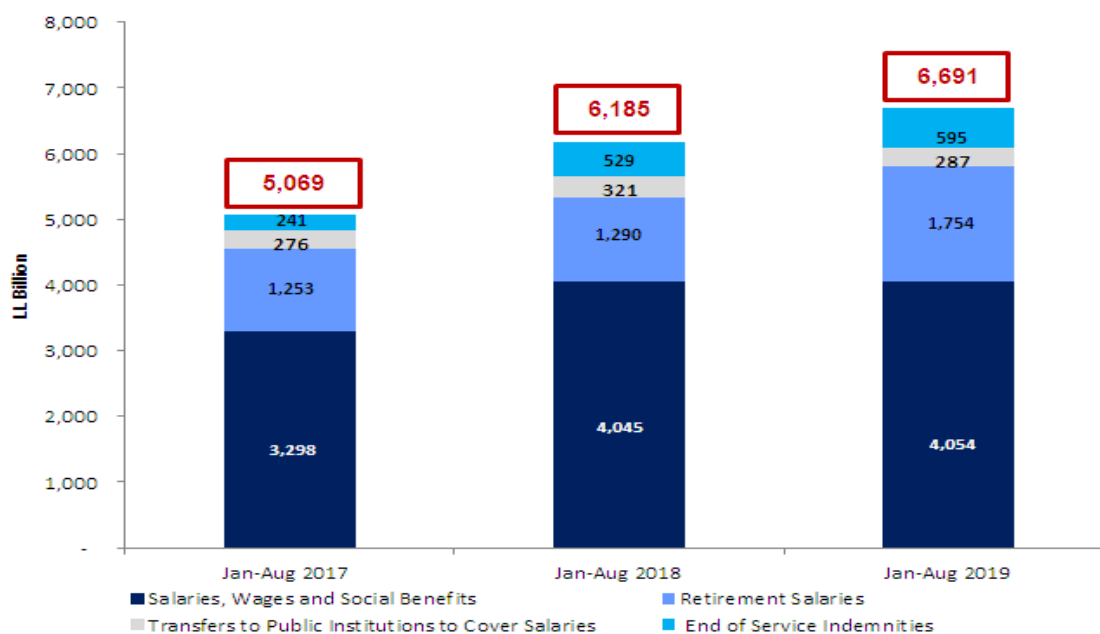


## I. Personnel Cost

### I.A. General Overview

Personnel cost<sup>1</sup> rose by LL 505 billion (8.2 percent) to reach LL 6,691 billion during Jan-Aug 2019 compared to a total of LL 6,185 billion recorded during the same period of 2018<sup>2</sup>. This rise was mainly driven by higher payments related to retirement and end of service compensations which increased by LL 464 billion (35.9 percent) and LL 67 billion (12.6 percent) respectively<sup>3</sup>. This rise was slightly counterbalanced by a drop in transfers to public institutions to cover salaries by LL 34 billion (10.6 percent).

**Figure 1. Personnel Cost Breakdown by Component in Jan-Aug 2017, Jan-Aug 2018 and Jan-Aug 2019**



Source: Ministry of Finance, Directorate General of Finance

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

Personnel cost represented the main bulk of current primary expenditures<sup>4</sup>, as it contributed to 66.8 percent in Jan-Aug 2017, decreasing to 65.5 percent in Jan-Aug 2018 before rising to 73.1 percent during the same period of 2019<sup>5</sup>. On the other hand, and when compared to total expenditures, personnel cost represented 36.4 percent in Jan-Aug 2017, decreasing slightly 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 – August 2019.

<sup>3</sup> The increase in retirement and 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.

