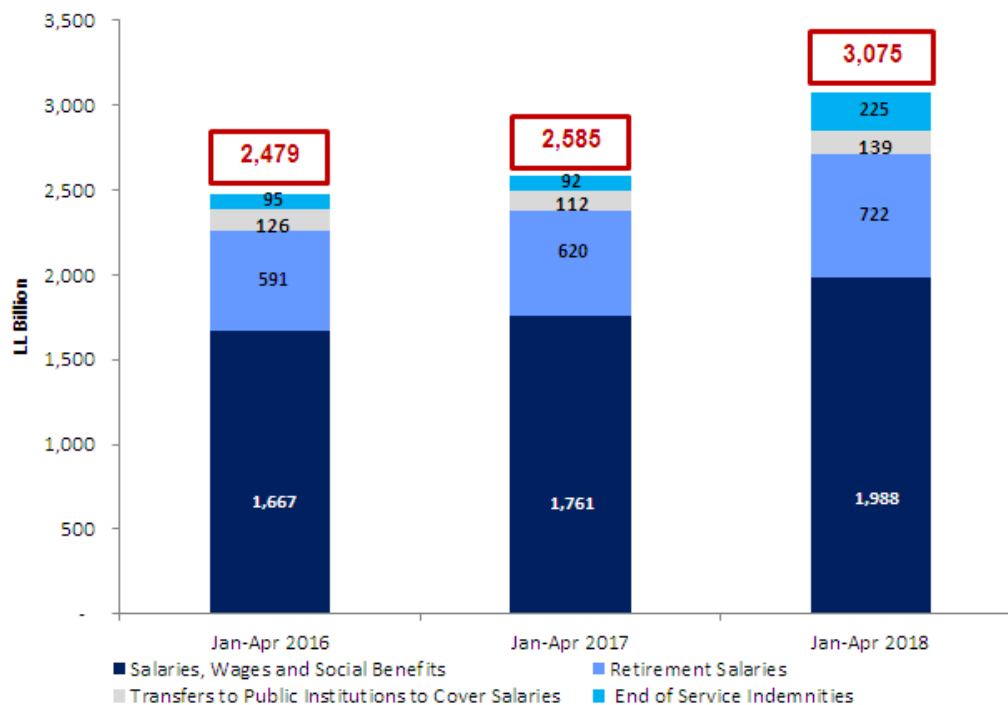


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> rose by LL 489 billion (18.9 percent) year-on-year in Jan-Apr 2018 to reach LL 3,075 billion compared to LL 2,585 billion during the same period of 2017<sup>2</sup>. The increase was mainly driven by the impact of the new salary scale for the public sector employees (Law # 46)<sup>3</sup>, resulting in a year-on-year growth of 12.9 percent in salaries, wages and related benefits, along with a significant increase of 145.9 percent<sup>4</sup> in the end of service indemnities and an increase of 16.4 percent in payments for retirement.

Figure 1. Personnel Cost Breakdown by Component in Jan-Apr 2016, Jan-Apr 2017 and Jan-Apr 2018



Source: Ministry of Finance, Directorate General of Finance

### I.B. Share of Personnel Cost from Expenditures

Personnel cost accounted for the main bulk of current primary expenditures<sup>5</sup>, contributing to 67.2 percent in Jan-Apr 2016, increasing to 68.1 percent in Jan-Apr 2017 before going down to 64.8 percent during the same period of 2018. On the other hand, and when compared to total expenditures, personnel cost represented 33.2 percent in Jan-Apr 2016, moving up to

<sup>1</sup> Personnel cost includes payments for salaries, wages and related benefits; retirement; end of service indemnities; and transfers to public institutions to cover salaries.

<sup>2</sup> The figures used are those published in the Public Finance Monitor Monthly report - April 2018.

<sup>3</sup> Law # 46 was ratified by the Parliament on July 18, 2017 and was signed by the President of the Republic on August 21, 2017.

