011 Jan-Dec	2010 Jan-Dec	2011 Jan-Dec	2010 Jan-Dec	2011 Jan-Dec
Military Personnel	**1,511**	**1,976**	**72**	**70**	**340**	**404**	**2**	**2**	**1,926**	**2,452**
• Army	1,016	1,402	47	45	207	242	1	1	1,271	1,690
• Internal Security Forces 1/	395	457	20	20	106	132	0	0	521	609
• General Security Forces 2/	77	83	3	3	20	23	1	1	101	110
• State Security Forces 3/	23	34	2	2	7	7	0	0	32	42
Education Personnel	**647**	**687**	**65**	**68**	**0**	**0**	**1**	**1**	**713**	**756**
Civil Personnel 4/, *of which:*	**345**	**312**	**62**	**63**	**4**	**4**	**262**	**192**	**673**	**571**
• Employees Cooperative							**219**	**149**	**219**	**149**
Customs Salaries 5/									**41**	**38**
Total	**2,504**	**2,975**	**199**	**201**	**344**	**408**	**266**	**195**	**3,353**	**3,817**

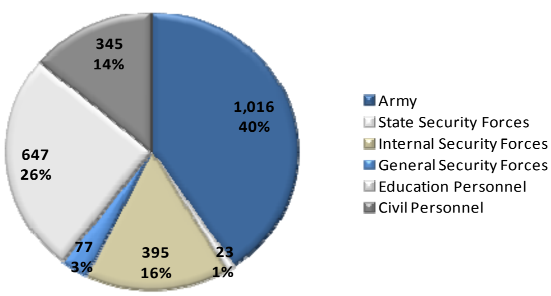
Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

1/ Includes allowances and 1996-1998 retroactive payments made to Internal Security Forces from Guarantees account,
2/Includes 1996-1998 retroactive payments made to General Security Forces from Guarantees account,
3/ Includes allowances and 1996-1998 retroactive payments made to State Security Forces from Guarantees account,
4/Includes salaries payments made to Ministry of Public Health from Guarantees account.
5/Includes salaries and wages and indemnities payment from guarantees account but excludes payments for allowances which are made from Customs Cashiers and can only be reclassified once Customs has sent the supporting document to the Directorate General of Finance. Field service indemnity in March 2011 paid to Customs officers were included as well.
6/Includes payments for family, transportation, overtime as well as various indemnities.
7/Includes payments for maternity and sickness, marriage, birth, death, hospital, education, medical and various social allowances.
8/ Other includes payments for bonuses, contributions to various public sector mutual funds and contribution of the State as an employer for the National Social Security Fund.

III. Breakdown of Basic Salaries

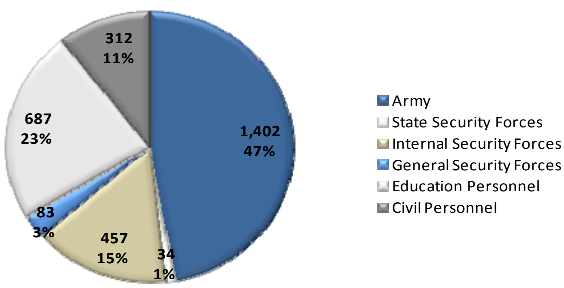
Basic Salaries rose by a notable LL471 billion, from LL2,504 billion in January-December 2010 to LL2,975 billion in January-December 2011. Behind this increase stands higher payments to the military and security forces (+LL465 billion) and education personnel (+LL40 billion). These were slightly offset by a decrease in payments to the civilian personnel (-LL33 billion).

Fig. 2: 2010 Basic Salary Distribution (LL billion, %)



Source: DGF, MOF

Fig. 3: 2011 Basic Salary Distribution (LL billion, %)



Source: DGF, MOF

III. A. Basic Salaries of Military Personnel

The increase in basic salaries of the military personnel in January-December 2011 can be attributed to the following factors:

