

Salaries, wages and related benefits in January-July 2011 compared to January-July 2010

Payments in January-July 2011 reached LL2,155 billion, higher by LL 221 billion compared to January-July 2010, as a result of the following three main factors:

1. A LL166 billion increase in basic salaries from LL1,429 billion in January-July 2010 to LL1,595 billion in January-July 2011 mainly driven by higher payments to the military and security forces (+LL118 billion) and the education personnel (+LL68 billion). This was slightly offset by a decrease in payments to civilian personnel (-LL20 billion).

The increase in basic salaries paid to the military personnel primarily stemmed from the following factors:

- The fourth payment of the 1996-1998 retroactive to military and security personnel which is divided into 6 disbursements over the 2009-2011 period¹ and the one-off payment of field service indemnities that accrued between July 2008 and February 2011 to them². It is worth mentioning that field service indemnities are additional benefits to which military personnel in service are entitled exclusively in the public sector.
- The assignment of 10,637 elements enrolled on a contractual basis in Internal Security Forces (also known as "mujanadine" in Arabic) as permanent elements and the enlistment of 2,500 new volunteers³ in ISF. It is worth noting that the conversion of the "ISF mujanadine" to permanent elements led to an increase in payments of "housing allowance", which is 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 conversion⁴, 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 increase in basic salaries paid to the education personnel was due to the following reasons:

- An estimated LL16 billion increase in payments to primary and intermediate education.
- An estimated LL17 billion increase in payments to secondary education.
- An estimated LL29 billion increase in payments to teachers hired on a contractual basis.

¹ 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.

² 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.

³ 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 "mujanadine") as permanent elements and the enlistment of a total of 4,000 new volunteers, out of which 2,500 members have been engaged to this date. 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.

⁴ This implies that the "ISF mujanadine" were paid between January and July 2011 their salaries for the months of January-August 2011, or eight months of salaries, whereas, they were paid only seven months of salaries in the respective period of 2010.

This is explained by the recruitment and appointment of 2,835 primary teachers⁵ and 755 secondary teachers⁶ for 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, which started to reveal its impact in April 2011 (Article 13).

2. A LL 74 billion increase in allowances from LL237 billion in January-July 2010 to LL311 billion in January-July 2011 mainly as a result of higher payments to the Army (+LL49 billion) and the Internal Security Forces (+LL24 billion). This increase was mainly due to higher payments of maternity and sickness allowances (+LL10 billion) and health allowances (+LL46 billion). Health allowances paid to the Military personnel have been increasing as a result of the Council of Ministers' decision to assign the members enrolled on a contractual basis (also known as "mujanadine" in Arabic) as permanent elements in Internal Security Forces and the decision to unify the hospitalization tariffs reimbursed by all insuring schemes sponsored. It is worth noting that both decisions started to have a significant impact starting February 2011.⁷

3. A LL24 billion decrease in "other⁸" as only a LL85 billion transfer was made to Civil Servants Cooperative in January-July 2011 compared to LL113 billion in January-July 2010. This is due to payment timing factors.

⁵ As per Decree 4057 dated May 20th, 2010, Decree 3634 dated March 20th, 2010 and Decree 3127 dated January 30th, 2010.

⁶ As per Decree 2542 dated July 31st, 2009 and Decree 4427 dated July 21st, 2010.

⁷ The increase in military 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 modest impact in 2010 (an increase of LL2 billion per month in 2010 compared to 2009) followed by a significant impact that appears starting February 2011 (an estimate of LL11 billion increase per month).

⁸ Other includes (i) payments for bonuses, (ii) State contributions to the Civil Servants Cooperatives, (iii) State contributions to the Mutual Funds covering Member of Parliaments, employees of the Lebanese Parliament, judges, judges' aides and Islamic tribunal judges and (iv) 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.

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

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2010 Jan- July	2011 Jan- July	2010 Jan- July	2011 Jan- July	2010 Jan- July	2011 Jan- July	2010 Jan- July	2011 Jan- July	2010 Jan- July	2011 Jan- July
Military Personnel	913	1,031	42	42	235	308	1	1	1,190	1,382
• Army	614	689	28	27	143	192	0	0	785	908
• Internal Security Forces 1/	239	272	11	12	73	96	0	0	323	380
• General Security Forces /2	47	52	2	2	14	14	1	1	62	69
• State Security Forces 3/	14	18	1	1	6	6	0	0	20	25
Education Personnel	313	381	35	37	0	0	0	0	348	417
Civilian Personnel 4/, of which:	203	183	37	39	2	2	131	107	373	332
• Employees Cooperative							113	85	113	85
Customs Salaries 5/									23	24
Total	1,429	1,595	114	118	237	311	132	108	1,934	2,155

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

1/ Includes allowance 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 allowance 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. Battlefield 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.