Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

December 2012

Introduction

Salaries, wages and related benefits payments amounted to LL 4,408 billion in 2012 for a total of 137,576[1] elements in the central government, compared to LL 3,817 billion in 2011 for a total of 136,975 (Box 1). The LL 591 billion increase is mainly attributed to (a) LL 190 billion increase in *allowances* (b) LL 151 billion increase in *basic salaries* (excluding retroactive payments) and (c) LL 133 billion increase in *retroactive payment*.

Box 1. Salaries and Wages Coverage

Salaries and wages cover **basic salaries** of all employees (namely full-time and part-time employees, consultants, advisors, and workers earning a lump-sum amount, but excluding the daily workforce), as well as **compensations** (such as family, overtime and transportation), **allowances** (including sickness and maternity, marriage, birth, death, hospitalization, schools, social spending, treatment in medical centers), **bonuses**, and **contributions to mutual funds** (such as those of COOP employees, members and employees of parliament, judges and judges of religious courts, and contributions to the Lebanese University.)

Basic salaries reached LL 3,259 billion in 2012, a LL 284 billion or 10 percent increase compared to LL 2,974 billion paid in 2011, mainly as a result of the 2012 cost of living payments[2]. In details, during 2012, cost of living adjustment and various retroactive payments[3] totaled LL 720 billion (out of LL 3,259 billion), higher than the LL 587 billion (out of LL 2,974 billion) paid in 2011. It is worth noting that in 2012, LL 632 billion were disbursed for cost of living adjustment, of which LL 498 billion are classified under article 13 and the remaining balance is mainly related to payments to retirees and is therefore classified under article 14 which is not covered as part of this report.

If cost of living adjustment and retroactive payments are excluded in both years, basic salaries would reach LL 2,387 billion in 2011 compared to LL 2,539 billion in 2012, an increase of 6 percent, mainly driven by additional military recruits and higher security alert benefits[4].

---

[1] The figure excludes hourly paid teachers which amounted to 24,653 in 2012.

[2] Cost of living payments include both the monthly increment for Sep-2012, Oct-2012, Nov-2012 and Dec-2012 as well as part of the retroactive payment for the period Feb-Aug 2012. All payments were made through treasury advance as per decree 8851 dated 7 September 2012. It should be noted that some treasury advances include both the basic salary and the cost of living payment whereby the breakdown between the two is not readily available.

[3] Various retroactive payments included the following: (a) 1996-1998 retroactive payment, (b) the exceptional echelons retroactive payment for education personnel as per Law 102 dated 6 March 2010, Law 159 dated 6 August 2010 and Law 223 dated 4 April 2012, and (c) one-off field service indemnity retroactive payments which were nil in 2012. It should be noted that, in theory, the 1996-1998 retroactive payment were completed in 2012, to the exception of few military retirees.

[4] Tadbir 3

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-Dec 2011	Jan-Dec 2012	2012/2011
Basic Salaries (inc. all retroactive payments)	**2,974**	**3,259**	**10%**
Retroactive payments, *of which*:	587	222	-62%
1996-1998 military retroactive	*486*	*33*	-93%
Annex 6 military retroactive	*52*	-	
1996-1998 civilian retroactive (exc. Education)	*37*	*35*	3%
Exceptional echelons for education personnel	-	*144*	N/A
2012 cost of living adjustment	-	498	N/A
Basic Salaries (exc. all retroactive payments)	**2,388**	**2,539**	**6%**

Source: Ministry of Finance, Directorate General of Finance

I. Breakdown of Salaries, Wages, and Related Benefits

Salaries, wages and related benefits represent the largest component of total primary spending, accounting for 31 percent in 2012, down from 33 percent in 2011; it is the second largest component of total spending after interest payments, accounting for 22 percent during both 2011 and 2012. As a percentage of revenues, salaries and wages and related benefits made up 31 percent, up from 27 percent in 2011. In terms of real GDP, they accounted for 6.5 percent in 2011, increasing to 7.1 percent in 2012.

Table 2. Breakdown of Article 13: Salaries, Wages and Related Benefits

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2011 Jan-Dec	2012 Jan-Dec	2011 Jan-Dec	2012 Jan-Dec	2011 Jan-Dec	2012 Jan-Dec	2011 Jan-Dec	2012 Jan-Dec	2011 Jan-Dec	2012 Jan-Dec
Military Personnel	**1,976**	**1,937**	**70**	**77**	**404**	**591**	**2**	**4**	**2,452**	**2,608**
• Army	1,402	1,229	45	47	242	395	1	2	1,690	1,673
• Internal Security Forces 1/	457	540	20	23	132	156	0	0	609	719
• General Security Forces 2/	83	105	3	3	23	25	1	1	110	135
• State Security Forces 3/	33	63	2	3	8	15	0	0	42	81
Education Personnel	**687**	**937**	**68**	**62**	**0**	**0**	**1**	**1**	**756**	**1,000**
Civilian Personnel 4/, *of which:*	**312**	**385**	**63**	**66**	**4**	**8**	**192**	**292**	**570**	**750**
• *Employees Cooperative*							*149*	*250*	*149*	*250*
Customs Salaries 5/									**38**	**50**
Total	**2,974**	**3,259**	**201**	**204**	**408**	**598**	**195**	**297**	**3,817**	**4,408**