- The fourth, fifth and sixth payments of the *1996-1998 retroactive* to military and security personnel which is divided into 6 disbursements over the 2009-2011 period[3]. The difference between retroactive payments made in 2010 and those paid in 2011 amounted to LL427 billion.
- The LL 51.4 billion one-off payment of *retroactive field service indemnities* that accrued between May 2008 and February 2011 to military and security personnel[4].
- The assignment of *10,637 elements* enrolled on a contractual basis in Internal Security Forces (also known as "mujannadine" in Arabic) as *permanent elements*.[5] This integration led to an increase in payments of "housing allowance" - a benefit only permanent members are entitled to. It also led to the payment of one additional salary in February 2011, which is the date of conversion[6], since contractual elements cash out their remuneration at the end of the month contrary to permanent employees who cash out their pay one month in advance.
- The enlistment of *2,500 new recruits*[7] in ISF.
- The enrollment of *1,250 new members* between 2009 and 2011[8] in the General Security Forces, out of which 750 elements were enlisted in 2009 whereas 250 members were recruited in 2010 and another 250 in 2011.
- The enrollment of *500 new members* in State Security Forces[9], out of which 250 members were enlisted in November 2010 while the remaining 250 members were integrated in February 2011.
- It is important to mention that, in the absence of an approved 2011 Budget Law, some of the basic salary and retroactive payments in December 2011 were made through treasury advances[10]. This is due to the Council of Minister's decision[11], taken on October 12th, 2011, confirming all its previous decisions and decrees to provide public administrations with

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[3] Following the adoption of Law 63 dated December 31st, 2008 which legislates the inclusion of the required budget allocations in the 2009-2011 Budgets to cover the 1996-1998 retroactive amount due. For more information, please refer to the 2009 Annual Report, pages 18-19.

[4] As per Annex 6 of Law 718 dated November 5th, 1998 which was amended by Decree 90 dated January 13th 1999. It should be noticed that the decision to make this payment was retroactively confirmed by Parliament through the issuance of Law 151 dated August 17th, 2011 whereby Annex 6 was formally integrated into Law 63/2008. This integration implied that the calculation of field service indemnities should take into account the LL200, 000 monthly salary increase granted through Law 63 starting May 1st, 2008. Field service indemnities are additional benefits to which military personnel in service are entitled exclusively in the public sector.

[5] As per Council of Ministers' decision number 12 dated March 31st, 2010 legislating the assignment of 10,637 elements enrolled on a contractual basis (also known as "mujannadine") as permanent elements. On a cash basis, this decision began to have a significant impact starting February 2011. It is worth noting that the precise number of contract-basis elements that have been converted to permanent members might have been subject to several amendments following the adoption of the COM decision.

[6] This implies that the "ISF mujannadine" were paid in 2011 their salaries for the months of January-December 2011 and January 2012, or thirteen months of salaries, whereas, they were paid twelve months of salaries in the respective period of 2010.

[7] As per Council of Ministers' decision number 12 dated March 31st, 2010 legislating the enlistment of a total of 4,000 new volunteers, out of which 2,500 members have been engaged till December 2011.

[8] As per Council of Ministers' decision number 79 dated May 13th, 2009, legislating the enrollment of a total of 1,250 new members,out of which 250 members were graded as second inspector.

[9] As per Council of Ministers' decision number 4 dated June 3rd, 2010, legislating the enrollment of a total of 500 members in State Security Forces.

[10] As per Decree 6839 dated November 17th, 2011 and Decree number 6873 dated November 11th, 2011.

[11] As per Council of Ministers' decision number 66 dated October 12th, 2011 amended by decision number 70 dated October 19th, 2011.

treasury advances to bridge the gap between the ceiling allowed by 2005 Budget Law (the last approved Budget) under the one-twelfth rule and the actual needs of the administrations in 2011 - which was measured by using the amounts they had committed from their 2010 Budget Allocations [12].

III.B. Basic Salaries of Education Personnel

Basic salaries paid to the education personnel in January-December 2011 increased by LL40 billion as compared to the similar period of 2010. This notable rise - which was recorded despite the one-off payment made in August 2010 of the 2 exceptional echelons[13] conferred to the education personnel *(for more details, kindly refer to box I)* - is primarily due to the following reasons:

- An estimated LL23.7 billion increase in payments to primary and intermediate education.
- An estimated LL9.5 billion increase in payments to secondary education.
- An estimated LL38.1 billion increase in payments to teachers hired on a contractual basis.