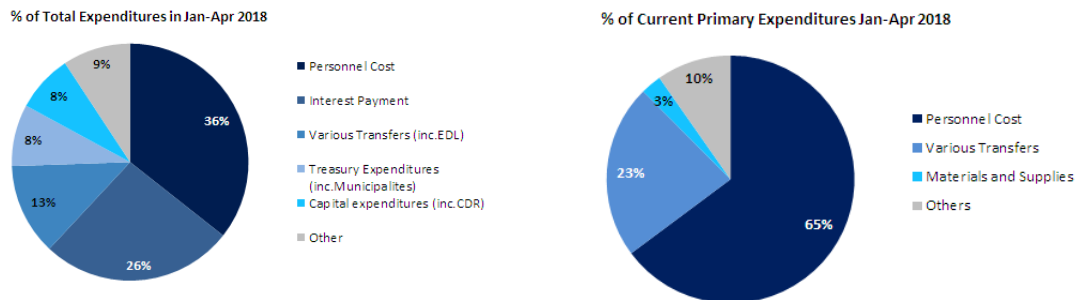
<sup>4</sup> The increase in end of service indemnities can be partly explained by the implementation of the new salary scale, which encouraged many public employees to undergo an early retirement plan.

<sup>5</sup> Current primary expenditures represent current expenditures excluding "Interest Payments" and "Foreign Debt Principal Repayment".

37.9 percent in Jan-Apr 2017<sup>6</sup> before dropping back to 35.6 percent during the same period of 2018. Despite the significant year-on-year increase in the personnel cost during Jan-Apr 2018 driven by the salary scale effect, its share from total expenditures dropped due to a more pronounced rise in total expenditures that grew by 26.4 percent compared to the same period of 2017.

The following figures represent the composition of total expenditures and current primary expenditures during Jan-Apr 2018:

**Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Apr 2018**



Source: Ministry of Finance, Directorate General of Finance

N.B.: Other expenditures mainly include payments to hospitals, judgments and reconciliation, mission costs, accounting adjustments and external services.

## II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits increased by LL 227 billion year-on-year to reach LL 1,988 billion in Jan-Apr 2018. Overall, this growth was mainly the result of: (i) a LL 210 billion surge in basic salaries to military personnel, (ii) a LL 68 billion increase in basic salaries paid for educational personnel, and (iii) a LL 60 billion increase in basic salaries to civilian personnel. The increase was partly offset by a drop of LL 64 billion in allowances paid to the military personnel.

In details, the increase in salaries, wages and related benefits to military personnel can be attributed to: (i) a LL 136 billion rise in basic salaries to the Army, (ii) a LL 45 billion growth in basic salaries to the Internal Security Forces, and (iii) a LL 21 billion rise in basic salaries to the General Security Forces. On the other hand, allowances paid for all military bodies witnessed a regression, the most prominent being a drop of LL 25 billion in the allowances paid for the Internal Security Forces and a LL 20 billion decrease in allowances to the Army.

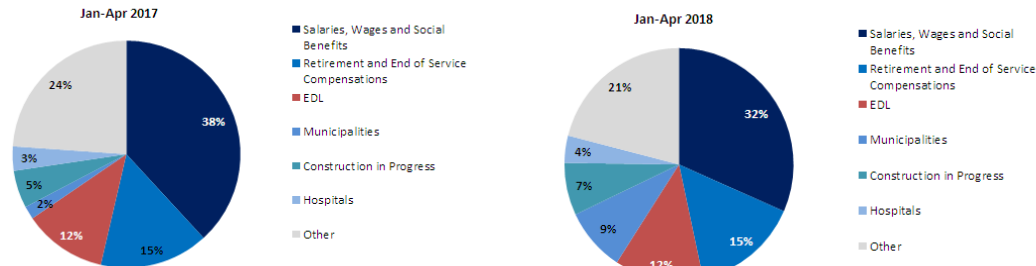
In terms of composition, basic salaries constituted 75.7 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Apr 2018, followed by allowances (14.0 percent), and employment indemnities (3.8 percent), while “other payments” and “unclassified allowances” represented the remaining 6.4 percent of the total.

<sup>6</sup> The exceptional rise in the share of the personnel cost can be attributed to a remarkably lower base level of total expenditures that decreased by 8.6 percent year-on-year in Jan-Apr 2017, driven by lower treasury expenditures, mainly payments to municipalities due to the discrepancy in the timing of payments.