Source: Ministry of Finance, Directorate General of Finance

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

II. Breakdown of Basic Salaries

III.A. Basic Salaries of Military Personnel

Military personnel accounts for the largest share of public sector employees. As of end 2012, the total military workforce[5] increased from 92,776 in 2011 to 94,455 members in 2012, distributed as follows:

- 62,377 members in the Lebanese Army
- 25,991 members in the Internal Security Forces
- 4,605 members in the General Security Forces[6]
- 1,482 members in the State Security Forces

Basic salaries of military personnel decreased by LL 39 billion or 2 percent in 2012 mainly due to lower retroactive payments in 2012 compared to 2011. In fact, during 2011, retroactive payments to military personnel totaled LL 538 billion, much higher than the LL 384 billion paid in 2012.

If retroactive payments are excluded in both years, basic salaries to military personnel would register an increase of LL 115 billion, the equivalent of 8 percent, mainly driven by the enlistment of additional recruits. Another reason behind the increase in basic salaries to military personnel can be attributed to security alert benefits which are higher due to major security events which occurred in the country, such as the clashes that took place in Tripoli or the events in Akkar[7].

Table 3: Impact of Retroactive Payments on Military Personnel Basic Salaries

in LL Billion	Jan-Dec 2011	Jan-Dec 2012
Basic Salaries (inc. cost of living and all retroactive payments)	**1,976**	**1,937**
Retroactive payments, *of which*:	538	33
1996-1998 retroactive payments	*486*	*33*
2012 cost of living adjustment	0	351
Basic Salaries (exc. all retroactive payments)	**1,438**	**1,553**

Source: Ministry of Finance, Directorate General of Finance

III.B. Basic Salaries of Education Personnel

As of end 2012, the educational personnel totaled 27,443 members, decreasing from 28,170 in 2011. The allocation of education personnel in 2012 is as follows:

- 19,954 primary teachers at DGE
- 6,321 secondary teachers at DGE
- 256 primary teachers at DGVT
- 912 secondary teachers at DGVT

On a related note, around 24,653 hourly paid teachers were enrolled in 2012. However, their salaries and wages are not reflected under article 13 and this analysis.

The 36 percent increase in basic salaries paid to the education personnel in 2012 is mainly explained by the payment of retroactive mostly made in 2012, including the following:

[5] Total number of military workforce excludes all armed customs personnel.

[6] Total amount of General Security Forces estimated by the Directorate General of Payment Orders for 2011 was 346 elements. This figure, however, excluded warrants, adjutants, sergeants, corporals and soldiers. Therefore, another estimate was made based on the 2008 estimation of 4,980 members and the recruitment of 1,250 members made since then.

[7] Tadbir 3

- *The exceptional echelons retroactive payment* amounting to LL 144 billion[8] in 2012 to cover the retroactive cost of the four exceptional echelons granted[9] to primary and secondary teachers as well as to the second, third and fourth category of education personnel in the Directorate General of Vocational and Technical Education.
- The payment of the *2012 cost of living adjustment* for the months of October, November and December 2012 and the cost of living retroactive payment for the period Feb-Sep 2012.

Once the impact of the retroactive payments and the cost of living adjustment is removed, basic salaries of education personnel display an increase of LL 27 billion (4 percent), mainly due to the following trends:

- A LL 16 billion increase in payments made to contractual primary, intermediate and secondary personnel, an LL 8 billion growth in payments to secondary education personnel at the Directorate General Education, and an LL 8 billion rise in payments to primary and secondary education trainees.
- This increase was counterbalanced by a LL 13 billion decrease in payments to permanent primary personnel at the Directorate General Education, coupled with a LL 3 billion decrease in payments to contractual personnel at the Directorate General of Vocational and Technical education, mainly due to some discrepancy in timing of payment.

Table 4: Impact of Retroactive Payments on Education Personnel Basic Salaries

in LL Billion	Jan-Dec 2011	Jan-Dec 2012
Basic Salaries (inc. cost of living and all retroactive payments)	**687**	**937**
Retroactive payments, *of which*:	1	144
Exceptional Degrees Retroactive	-	*144*
2012 cost of living adjustment	-	80
Basic Salaries (exc. all retroactive payments)	**686**	**713**

Source: Ministry of Finance, Directorate General of Finance

III.C. Basic Salaries of Civilian Personnel

Civilian personnel amounted 16,029 members in 2011, and decreased to 15,678 members in 2012, divided as follows:

- Regular workforce: 8,798
- Contractual workforce: 4,667
- Daily workforce[10]: 2,213

It is worth noting that the basic salaries of the daily workforce are not reflected under Article 13 – salaries and wages. As such, the below analysis only reflects basic salaries of both regular and contractual employees.