These increases, which are expected to have a permanent yearly impact, are largely explained by the recruitment and appointment of 2,835 primary teachers[14] and 755 secondary teachers[15] during 2010 and 2011. It is also the result of the reclassification in the 2011 National Budget Proposal of payments made to contracted primary teachers from transfers (Article 14) to salaries and wages (Article 13). On a cash basis, this reclassification started to reveal its impact in April 2011.
It is important to note that, similarly to the military personnel, some of the basic salary payments to the education workforce were made through treasury advances[16] in December 2011.

III.C. Basic Salaries of Civilian Personnel

The general decline in payments to civilian personnel is primarily due to payment timing factors, particularly the disbursements related to the 1996-1998 retroactive payments made to this category, which decreased by almost LL28 billion reaching almost LL34 billion as compared to the LL62 billion paid in 2010. The disbursements related to the overseas corps, judges, Ministry of Finance and Ministry of Public Health categories witnessed the highest decline, while payments made to the Ministry of Agriculture witnessed a rise over this period.

- The decrease in the judges categories was partly offset by the one off retroactive payment that was made as per Law 173 dated August 29, 2011, stipulating an increase in the salaries of judges *(for details, kindly refer to box II).*
- The increase in payments to the Ministry of Agriculture is mainly the result of continuous recruitment policies, which ended up authorizing the enlistment of almost 361 new employees between 2010 and 2011 (*for details, kindly refer to box III)*.

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[12] This authorized spending to exceed the 2005 Budget Law until a Special Law regularizing the treasury advances is approved by Parliament. The decisions was reconfirmed twice through COM Decision Number 55 dated October 27th, 2011 and COM Decision 77 dated November 23rd, 2011 which allowed spending to continue through the treasury advances beyond 2011 and until the expiry date mentioned in the treasury advance decree.

[13] As per law 102 dated March 6th, 2010. It is noteworthy that this decision started to reveal its impact in August 2010, whereby the payment of 2 exceptional grades were made.

[14] As per Decree 4057 dated May 20th, 2010, Decree 3634 dated March 20th, 2010 and Decree 3127 dated January 30th, 2010.

[15] As per Decree 2542 dated July 31st, 2009 and Decree 4427 dated July 21st, 2010.

[16] As per Decree 6622 dated October 19h, 2011 and Decree number 6874 dated November 18th, 2011.

- It is noteworthy that some of the basic salary payments in December 2011 to the civilian personnel were made through treasury advances[17].

Box I: The three exceptional grades conferred to the education personnel

On March 6, 2010, the parliament approved a law[1] to grant 3 exceptional grades to primary and intermediate teachers and to the fourth category of the education personnel in the Directorate General of Vocational and Technical education, divided into three years as follows: 1 exceptional grade as of 1/1/2009, another exceptional grade as of 1/1/2010 and the final grade as of 1/1/2011.

On August, 31, 2010, the Ministry of Finance transferred a one-off payment amounting to LL 29.2 billion, covering the period between January 1, 2009 and August 31, 2010.

In addition to the immediate impact caused by this one-off payment on the teachers' salary, this law had also a permanent effect. In fact, as of September 2010, the value of the two exceptional grades was incorporated into the basic salary of teachers and as of January 2011, the total value of the three echelons was added to the teacher's basic salary.

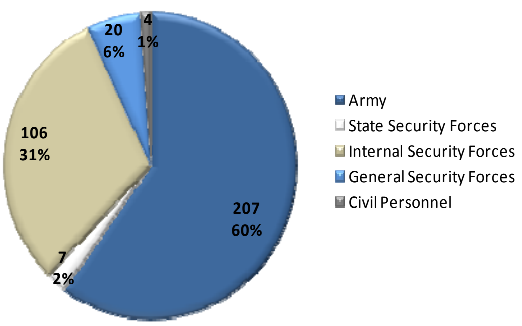
The estimated cost of one echelon to primary teachers is at around LL 52,000/teacher and the total yearly cost of one echelon is forecasted to fluctuate around a following range of LL 15 billion to LL 18 billion.

1- Law 102 dated March 6th, 2010.