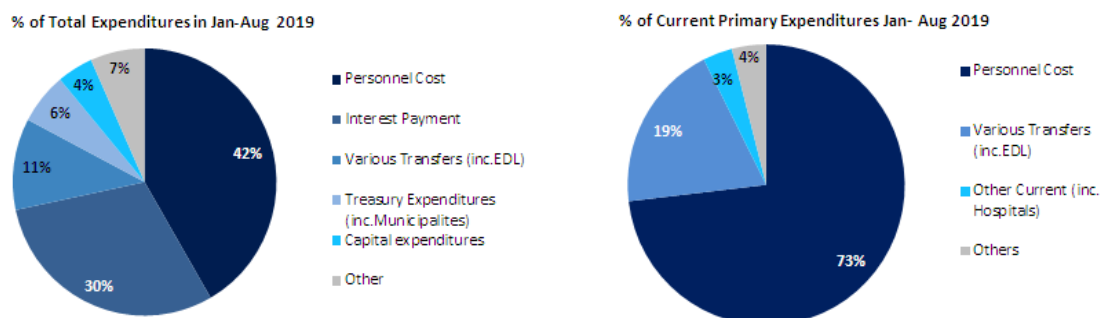
<sup>4</sup> Current primary expenditures represent current expenditures excluding “Interest Payments” and “Foreign Debt Principal Repayment”.

<sup>5</sup> At the time where personnel cost increased y-o-y by 8.2 percent during Jan-August 2019, current primary expenditures witnessed a decrease of 3.2 percent, mainly due to major y-o-y drops in “various transfers” and “other current expenditures” by LL 475 billion and LL 179 billion respectively over the covered period.

35.8 percent in Jan-Aug 2018, before going up significantly afterwards to 41.7 percent<sup>6</sup> during the same period of 2019.

The following figures represent the composition of total expenditures and current primary expenditures during Jan-Aug 2019:

**Figure 2. Composition of Total Expenditures and Current Primary Expenditures in Jan-Aug 2019**



Source: Ministry of Finance, Directorate General of Finance

N.B.: Other current expenditures mainly include payments to hospitals, judgments and reconciliation and mission costs.

## II. Salaries, Wages, and Related Benefits

Payments for salaries, wages and related benefits barely increased year-on-year by LL 9 billion to reach LL 4,054 billion in Jan-Aug 2019. Overall, this slight rise was mainly the result of an increase in payments for salaries and wages to education and military personnel by LL 175 billion (25.5 percent) and by LL 19 billion (1.0 percent) respectively. These increases were almost counterbalanced by lower payments in allowances for military personnel by LL 103 billion (17.9 percent) and a decrease in other payments related to salaries, of which LL 30 billion (15.1 percent) related to the government subscription and contribution in the Government Employees Cooperative, in addition to a LL 23 billion (52.3 percent) to the civilian personnel and LL 19 billion (67.4 percent) to the education personnel.

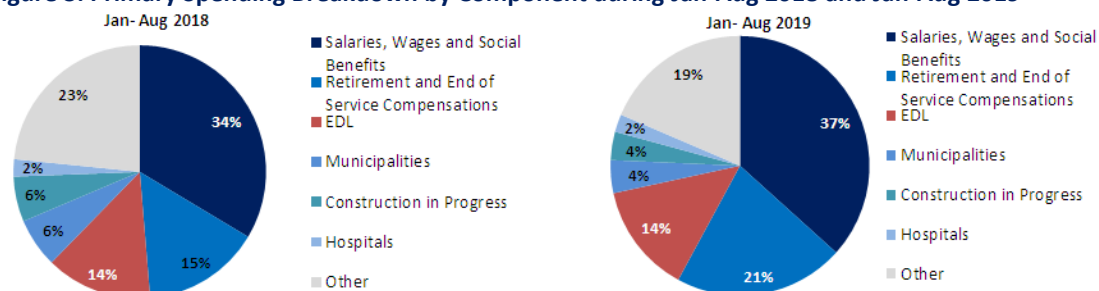
In terms of composition, salaries and wages constituted 78.9 percent of total payments for salaries, wages and related benefits to public sector employees during Jan-Aug 2019, followed by the allowances (11.7 percent) and employment benefits (3.5 percent), while “other payments” and “unclassified allowances” represented the remaining 6.0 percent of the total.

