Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

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I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, grew from LL 2,579 billion in Jan-Aug 2012 to LL 2,803 billion in Jan-Aug 2013. The LL 225 billion rise is mainly attributed to (a) the LL 257 billion higher payments in basic salaries, and (b) the LL 15 billion increase in family indemnities. These rises were offset by a LL 26 billion decline in allowances, and a LL 18 billion drop in *other* expenses mainly composed of payments to employees of the Civil Servants Cooperative.

More specifically, basic salaries reached LL 2,075 billion in Jan-Aug 2013 compared to LL 1,819 billion paid in the same period in 2012, implying an 14 percent increase.

During Jan-Aug 2013, retroactive payments[1] totaled LL 1 billion (out of LL 2,075 billion), compared to LL 90 billion (out of LL 1,819 billion) paid in the same period of 2012. If retroactive payments are excluded in both years, basic salaries would reach LL 1,729 billion in Jan-Aug 2012 compared to LL 2,074 billion in Jan-Aug 2013, a growth of 20 percent. The LL 345 billion rise was mainly driven by the cost of living adjustment which started to be paid in September 2012[2]. Another reason behind the increase can be attributed to the enlistment of new personnel and/or the promotion of current employees.

Table 1. Impact of Retroactive Payments on Basic Salaries

in LL Billion	Jan-Aug 2012	Jan-Aug 2013	2013/2012
Basic Salaries (inc. all retroactive payments)	**1,819**	**2,075**	**14%**
Retroactive payments	90	1	-99%
Basic Salaries (exc. all retroactive payments)	**1,729**	**2,074**	**20%**

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

II. Breakdown of Salaries, Wages, and Related Benefits

Salaries, wages and related benefits represent the second largest component of total primary spending, after Various Transfers, accounting for 30 percent during Jan-Aug 2012 and 28 percent during the same period of 2013.

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

(LL billion)	Basic Salaries		Indemnities 6/		Allowances 7/		Other 8/		Total	
	2012 Jan-Aug	2013 Jan- Aug	2012 Jan-Aug	2013 Jan-Aug	2012 Jan-Aug	2013 Jan-Aug	2012 Jan-Aug	2013 Jan-Aug	2012 Jan-Aug	2013 Jan-Aug
Military Personnel	**1,060**	**1,303**	**50**	**51**	**430**	**405**	**3**	**1**	**1,543**	**1,760**
▪ Army	669	833	32	32	279	265	2	0	981	1,130
▪ Internal Security Forces 1/	289	377	15	16	122	111	0	0	426	504
▪ General Security Forces 2/	55	71	2	2	16	21	1	1	74	95
▪ State Security Forces 3/	48	22	1	1	13	7	0	0	62	31
Education Personnel	**521**	**538**	**36**	**48**	**0**	**0**	**0**	**0**	**557**	**587**
Civilian Personnel 4/, *of which:*	**237**	**234**	**44**	**46**	**4**	**3**	**159**	**142**	**445**	**425**
▪ *Civil Servants' Cooperative*							*136*	*117*	*136*	*117*
Customs Salaries 5/									**33**	**31**
Total	**1,819**	**2,075**	**130**	**145**	**434**	**408**	**162**	**144**	**2,579**	**2,803**

[1] Excluding customs retroactive payment which totaled LL 9 billion in Jan-Aug 2012 and nil during the same period of 2013.
[2] Cost of living adjustment was effective starting February 2012 but started to be paid in September 2012.

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

III.A. Basic Salaries of Military Personnel

Basic salaries of military personnel grew by 23 percent (LL 243 billion) mainly due to increases in payments to permanent members of (a) the Army (LL 163 billion), (b) the Internal Security Forces (LL 90 billion), and (c) the General Security Forces (LL 15 billion), induced by the cost of living adjustment included in basic salaries and/or the enlistment of new recruits and/or the promotion of current personnel.

The increase in basic salaries of military personnel was offset by lower payments of the 1996-1998 retroactive[3] which totaled LL 33 billion in Jan-Aug 2012, compared to LL 0.7 billion in Jan-Aug 2013.

Once the impact of retroactive payments is removed, basic salaries of military personnel increased from LL 1,027 billion to LL 1,302 billion, displaying an increase of 27 percent (LL 275 billion).

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

in LL Billion	Jan-Aug 2012	Jan-Aug 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**1,060**	**1,303**	**23%**
1996-1998 retroactive payments	33	1	-98%
Basic Salaries (exc. all retroactive payments)	**1,027**	**1,302**	**27%**

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

III.B. Basic Salaries of Education Personnel

The 3 percent (LL 17 billion) increase in basic salaries of education personnel in Jan-Aug 2013 is mainly explained by the following:

- LL 53 billion increase in basic salaries of primary teachers at the Directorate General of Education, mainly due to cost of living adjustment, as well as new recruits and/or promotion of current personnel.
- LL 33 billion rise in basic salaries of primary and secondary trainees, chiefly driven by the recruitment of new teachers.
- LL 14 billion growth in basic salaries of secondary teachers at the Directorate General of Education, induced by the cost of living adjustment, as well as the enlistment of new teachers and/or the promotion of current personnel.

[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.