IV. Payments of Allowances

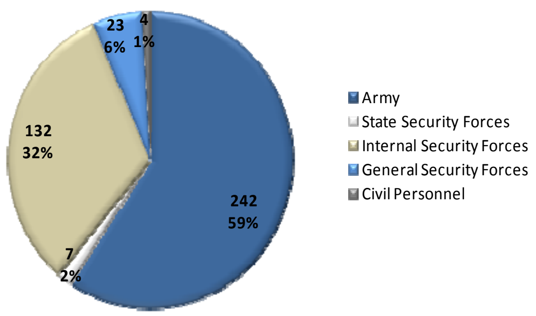
Allowances increased by LL64 billion, from LL344 billion in January-December 2010 to LL408 billion in January-December 2011 mainly as a result of higher payments to the Army (+LL35 billion) and the Internal Security Forces (+LL26 billion).

Fig. 4: 2010 Allowances Distribution (LL billion, %)



Source: DGF, MOF

Fig. 5: 2011 Allowances Distribution (LL billion, %)



Source: DGF, MOF

Behind this enlargement stands higher payments of maternity and sickness allowances (an estimated LL5 billion) and health allowances (an estimated LL41 billion). Health allowances paid to the Army and Internal Security Forces personnel have been rising as a result of:

[17] As per Decree 6622 dated October 19th, 2011, Decree 6874 dated November 18th, 2011, Decree 6752 dated October 29th, 2011, Decree 7028 dated December 3rd, 2011 and Decree 7129 dated December 25th, 2011.

- The Council of Ministers' decision to assign the members enrolled on a contractual basis (also known as "mujannadine" in Arabic) as permanent elements in Internal Security Forces.
- The decision to unify the hospitalization tariffs reimbursed by all insuring schemes sponsored. It is noteworthy that both decisions started to have a significant impact starting February 2011[18].

Box II: Increase in Judges' salaries

On August 29, 2011, the parliament approved a Law[1] to increase the salary of Judges. The legislation was not limited to judges working in courts of justice, but also included those working in administrative courts such as the Shura Council and Auditing Department, as well as retired judges, judges who are still pursuing their studies at the institute of Judicial studies and religious judges who serve in the Sunni, Jaafari (Shiite), and Druze courts. The number of judges in Lebanon, including retirees amounted to almost 835 till end of December 2011, and the estimated yearly cost of this law is roughly expected to be at around LL30 billion.

The amount of the wage increase varies with the judges echelon. For instance, a starting judge will witness his salary rising by LL2 billion (95 percent) under the new law, from LL2.1 billion to LL4.1 billion, while the highest ranked judge will see his pay rising by LL 3.9 billion (73 percent), from LL5.4 billion to LL9.3 billion.

The new law stipulates that acting judges are to receive in addition to their new salary, a one-time pay jump of two grades – with the amount of the grade under the new law increasing from LL158,000 to LL250,000.

On December 24, 2011, the Ministry of Finance transferred a one-off payment[2] amounting to LL3.2 billion, covering the increase in salaries to Judges in the Ministry of Justice from August 29, 2011 to end of November 2011. The Ministry of Finance transferred also on December 28th, 2011 an amount worth LL355 million[3] to cover the retroactive cost of judges working in the Shura council.

The table below depicts the percentage change in the salary of judges with respect to their echelon.

Echelon	Old Salary	New Salary	% increase	Echelon	Old Salary	New Salary	% increase
1	2,100,000	4,100,000	95%	12	3,838,000	6,850,000	78%
2	2,258,000	4,350,000	93%	13	3,996,000	7,100,000	78%
3	2,411,000	4,600,000	91%	14	4,154,000	7,350,000	77%
4	2,571,000	4,850,000	89%	15	4,312,000	7,600,000	76%
5	2,733,000	5,100,000	87%	16	4,470,000	7,850,000	76%
6	2,890,000	5,350,000	85%	17	4,628,000	8,100,000	75%
7	3,048,000	5,600,000	84%	18	4,786,000	8,350,000	74%
8	3,206,000	5,850,000	82%	19	4,944,000	8,600,000	74%
9	3,364,000	6,100,000	81%	20	5,102,000	8,850,000	73%
10	3,526,000	6,350,000	80%	21	5,260,000	9,100,000	73%
11	3,680,000	6,600,000	79%	22	5,418,000	9,350,000	73%

Source: Ministry of Finance

1-Law 173 dated August 29th, 2011.
2-As per Decree 6638 dated October 22nd,2011, legislating the payment of a total of LL 6 billion to Ministry of Justice
3-As per Decree 6672 dated October 22nd, 2011, legislating the payment of a total of LL759 million to Ministry of Justice to cover the retroactive cost of judges in the Shura council.