Furthermore, salaries, wages and related benefits represented 38.2 percent of total primary spending in Jan-Apr 2017, and decreased to 31.6 percent of the total in the same period of 2018<sup>7</sup>.

The following figures represent the primary spending breakdown by component during the period under review.

**Figure 3. Primary Spending Breakdown by Component during Jan-Apr 2017 and Jan-Apr 2018**



Source: Ministry of Finance, Directorate General of Finance

N.B.: Other expenditures mainly include transfers to CDR, transfers to public institutions to cover salaries, contributions to non-public sectors, VAT refund, and medicaments.

**Table 1. Salaries, Wages and Related Benefits Breakdown – Jan-Apr 2017 and Jan-Apr 2018**

(LL billion)	Basic Salaries		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
<b>Military Personnel</b>	<b>784</b>	<b>994</b>	<b>30</b>	<b>35</b>	<b>342</b>	<b>279</b>	<b>1</b>	<b>1</b>	<b>1,157</b>	<b>1,309</b>
Army	500	636	19	23	182	163	0	0	702	823
Internal Security Forces	217	262	9	9	127	102	0	0	352	373
General Security Forces	55	76	1	2	24	10	1	1	81	89
State Security Forces	13	20	1	1	9	4	0	0	22	25
<b>Education Personnel</b>	<b>266</b>	<b>334</b>	<b>20</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>10</b>	<b>294</b>	<b>366</b>
<b>Civilian Personnel 1/</b>	<b>117</b>	<b>177</b>	<b>22</b>	<b>19</b>	<b>2</b>	<b>0</b>	<b>21</b>	<b>22</b>	<b>161</b>	<b>217</b>
<b>Government contribution to employees cooperative 2/</b>							<b>124</b>	<b>80</b>	<b>124</b>	<b>80</b>
<b>Customs Salaries 3/</b>									<b>21</b>	<b>16</b>
<b>Unclassified</b>									<b>3</b>	<b>0</b>
<b>Total</b>	<b>1,166</b>	<b>1,505</b>	<b>72</b>	<b>76</b>	<b>344</b>	<b>279</b>	<b>154</b>	<b>112</b>	<b>1,761</b>	<b>1,988</b>

1/Includes salaries payments made to the Ministry of Public Health from the Guarantees account.

2/Government contribution to the employees' cooperative is provided to both the education and civil personnel. However, the allocation between the two types of personnel is not available and therefore is presented in a separate line item.

3/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.

4/Includes payments for family, transportation, overtime as well as various indemnities (including committee compensation and tax returns).

5/Includes payments for maternity and sickness, marriage, birth, death, hospital, education, medical and various social allowances, which are provided to military personnel only.

6/Amounts given to non-military bodies and includes (i) payments of bonuses, (ii) State contributions to the Mutual Funds covering Members of Parliament, employees of the Lebanese University, judges, judges' aides and Islamic tribunal judges and

<sup>7</sup> Due to a more rapid increase in the expenditure base with primary expenditures increasing by 36.5 percent against a growth of 12.9 percent in salaries, wages and related benefits.

(iii) State contributions (as an employer) to the National Social Security Fund public sector employees that are not covered by the Civilian Servant Cooperative.

## **II.A. Basic Salaries and Wages**

Basic salaries of public sector employees, excluding indemnities, allowances and other benefits, rose by LL 339 billion (29.0 percent) to reach LL 1,505 billion in Jan-Apr 2018. This increase was the result of an upsurge in the basic salaries for all sub-categories following the implementation of the new salary scale.

### **II.A.a. Basic Salaries of Military Personnel**

The 26.8 percent increase in basic salaries to military personnel in Jan-Apr 2018 was mainly the result of the new salary scale that took effect late August 2017. Salary payments to the permanent personnel<sup>8</sup> grew by LL 132 billion for the Army, LL 45 billion for the Internal Security Forces, LL 16 billion for the General Security Forces and by LL 7 billion for the State Security Forces. Moreover, it is worth mentioning that payments to clothing indemnity rose by LL 5 billion in Jan-Apr 2018 compared to the previous year.