The above mentioned increases were partly offset by lower payments in the following categories:

- Transfers to contractual personnel at the Directorate General of Vocational and Technical education, amounting to LL 52 billion during Jan-Aug 2012 compared to LL 0.3 billion during Jan-Aug 2013, mainly due to a discrepancy in timing of payment.
- Retroactive of the four exceptional echelons granted to secondary teachers and to the second and third category of the education personnel in the Directorate General of Vocational and Technical education. This payment was made in January 2012 and amounted to LL 21 billion[4], while it was quasi-nil during Jan-Aug 2013.
- Transfers to contractual personnel at the Directorate General of Education, decreasing by LL 14 billion in Jan-Aug 2013, mostly due to a discrepancy in timing of payment.

Once the impact of the retroactive payment is removed, basic salaries of education personnel display an increase of LL 38 billion (8 percent).

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

in LL Billion	Jan-Aug 2012	Jan-Aug 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**521**	**538**	**3%**
Exceptional Degrees and 1996-1998 Retroactive	21	0	-100%
Basic Salaries (exc. all retroactive payments)	**500**	**538**	**8%**

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

III.C. Basic Salaries of Civilian Personnel

Payments to the civilian personnel dropped by 1 percent (LL 3 billion) partly due to lower payment of 1996-1998 and 2005-2009 foreign currency[5] retroactive, which totaled LL 18 billion and LL 16 billion, respectively, in Jan-Aug 2012, compared to LL 0.3 billion and nil, respectively, in Jan-Aug 2013. The latter decreases were almost offset by the cost of living adjustment. which started to be paid in September 2012.

From an administrative classification[6] perspective, the most notable decreases during this period occurred in the following categories: (1) Lebanese diplomats at the Central Administration of the Ministry of Foreign Affairs, (2) diplomats in Lebanese overseas missions, and (3) Ministry of Telecommunication category, which declined by LL 7 billion, LL 3 billion and LL 1 billion, respectively. The decline in payments to diplomats at the Central Administration is mainly due to the LL 7 billion foreign currency retroactive that were paid in 2012. As for the decrease in payments to diplomats in Lebanese overseas missions, it is due to significant discrepancies in timing of payments of monthly salaries following the payment in Jan-Aug 2012 of LL 5 billion that were due in 2010, LL 4 billion that were due in 2011 and the LL 9 billion foreign currency retroactive payments. These payments were counterbalanced by the payment in Jan-Aug 2013 of LL 11 billion that were due in 2012 and LL 6 billion that were due in 2011.

These decreases were slightly offset by increases in the following categories: (1) Ministry of Finance category (LL 2 billion), (2) Parliament category (LL 2 billion), and (3) Ministry of Defense category (LL 1 billion).

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[4] This payment was made through treasury advance as per Decree 7341 Dated December 29th, 2011, which legislated the payment of a total of LL 30 billion to cover the retroactive cost of the four exceptional echelons, for the period ranging between 1/1/2010 and 31/10/2011.

[5] For more information about the foreign exchange retroactive, please refer to Box II in the February 2012 issue of the Article 13 report.

[6] An administrative classification arranges public expenditures by recipient ministries and general directorates.

Once the impact of the retroactive payment is removed, basic salaries of civilian personnel display an increase of 15 percent (LL 31 billion), mainly driven by the cost of living adjustment.

Table 5: Impact of Retroactive Payments on Civilian Personnel's Basic Salaries

in LL Billion	Jan-Aug 2012	Jan-Aug 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**237**	**234**	**-1%**
1996-1998 Retroactive	18	0	-97%
Foreign Currency Retroactive – Ministry of Foreign Affairs	16	-	-100%
Other retroactive	1	0	-85%
Basic Salaries (exc. all retroactive payments)	**202**	**233**	**15%**

IV. Payments of Allowances

Allowances declined by LL 26 billion, from LL 434 billion during the period Jan-Aug 2012 to LL 408 billion during the comparable period of 2013.

More specifically, allowances to the Army declined (LL 14 billion) mainly as a result of a LL 26 billion drop in hospital expenses, offset by a LL 9 billion increase in sickness and maternity expenses and LL 4 billion rise in school allowances.

As for Internal Security Forces, the reason behind the LL 11 decline is mainly attributed to a drop in school allowances (LL 14 billion) and sickness and maternity (LL 10 billion). Such decreases were offset by a LL 14 billion increase in hospital allowances.

Allowances to State Security Forces also decline by LL 6 billion mainly resulting from a LL 4 billion fall in school allowances and a LL 1 billion decrease in hospital allowances.

The aforementioned decreases were counterbalanced by an LL 5 billion increase in payments made to General Security Forces, mainly due to a LL 3 billion rise in hospital expenses and a LL 2 billion growth in sickness and maternity expenses.

It is worth noting that these changes are mainly the result of some discrepancy in timing of payment.

V. Payments to the Civil Servants' Cooperative

The item "other"[7], which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a decrease of 11 percent (LL 18 billion) in Jan-Aug 2013, due to a cash management issue and discrepancy in timing of payment.

VI. Payments to Customs

Payments to Customs witnessed a decrease of 7 percent (LL 2 billion) in Jan-Aug 2013 compared to the same period of 2012. It is worth mentioning that the 1996-1998 retroactive payment amounted to LL 9 billion in Jan-Aug 2012 and nil in Jan-Aug 2013.

[7] 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.

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