18 The increase in army allowances as a result of the tariff harmonization policy decided by the Council of Ministers first appeared in the 2009 Budget Proposal (an extra LL42 billion), then in the 2010 Budget Proposal (an extra LL4 billion) and in the 2011 Budget Proposal (an extra LL27 billion). On a cash basis, this is translated by a rise of LL 1.3 billion per month in 2010 compared to 2009 and an increase of LL 3.0 billion per month in 2011 as compared to 2010.

V. Payments to the Civil Servants' Cooperative

The item "other"[19], which is mainly composed of payments to the employee's cooperative witnessed a drop relative to the similar period of 2010. This is due to a cash management issue and discrepancy in timing of payment as only a LL149 billion transfer was made to Civil Servants Cooperative in January-December 2011 compared to LL219 billion in January-December 2010.

Box III: Basic Salary to Ministry of Agriculture

Contrary to the overall decline in basic salary payments to most civilian personnel categories, payments to the Ministry of Agriculture (MoA) witnessed an increase in 2011 as compared to 2010 – mainly as a result of a continuous recruitment policy that was adopted since almost 2010. This policy is in line with the MoA's objective to enhance its human capital resources for it to be able to strengthen the agricultural sector. The plan includes developing strategic policies - whose aim will be to reinforce the legal foundations of this sector and to ensure a proper infra-structure plan to facilitate investments, production and marketing processes.

The MoA and its affiliated public institutions which are the Green Plan and the Lebanese Agricultural Research Institute (LARI) have in total 1,991 positions of which 611 were occupied by end 2009 or a 69 percent vacancy rate. These positions are detailed as follows:

- The Directorate General of Agriculture has 1,125 positions in its organizational chart, of which 388 were occupied by end 2009 or a 65.51 percent vacancy rate.
- The Directorate General of Cooperatives has 95 permanent civil positions, of which 27 only were occupied by end 2009 or a vacancy rate of 71.57 percent.
- The LARI has 327 permanent civil service positions of which 88 only were occupied by end of 2009 or a vacancy rate of 73.08 percent. It also have 138 permanent contractual positions of which 46 only were occupied by December 2009 or a vacancy rate of 66.66 percent.
- The Green Plan has 135 permanent civil service positions of which none was occupied at the end of 2009 or a vacancy rate of 100 percent. It also has positions for 60 contractuals of which 35 were occupied or a 41.66 percent rate of vacancy and 111 for contractors paid per hours of which 27 are occupied or a vacancy rate of 75.67 percent at the end of 2009.

Based on the figures above , the MoA presented in the 2010-2014 Strategy Document dated December 2009, its needs for human capital. The recruitment plan over three years is expected to strengthen the ability of the Ministry to offer guidance to farmers, provide quarantine services, monitor agricultural production and ensure food security.

From April 6th, 2010 and onwards, the Council of Ministers started to authorize the organization of recruitment exams through the Civil Service Board to hire additional civil servants. The Council also exempted the recruitment of contractual employees paid on an hourly basis from any examination. The total number of recruits authorized in 2010 and 2011 culminated at around 361[1] employees of which 65 were recruited on an hourly contractual basis.

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[19] The category entitled "Other" mainly includes State contributions to the Civil Servants Cooperatives. The remaining components of this category include (i) payments for bonuses, (ii) State contributions to the Mutual Funds covering Member of Parliaments, employees of the Lebanese Parliament, judges, judges' aides and Islamic tribunal judges and (iii) State contributions (as an employer) to the National Social Security Fund public sector employees that are not covered by the Civil Servant Cooperative and the Mutual Funds.

