Salaries, Wages and Related Benefits

The Article 13 Monthly Bulletin

September 2013

REPUBLIC OF LEBANON
MINISTRY OF FINANCE

I. Introduction

Salaries, wages and related benefits payments, which mainly include the cost of basic salaries, indemnities and allowances, grew from LL 3,045 billion in Jan-Sep 2012 to LL 3,142 billion in Jan-Sep 2013. This LL 96 billion increase is mainly attributed to the LL 127 billion higher payments in basic salaries, which are chiefly driven by a LL 92 billion increase in basic salaries to education personnel, itself due to the cost of living adjustment which started to be in October 2012 to this category. These increases were offset by a LL 36 billion decline in *other* expenses mainly composed of payments to employees of the Civil Servants Cooperative, and LL 14 billion drop in allowances.

More specifically, basic salaries reached LL 2,337 billion in Jan-Sep 2013 compared to LL 2,210 billion paid in the same period in 2012, implying a 6 percent increase.

During Jan-Sep 2013, retroactive payments[1] totaled LL 1 billion (out of LL 2,337 billion), compared to LL 90 billion (out of LL 2,210 billion) paid in the same period of 2012. If retroactive payments are excluded in both years, basic salaries would reach LL 2,120 billion in Jan-Sep 2012 compared to LL 2,336 billion in Jan-Sep 2013, a growth of 10 percent. The LL 215 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. 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-Sep 2012	Jan-Sep 2013	2013/2012
Basic Salaries (inc. all retroactive payments)	**2,210**	**2,337**	**6%**
Retroactive payments	90	1	-99%
Basic Salaries (exc. all retroactive payments)	**2,120**	**2,336**	**10%**

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 31 percent during Jan-Sep 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-Sep	2013 Jan-Sep	2012 Jan-Sep	2013 Jan-Sep	2012 Jan-Sep	2013 Jan-Sep	2012 Jan-Sep	2013 Jan-Sep	2012 Jan-Sep	2013 Jan-Sep
Military Personnel	**1,445**	**1,466**	**56**	**59**	**454**	**441**	**3**	**2**	**1,958**	**1,968**
▪ Army	917	937	35	36	296	283	2	0	1,251	1,256
▪ Internal Security Forces 1/	398	424	15	18	127	126	0	0	541	569
▪ General Security Forces 2/	75	80	2	2	17	25	1	1	96	108
▪ State Security Forces 3/	54	25	3	3	13	8	0	0	71	35
Education Personnel	**521**	**613**	**36**	**50**	**0**	**0**	**0**	**0**	**557**	**663**
Civilian Personnel 4/, *of which:*	**244**	**257**	**45**	**50**	**4**	**3**	**201**	**166**	**493**	**477**
▪ *Civil Servants' Cooperative*							*176*	*137*	*176*	*137*

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

Customs Salaries 5/									**37**	**34**
Total	**2,210**	**2,337**	**137**	**159**	**458**	**445**	**204**	**168**	**3,045**	**3,142**

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 1 percent (LL 22 billion) mainly due to increases in payments to permanent members of (a) the Internal Security Forces (LL 28 billion), (b) the Army (LL 18 billion), and (c) the General Security Forces (LL 3 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-Sep 2012, compared to LL 0.7 billion in Jan-Sep 2013.

Once the impact of retroactive payments is removed, basic salaries of military personnel increased from LL 1,411 billion to LL 1,465 billion, displaying an increase of 4 percent (LL 54 billion).

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

in LL Billion	Jan-Sep 2012	Jan-Sep 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**1,445**	**1,466**	**1%**
1996-1998 retroactive payments	33	1	-98%
Basic Salaries (exc. all retroactive payments)	**1,411**	**1,465**	**4%**

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

III.B. Basic Salaries of Education Personnel

The 18 percent growth in salaries of education personnel in Jan-Sep 2013 is mainly explained by an increase in basic salaries of primary teachers at the Directorate General of Education (LL 83 billion), primary and secondary trainees (LL37 billion), and secondary teachers at the Directorate General of Education (LL 29 billion). The reason behind the LL 92 billion rise is mainly attributed to the cost of living adjustment, a difference in the timing of payment of salaries relating to the month of October and the enlistment of new teachers and/or the promotion of current personnel.

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

[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.

- Transfers to contractual personnel at the Directorate General of Vocational and Technical education, amounting to LL 52 billion during Jan-Sep 2012 compared to LL 0.3 billion during Jan-Sep 2013.
- 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-Sep 2013.

Once the impact of the retroactive payment is removed, basic salaries of education personnel display an increase of LL 113 billion (23 percent).

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

in LL Billion	Jan-Sep 2012	Jan-Sep 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**521**	**613**	**18%**
Exceptional Degrees and 1996-1998 Retroactive	21	0	-100%
Basic Salaries (exc. all retroactive payments)	**500**	**613**	**23%**

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

III.C. Basic Salaries of Civilian Personnel

Payments to the civilian personnel rose by 5 percent (LL 13 billion) mainly due to the cost of living adjustment. From an administrative classification[5] perspective, the most notable increases during this period occurred in the following categories: (1) judges category (+LL 5 billion), (2) the Ministry of Finance category (+ LL 4 billion), and (3) the Ministry of Public Health (+ LL 2 billion).

These increases were slightly offset by (1) a decline in payments to diplomats at the Central Administration and in Lebanese overseas missions by LL 11 billion, (2) lower payment of 1996-1998 and 2005-2009 foreign currency[6] retroactive, which totaled LL 17 billion and LL 16 billion, respectively, in Jan-Sep 2012, compared to LL 0.3 billion and nil, respectively, in Jan-Sep 2013.

Once the impact of the retroactive payment is removed, basic salaries of civilian personnel display an increase of 23 percent (LL 48 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-Sep 2012	Jan-Sep 2013	2013/2012
Basic Salaries (inc. cost of living and all retroactive payments)	**244**	**257**	**5%**
1996-1998 Retroactive	17	0	-98%
Foreign Currency Retroactive – Ministry of Foreign Affairs	16	-	-100%
Other retroactive	1	0	-85%
Basic Salaries (exc. all retroactive payments)	**209**	**257**	**23%**

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

IV. Payments of Allowances

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

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

Allowances declined by LL 13 billion, from LL 458 billion during the period Jan-Sep 2012 to LL 445 billion during the comparable period of 2013.

More specifically, allowances to the Army declined (LL 14 billion) mainly as a result of a LL 15 billion drop in hospital expenses and LL 14 billion decrease in school allowances. These decreases were offset by a LL 14 billion increase in sickness and maternity expenses.

Allowances to State Security Forces were down by LL 6 billion mainly resulting from a LL 4 billion drop in school allowances and a LL 1 billion decline in hospital allowances.

The aforementioned decreases were counterbalanced by an LL 7 billion increase in payments made to General Security Forces, mainly due to a LL 4 billion rise in hospital expenses and a LL 3 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 18 percent (LL 36 billion) in Jan-Sep 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 3 billion) in Jan-Sep 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-Sep 2012 and nil in Jan-Sep 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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