Moreover, salaries, wages and related benefits represented 33.6 percent of total primary spending in Jan-Aug 2018 and increased to 36.7 percent during the same period of 2019.

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

<sup>6</sup> Total expenditures decreased by 6.9 percent y-o-y during Jan-Aug 2019 compared to an 8.2 percent increase in personnel cost, resulting in a large rise in its share from total expenditure.

**Figure 3. Primary Spending Breakdown by Component during Jan-Aug 2018 and Jan-Aug 2019**



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-Aug 2018 and Jan-Aug 2019**

(LL billion)	Salaries and Wages		Employment Benefits 4/		Allowances 5/		Other 6/		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
<b>Military Personnel</b>	<b>1,981</b>	<b>2,000</b>	<b>65</b>	<b>66</b>	<b>575</b>	<b>472</b>	<b>1</b>	<b>5</b>	<b>2,622</b>	<b>2,543</b>
Army	1,284	1,314	43	44	299	308	0	1	1,625	1,667
Internal Security Forces	515	503	17	17	237	134	0	4	769	658
General Security Forces	141	138	3	3	27	19	1	1	172	161
State Security Forces	41	45	1	1	12	11	0	0	55	57
<b>Education Personnel</b>	<b>687</b>	<b>862</b>	<b>35</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>9</b>	<b>750</b>	<b>908</b>
<b>Civilian Personnel 1/</b>	<b>344</b>	<b>336</b>	<b>43</b>	<b>38</b>	<b>2</b>	<b>2</b>	<b>45</b>	<b>21</b>	<b>434</b>	<b>398</b>
<b>Government contribution to employees cooperative 2/</b>							<b>199</b>	<b>169</b>	<b>199</b>	<b>169</b>
<b>Customs Salaries 3/</b>									<b>40</b>	<b>38</b>
<b>Unclassified</b>									<b>1</b>	<b>0</b>
<b>Total/7</b>	<b>3,012</b>	<b>3,198</b>	<b>143</b>	<b>141</b>	<b>577</b>	<b>474</b>	<b>273</b>	<b>205</b>	<b>4,045</b>	<b>4,055</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 (iii) State contributions (as an employer) to the National Social Security Fund public sector employees that are not covered by the Civilian Servant Cooperative.

7/ The total figure may slightly vary given rounding effect of individual components.

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

Salaries and wages of public sector employees, excluding indemnities, allowances and other benefits, rose by LL 186 billion (6.2 percent) to reach LL 3,198 billion in Jan-Aug 2019. This was driven by a rise in salary payments for education and military personnel by LL 175 billion and LL 19 billion respectively, against an LL 8 billion drop in salaries and wages to civilian personnel.

### **II.A.a. Salaries and Wages of Military Personnel**

The 1.0 percent increase in salaries and wages to military personnel during Jan-Aug 2019 can be attributed to higher salary payments to the army by LL 30 billion (2.4 percent) - with basic salaries to the permanent personnel rising by LL 36 billion partly counterbalanced by the drop of LL 6 billion in payments for training aboard. Meanwhile, salary payments for the State Security Forces increased by LL 3 billion (7.3 percent). On the other hand, salaries and wages paid to the Internal Security Forces dropped by LL 12 billion (2.2 percent) as basic salaries to permanent personnel and clothing indemnities decreased by LL 7 billion and LL 3 billion respectively. Salary payments for the General Security Forces also dropped by LL 3 billion (2.0 percent) in Jan-Aug 2019 mainly due to lower payments in basic salaries to the trainees by LL 4 billion.

### **II.A.b. Salaries and Wages of Education Personnel**

Salaries and wages for education personnel increased by LL 175 billion (25.5 percent) year-on-year reaching LL 862 billion in Jan-Aug 2019. This rise was mainly due to an increase in payments for contractuels at the Directorate General of Vocational Training by LL 198 billion<sup>7</sup>, followed by an increase in salary payments for trainees at the secondary education and for contractuels at the primary and intermediate education by LL 19 billion and LL 13 billion respectively. These rises were partly counterbalanced by a LL 39 billion decrease in salary payments for permanent employees at the primary education.