Box III: Basic Salary to Ministry of Agriculture (Continued)

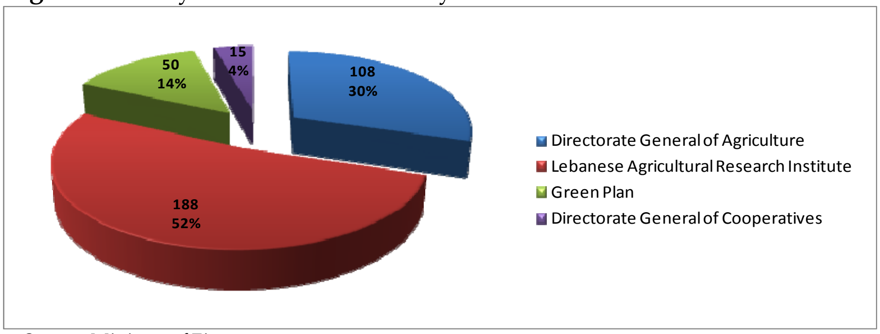
Table 1. Recruitment Plan of the Ministry of Agriculture 2010-2012

	2010	2011	2012	Total
Directorate General of Agriculture	**228**	**114**	**112**	**454**
Lebanese Agricultural Research Institute, *of which:*	**108**	**54**	**53**	**215**
Lebanese Agricultural Research Institute-Permanent Civil Servants	*79*	*40*	*39*	*158*
Lebanese Agricultural Research Institute- Contractuals Per Hour	*29*	*14*	*14*	*57*
Green Plan, *of which:*	**83**	**41**	**41**	**165**
Green Plan-*Permanent Civil Servants*	*50*	*24*	*25*	*99*
Green Plan- *Contractuals*	*5*	*3*	*2*	*10*
Green Plan-*Contractuals Per Hours*	*28*	*14*	*14*	*56*
Directorate General of Cooperatives	**22**	**12**	**10**	**44**
Total	**441**	**221**	**216**	**878**

Source: *Budget Document for the Execution of the Agricultural Sector Strategy, Ministry of Agriculture*

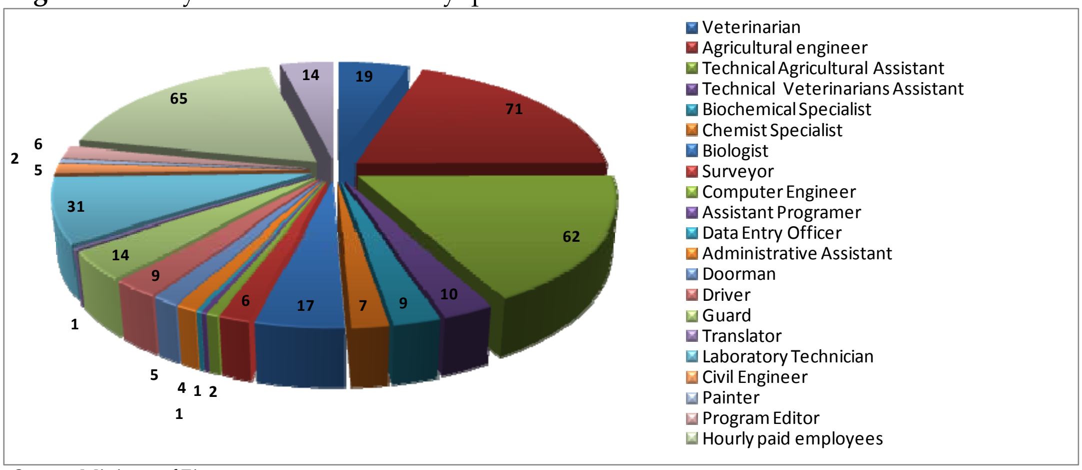
The figures below depict the breakdown of the newly authorized recruits in the Ministry of Agriculture by division and by qualification.

Figure 1. Newly authorized recruits by division



Source: Ministry of Finance

Figure 2. Newly authorized recruits by qualification



Source: Ministry of Finance

1- The recruitment was made as per the following Council of Minister's decisions: Decision Number 4 dated April 6th, 2010, decision number 42 dated April 21st, 2010, decision number 46 dated May 20th, 2010, decision number 8 dated June 15th, 2010, decision number 5 dated June 30th, 2010, decision number 36 dated June 30th, 2010, decision number 3 dated July 21st, 2010, decision number 43 dated August 18, 2010, decision number 10 dated September 29th, 2010, decision number 23 dated August 11th, 2011, decision number 21 dated September 14th, 2011, decision number 128 dated October 5th, 2011, decision number 50 dated October 12th, 2011 and decision number 16 dated October 27th, 2011.