Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

October 2013

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, declined from LL 3,621 billion in Jan-Oct 2012 to LL 3,491 billion in Jan-Oct 2013. The LL 130 billion drop is mainly attributed (a) the LL 62 billion lower payments in basic salaries chiefly explained by a number of exceptional retroactive payments during the period Jan-Oct 2012, (b) the LL 40 billion fall in allowances, and (c) the LL 30 billion decrease in *other* expenses mainly composed of payments to employees of the Civil Servants Cooperative.

More specifically, basic salaries reached LL 2,612 billion in Jan-Oct 2013 compared to LL 2,674 billion paid in the same period in 2012, implying a 2 percent decrease.

During Jan-Oct 2013, retroactive payments[1] totaled LL 1 billion (out of LL 2,612 billion), compared to LL 188 billion (out of LL 2,674 billion) paid in the same period of 2012. If retroactive payments are excluded in both years, basic salaries would reach LL 2,486 billion in Jan-Oct 2012 compared to LL 2,611 billion in Jan-Oct 2013, a growth of 5 percent. The LL 125 billion rise was mainly driven by the cost of living adjustment which started to be paid gradually in September 2012[2] mainly to military personnel, and in October to Civilian and Education personnel. 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-Oct 2012	Jan-Oct 2013	2013/2012
Basic Salaries (inc. all retroactive payments)	**2,674**	**2,612**	**-2%**
Retroactive payments	189	2	-99%
Basic Salaries (exc. all retroactive payments)	**2,485**	**2,610**	**5%**

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 31 percent during Jan-Oct 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-Oct	2013 Jan-Oct	2012 Jan-Oct	2013 Jan-Oct	2012 Jan-Oct	2013 Jan-Oct	2012 Jan-Oct	2013 Jan-Oct	2012 Jan-Oct	2013 Jan-Oct
Military Personnel	**1,612**	**1,629**	**64**	**65**	**505**	**468**	**3**	**2**	**2,185**	**2,164**
▪ Army	1,025	1,039	39	40	335	298	2	0	1,401	1,377
▪ Internal Security Forces 1/	447	473	19	20	135	135	0	0	601	628
▪ General Security Forces 2/	84	89	3	3	22	26	1	1	110	120
▪ State Security Forces 3/	57	28	3	3	14	9	0	0	74	39
Education Personnel	**750**	**693**	**46**	**52**	**0**	**0**	**0**	**0**	**796**	**745**
Civilian Personnel 4/, *of which:*	**312**	**289**	**54**	**56**	**6**	**3**	**224**	**195**	**595**	**544**
▪ *Civil Servants' Cooperative*							*196*	*164*	*196*	*164*
Customs Salaries 5/									**45**	**37**

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

Total	**2,674**	**2,612**	**164**	**173**	**511**	**471**	**227**	**197**	**3,621**	**3,491**

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 LL 17 billion mainly due to increases in payments to members of (a) the Internal Security Forces (LL 26 billion), (b) the Army (LL 14 billion), and (c) the General Security Forces (LL 6 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-Oct 2012, compared to LL 0.7 billion in Jan-Oct 2013.

Once the impact of retroactive payments is removed, basic salaries of military personnel increased from LL 1,579 billion to LL 1,628 billion, displaying an increase of 3 percent (LL 49 billion).

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

in LL Billion	Jan-Oct 2012	Jan-Oct 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**1,612**	**1,629**	**1%**
1996-1998 retroactive payments	33	1	-97%
Basic Salaries (exc. all retroactive payments)	**1,579**	**1,628**	**3%**

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

III.B. Basic Salaries of Education Personnel

The 8 percent decrease in basic salaries of education personnel in Jan-Oct 2013 is due to the retroactive payment of the four exceptional echelons[4] amounting to LL 120 billion during Jan-Oct 2012, while it was quasi-nil during Jan-Oct 2013.

Once the impact of the retroactive payment is removed, basic salaries of education personnel display an increase of LL 63 billion (10 percent).

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

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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] The four exceptional echelons were granted to secondary teachers and to the second and third category of the education personnel in the Directorate General of Vocational and Technical education as per laws 159 and 102 during the Jan-Oct 2012 period.

in LL Billion	Jan-Oct 2012	Jan-Oct 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**750**	**693**	**-8%**
Exceptional Degrees and 1996-1998 Retroactive	120	0	-100%
Basic Salaries (exc. all retroactive payments)	**630**	**693**	**10%**

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

The LL 63 billion rise (excluding retroactive payment) is mainly explained by an increase in basic salaries of primary and secondary trainee teachers (LL34 billion), primary teachers at the Directorate General of Education (LL 21 billion), and contractual teachers at the Directorate General of Education (LL 11 billion). The reason behind the increase is mainly attributed to the enlistment of new teachers and/or the promotion of current personnel, and the cost of living adjustment which started to be gradually[5] paid in October 2012 to education.

III.C. Basic Salaries of Civilian Personnel

Payments to the civilian personnel declined by 7 percent (LL 22 billion) mainly due to lower payment of 1996-1998 and 2005-2009 foreign currency[6] retroactive, which totaled LL 17 billion and LL 16 billion, respectively, in Jan-Oct 2012, compared to LL 0.3 billion and nil, respectively, in Jan-Oct 2013. From an administrative classification[7] perspective, the most notable decreases during this period occurred in the following categories: (1) to diplomats at the Central Administration and in Lebanese overseas missions by LL 12 billion, (2) the Ministry of Telecom category (LL 2 billion), and (3) the Ministry of Public Health (LL 2 billion).

Once the impact of the retroactive payment is removed, basic salaries of civilian personnel display an increase of 4 percent (LL 12 billion).

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

in LL Billion	Jan-Oct 2012	Jan-Oct 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**312**	**289**	**-7%**
1996-1998 Retroactive	17	0	-98%
Foreign Currency Retroactive – Ministry of Foreign Affairs	16	-	-100%
Other retroactive	1	1	-11%
Basic Salaries (exc. all retroactive payments)	**277**	**288**	**4%**

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

IV. Payments of Allowances

Allowances declined by LL 39 billion, from LL 511 billion during the period Jan-Oct 2012 to LL 471 billion during the comparable period of 2013.

More specifically, allowances to the Army declined (LL 37 billion) mainly as a result of a LL 42 billion drop in school allowances and LL 12 billion decrease in hospital expenses. These decreases were offset by a LL 16 billion increase in sickness and maternity expenses.

[5] The full impact of cost of living adjustment to education personnel starts by end of December 2012.
[6] For more information about the foreign exchange retroactive, please refer to Box II in the February 2012 issue of the Article 13 report.
[7] An administrative classification arranges public expenditures by recipient ministries and general directorates.

Allowances to State Security Forces were down by LL 5 billion mainly resulting from a LL 4 billion drop in school allowances.

The aforementioned decreases were counterbalanced by an LL 4 billion increase in payments made to General Security Forces, mainly due to a LL 3 billion growth in sickness and maternity expenses, and a LL 2 billion rise in hospital expenses. These increases were counterbalanced by a LL 2 billion decline 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 13 percent (LL 30 billion) in Jan-Oct 2013, due to a cash management issue and discrepancy in timing of payment.

VI. Payments to Customs

Payments to Customs witnessed a decrease of 17 percent (LL 7 billion) in Jan-Oct 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-Oct 2012 and nil in Jan-Oct 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.

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