### **II.A.c. Salaries and Wages of Civilian Personnel**

Salaries and wages of civilian personnel decreased by LL 8 billion (2.2 percent) year-on-year to reach LL 336 billion during Jan-Aug 2019. At the level of ministries, the Ministry of Foreign Affairs and Emigrants represented the largest wage bill during the covered period with a share of 16.9 percent from total salaries and wages to civilian personnel, followed by the Ministry of Justice and the Ministry of Finance with respective shares of 16.2 percent and 12.0 percent. (For further details, kindly refer to table 2)

As for the change in nominal terms, the Ministry of Public health witnessed a significant drop of LL 12 billion (40.7 percent)<sup>8</sup> in the first eight months of 2019, against an increase in salaries and wages for the Ministry of Justice and the Ministry of Foreign Affairs and Emigrants by LL 2 billion and LL 1 billion respectively.

<sup>7</sup> With an amount of LL 48 billion paid in January 2019 covering 30 percent of contractuels' fees related to the academic year 2017/2018 as per decisions #221, 222, 243 and 244 dated 21/12/2018, in addition to an amount of LL 152 billion paid in August 2019 covering 90 percent of contractuels' fees related to the academic year 2018/2019 as per decisions #97, 98, 99 and 100 dated 02/08/2019.

<sup>8</sup> Due to the disbursement of large retroactive payments to contractuels during Jan-Aug 2018, namely those pertaining to the years 1996-1997-1998 and from 01/01/1999 till 15/02/2000 (LL 8.6 billion), 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-Aug 2018 and Jan-Aug 2019**

(LL million)	Jan-Aug 2018	Jan-Aug 2019	% from Total Civilian Personnel in 2019
Ministry of Foreign Affairs and Emigrants	55,708	56,926	17%
Ministry of Justice	52,321	54,459	16%
Ministry of Finance	40,140	40,394	12%
Presidency of the Council of Ministers	32,695	32,442	10%
Parliament	29,853	28,988	9%
Ministry of Public Works and Transportation	18,331	18,186	5%
Ministry of Public Health	30,367	17,999	5%
Ministry of Agriculture	16,962	17,321	5%
Ministry of Interior and Municipalities	11,241	11,743	3%
Ministry of National Defense	10,168	10,775	3%
Other	46,024	47,036	14%
<b>Total</b>	<b>343,809</b>	<b>336,271</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 decreased by LL 103 billion (17.9 percent) to reach LL 474 billion during Jan-Aug 2019. This fall was mainly due to respective drops of LL 103 billion and LL 9 billion in allowances disbursed to the Internal Security Forces and the General Security Forces. This was slightly offset by a LL 10 billion increase in allowances to the Army to reach LL 308 billion by the end of August 2019.

More specifically, allowances disbursed to the Internal Security Forces decreased during Jan-Aug 2019 given the significant fall in hospital expenses and sickness and maternity expenses by LL 78 billion and LL 14 billion respectively, adding to a LL 6 billion drop in school allowances.

Moreover, allowances to the General Security Forces dropped by LL 9 billion during the covered period, due to a year-on-year plunge in sickness and maternity expenses by LL 6 billion coupled with a LL 2 billion decrease in school allowances.

On the other hand, allowances to the Army grew by 3.2 percent due to a hike in hospital expenses by LL 55 billion, despite the drop witnessed in other categories mainly sickness and maternity which decreased by LL 25 billion and school allowances which dropped by LL 10 billion.

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

Payments to government subscription and contributions to the Employees Cooperative declined by LL 30 billion (15.1 percent) year-on-year to reach LL 169 billion in Jan-Aug 2019 compared to LL 199 billion a year earlier.



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