[8] This payment was made through treasury advance as per Decree 7341 Dated December 29th, 2011 and decree 8345 dated June 15th, 2012.

[9] As per Law 159 dated August 17th, 2011 and Law 223 dated April 4th 2012, which granted four exceptional echelons to primary and secondary teachers and to the second, third and fourth category teachers in the Directorate General of Technical and Vocational education, divided as follows: 2 exceptional echelons as of 1/1/2010 and 2 exceptional echelons as of 1/1/2011. It is important to note that this law has a permanent impact, as the total value of the four echelons was incorporated in the teachers' respective basic salary as of 1/1/2012.

[10] Daily workforce work on hourly basis.

The 23 percent rise in basic salaries of civilian personnel is partly due to the LL 16 billion *payments of 2005-2009 foreign currency retroactive*[11] in 2012 and the LL 62 billion cost of living adjustment, compared to nil in 2011.

From an administrative classification[12] perspective, the most notable increases during this period occurred in the following categories: (1) diplomats in Lebanese overseas missions, (2) diplomats in the Central Administration at the Ministry of Foreign Affairs, and (3) judges[13] category, which rose by LL 13 billion, LL 7 billion and LL 23 billion, respectively.

- The increase in payments to diplomats in Lebanese overseas missions is due to significant discrepancies in timing of payments of monthly salaries following the payment in 2012 of LL 5 billion that were due in 2010 and LL 4 billion due in 2011, as well as the LL 9 billion foreign currency retroactive payments which were partially offset by a decrease in the 1996-1998 retroactive payments by LL 5 billion.
- The increase in payments to Lebanese Diplomats who are in residence at the Central Administration of the Ministry of Foreign Affairs in Beirut is due to the LL 7 billion payment in April 2012 of the foreign currency retroactive[14].
- The rise of payments to all judges from LL 52 billion to LL 76 billion between 2011 and 2012 is mainly the result of the new salary and wage scale law[15] providing both civilian and religious judges with higher salaries.

III. Payments of Allowances

Allowances increased by LL 190 billion, from LL 408 billion in 2011 to LL 598 billion in 2012, mainly as a result of higher payments to the Army (+LL 153 billion, which in turn increased chiefly due to a LL 77 billion and LL 64 billion rise in education allowances and hospitalization expenses respectively), the Internal Security Forces (+LL 33 billion) and the State Security Forces (+LL 8 billion).

More specifically, education allowances inched up by LL 106 billion, from LL 163 billion in 2011 to LL 270 billion in 2012. The LL 106 billion increase, of which 72 percent were allocated to the Army, was mainly due to (a) an increase in the percentage of education allowance from 50 percent of school tuition fees in 2011 to 85 percent in 2012, and (b) the indirect effect of cost of living adjustment which led to an increase in school tuition fees and therefore education allowance.

These were followed by hospitalization allowances which grew from LL 168 billion in 2011 to LL 236 billion in 2012, implying an increase of LL 68 billion of which 94 percent are dedicated to the Army. The main reason behind this increase is related to amounts carried forward dating back to 2011.

---

[11] For more information about the foreign exchange retroactive, please refer to Box II in the February 2012 issue of the Salaries & Wage report.
[12] An administrative classification arranges public expenditures by recipient ministries and general directorates.
[13] Including religious judges , civilian judges training at the Judiciary Institute, civilian judges at the Court of Audit and civilian judges at the Shura Council.
[14] As per the treasury advance provided in Decree 6873 dated 18 November 2011.
[15] Following the adoption of Law 173 dated August 29th, 2011. For more information about the increase in the judges' wages, kindly refer to box II in the December 2011 issue of the Salaries & Wages report.

IV. Payments to the Civil Servants' Cooperative

The item "other"[16], which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a significant increase of LL 102 billion in 2012. This is due to a cash management issue and discrepancy in timing of payment, as LL 61 billion[17] out of the LL 250 billion transfer made to Civil Servants Cooperative in 2012 were from the 2011 Budget Proposal allocation; this compares with a total transfer of LL 195 billion in 2011.

V. Payments to Customs

Payments to Customs witnessed an increase of LL 12 billion in 2012 compared to the same period of 2011. This difference is primarily attributed to the payment of cost of living adjustment which amounted to LL 6 billion during the period under review.

---

[16] 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 Civilian Servant Cooperative.

[17] These payments were mainly made through treasury advance from Decree 7005 dated November 30th, 2011, legislating the payment of a total of LL 61 billion to the Civilian Servants' Cooperative to cover their incurred expenses until the end of 2011.