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 1,600 billion in Jan-May 2012 to LL 1,768 billion in Jan-May 2013. The LL 168 billion rise is mainly attributed to (a) the LL 178 billion higher payments in basic salaries, and (b) the LL 13 billion increase in family indemnities. These rises were offset by a LL 20 billion decline in *other* expenses mainly composed of payments to employees of the Civil Servants Cooperative.

More specifically, basic salaries reached LL 1,292 billion in Jan-May 2013 compared to LL 1,113 billion paid in the same period in 2012, implying a 16 percent increase.

During Jan-May 2013, retroactive payments[1] totaled LL 1 billion (out of LL 1,292 billion), compared to LL 88 billion (out of LL 1,113 billion) paid in the same period of 2012. If retroactive payments are excluded in both years, basic salaries would reach LL 1,025 billion in Jan-May 2012 compared to LL 1,291 billion in Jan-May 2013, a growth of 26 percent. The LL 266 billion rise was mainly driven by the cost of living adjustment, 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-May 2012	Jan-May 2013	2013/2012
Basic Salaries (inc. all retroactive payments)	**1,113**	**1,292**	**16%**
Retroactive payments	88	1	-99%
Basic Salaries (exc. all retroactive payments)	**1,025**	**1,291**	**26%**

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 largest component of total primary spending, accounting for 29 percent during Jan-May 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-May	2013 Jan-May	2012 Jan-May	2013 Jan-May	2012 Jan-May	2013 Jan-May	2012 Jan-May	2013 Jan-May	2012 Jan-May	2013 Jan-May
Military Personnel	**672**	**812**	**31**	**32**	**268**	**268**	**2**	**1**	**973**	**1,114**
• Army	416	521	20	20	170	171	1	0	607	713
• Internal Security Forces 1/	181	232	10	10	78	77	0	0	268	319
• General Security Forces 2/	34	45	1	1	11	14	1	1	47	62
• State Security Forces 3/	41	14	1	1	9	6	0	0	50	20
Education Personnel	**282**	**335**	**24**	**34**	**0**	**0**	**0**	**0**	**306**	**368**
Civilian Personnel 4/, *of which:*	**160**	**145**	**28**	**31**	**2**	**2**	**107**	**87**	**297**	**265**
• *Civil Servants' Cooperative*							*91*	*70*	*91*	*70*
Customs Salaries 5/									**24**	**21**
Total	**1,113**	**1,292**	**83**	**96**	**270**	**270**	**109**	**89**	**1,600**	**1,768**

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

[1] Excluding customs retroactive payment which totaled LL 9 billion in Jan-May 2012.

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 21 percent (LL 140 billion) mainly due to the LL 105 billion and LL 55 billion rise in payments respectively to members of the Army and Internal Security Forces, induced by the cost of living adjustment included in basic salaries.

The increase in basic salaries of military personnel was offset by lower payments of the 1996-1998 retroactive[2] which totaled LL 33 billion in Jan-May 2012, compared to LL 0.7 billion in Jan-May 2013.

Once the impact of retroactive payments is removed, basic salaries[3] of military personnel increased from LL 639 billion to LL 811 billion, displaying an increase of 27 percent (LL 118 billion).

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

in LL Billion	Jan-May 2012	Jan-May 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**672**	**812**	**21%**
1996-1998 retroactive payments	33	1	-98%
Basic Salaries (exc. all retroactive payments)	**639**	**811**	**27%**

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

III.B. Basic Salaries of Education Personnel

The 19 percent (LL 53 billion) increase in basic salaries of education personnel in Jan-May 2013 is mainly explained by the following:

- LL 35 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 17 billion rise in basic salaries of primary and secondary trainees, chiefly driven by the recruitment of new teachers.
- LL 15 billion growth in basic salaries of contractual teachers at the Directorate General of Education, induced by the enlistment of new teachers and/or the promotion of current personnel.

The above mentioned increases were partly offset by lower payment of retroactive relating to 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

[2] 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.
[3] Basic salaries include a portion of cost of living adjustment whereby the breakdown between the two is not readily available.

payment was made in January 2012 and amounted to LL 20 billion[4], while it was nil during Jan-May 2013.

Once the impact of the retroactive payment is removed, basic salaries of education personnel display an increase of LL 74 billion (29 percent).

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

in LL Billion	Jan-May 2012	Jan-May 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**282**	**335**	**19%**
Exceptional Degrees and 1996-1998 Retroactive	21	0	-100%
Basic Salaries (exc. all retroactive payments)	**260**	**335**	**29%**

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

III.C. Basic Salaries of Civilian Personnel

Payments to the civilian personnel dropped by 9 percent (LL 15 billion) partly due to lower payment of 1996-1998 and 2005-2009 foreign currency[5] retroactive, which totaled LL 17 billion and LL 16 billion, respectively, in Jan-May 2012, compared to LL 0.1 billion and nil, respectively, in Jan-May 2013. The decrease was slightly offset by the cost of living adjustment which amounted to at least LL 17 billion in Jan-May 2013 compared to nil during the same period of 2012.

From an administrative classification[6] perspective, the most notable decreases during this period occurred in the following categories: (1) diplomats in Lebanese overseas missions, (2) diplomats at the Central Administration of the Ministry of Foreign Affairs, and (3) judges[7], which declined by LL 8 billion, LL 7 billion and LL 2 billion, respectively. The decrease in payments to diplomats in Lebanese overseas missions is due to significant discrepancies in timing of payments of monthly salaries following the payment in Jan-May 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 quasi nil during the period Jan-May 2013.

Once the impact of the retroactive payment is removed, basic salaries of civilian personnel display an increase of 14 percent, mainly driven by cost of living adjustment.

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

in LL Billion	Jan-May 2012	Jan-May 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**160**	**145**	**-9%**
1996-1998 Retroactive	17	0	-97%
Foreign Currency Retroactive – Ministry of Foreign Affairs	16	-	-100%
Other retroactive	1	0	-80%
Basic Salaries (exc. all retroactive payments)	**126**	**144**	**14%**

[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.

[7] Including religious judges , civilian judges training at the Judiciary Institute, civilian judges at the Court of Audit and civilian judges at the Shura Council.

IV. Payments of Allowances

Allowances remained quasi the same during the period Jan-May 2012 and the comparable period of 2013, at LL 270 billion.

The main changes belong to payments to the General Security Forces and the Army, which, respectively, grew by LL 3 billion and LL 1 billion between Jan-May 2012 and Jan-May 2013, counterbalanced by a LL 3 billion decrease in allowances to State Security Forces.

More specifically, allowances to General Security Forces increased as a result of a LL 1 billion rise in school allowances and LL 1 billion growth in sickness and maternity. Allowances to Army rose due to a LL 14 billion growth in hospital expenses and a LL 6 billion increase in sickness and maternity, and were counterbalanced by a LL 19 billion decline in school allowances. As for allowances to State Security Forces, the main reason behind the LL 3 billion decrease is the LL 2 billion drop in school allowances.

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"[8], which is mainly composed of payments to the Civil Servants' Cooperative, witnessed a decrease of 18 percent (LL 20 billion) in Jan-May 2013, due to a cash management issue and discrepancy in timing of payment.

VI. Payments to Customs

Payments to Customs witnessed a decrease of 12 percent (LL 3 billion) in Jan-May 2013 compared to the same period of 2012, mainly due to the retroactive effect. It is worth mentioning that the 1996-1998 retroactive payment amounted to LL 9 billion in Jan-May 2012 and nil in Jan-May 2013, while the cost of living adjustment[9] was LL 10 billion during Jan-May 2013.

[8] 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.

[9] 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.

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