### **II.A.b. Basic Salaries of Education Personnel**

Basic salaries of education personnel increased by LL 68 billion (25.7 percent) year-on-year reaching LL 334 billion in Jan-Apr of 2018. The increase was mainly due to the new salary scale adjustment in 2017, which contributed to higher salary payments for permanent employees at the primary education by LL 45 billion, for those at the secondary education by LL 20 billion, and for permanent employees at Directorate General of Vocational Training by LL 7 billion. In contrast, payments for contractuels at the secondary education dropped by LL 6 billion during the mentioned period.

### **II.A.c. Basic Salaries of Civilian Personnel**

Basic salary payments to civilian personnel increased by LL 60 billion (51.5 percent) year-on-year to reach LL 177 billion during Jan-Apr of 2018. At the level of ministries, the Ministry of Foreign Affairs and Emigrants (MoFA) represented the largest wage bill during the covered period with a share of 17 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice (14 percent from total) and the Ministry of Finance (11 percent from total). (For further details, kindly refer to table 2)

In details, employees at the Ministry of Public health had the most notable nominal increase in basic salaries that grew year-on-year by LL 11 billion<sup>9</sup> in Jan-Apr 2018, followed by the Ministry of Finance with LL 9 billion.

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<sup>8</sup> Payments for salaries in 2017 include the cost of living adjustment, disbursed ahead of the new salary scale implementation starting August 2017.

<sup>9</sup> This hike is driven by the increase in payments to contractuels by LL 10 billion during Jan-Apr 2018 compared to the same period of 2017. This can be largely attributed to some retroactive payments, namely LL 7 billion of salary scale retroactive payments to contractuels pertaining to the years 1996-1998 and from 01/01/1999 till 15/02/2000 compared to LL 2 billion paid during the same period of 2017, in addition to LL 2 billion of retroactive payments covering the period from 21/8/2017 till 31/12/2017 based on law #46 dated 21/8/2017.

**Table 2. Civilian Salaries and Wages Breakdown by Ministry – Jan-Apr 2017 and Jan-Apr 2018**

(LL million)	Jan-Apr 2017	Jan-Apr 2018	% from Total Civilian Personnel in 2018
Ministry of Foreign Affairs and Emigrants	22,372	29,601	17%
Ministry of Justice	21,341	25,370	14%
Ministry of Finance	10,955	20,039	11%
Ministry of Public Health	7,995	18,612	11%
Presidency of the Council of Ministers	10,024	15,996	9%
Parliament	11,016	14,925	8%
Ministry of Public Works and Transportation	6,501	9,276	5%
Ministry of Agriculture	4,979	8,555	5%
Ministry of Interior	3,412	5,706	3%
Ministry of National Defense	3,605	5,089	3%
Other	14,310	23,378	13%
<b>Total</b>	<b>116,511</b>	<b>176,546</b>	<b>100%</b>

Source: Ministry of Finance, Directorate General of Finance

## II.B. Payment of Allowances

The cumulative payment of allowances to public sector employees dropped by LL 65 billion (18.9 percent) to reach LL 279 billion during Jan-Apr of 2018. The decline was mainly due to a drop of LL 25 billion in allowances to the Internal Security Forces, followed by a LL 20 billion fall in allowances disbursed to the Army reaching LL 163 billion in Jan-Apr 2018. Allowances disbursed to General Security Forces also dropped by LL 14 billion during the mentioned period.

More specifically, allowances to the Internal Security Forces mainly declined in the first four months of 2018 given the significant drop in school allowances by LL 54 billion, that were partly counterbalanced by a LL 24 billion rise in hospital expenses.

Furthermore, allowances to the Army decreased by LL 20 billion (10.8 percent) during the covered period, due to a LL 103 billion drop in school allowances, which was partly counterbalanced by the increase of LL 67 billion in hospital expenses and LL 10 billion in sickness and maternity expenses in Jan-Apr 2018.

In addition, allowances to the General Security Forces fell down sharply by LL 14 billion (58.1 percent) during the covered period, given a LL 14 billion drop in school allowances in Jan-Apr 2018.

## II.C. Government subscription and contributions in the Employees Cooperative

Payments to government subscription and contributions to the Employees Cooperative declined year-on-year to reach LL 80 billion in Jan-Apr 2018 compared to LL 124 billion in Jan-Apr 2017.



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