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Civil servants' end-of-service benefits 'a time bomb'

The startling rise of costs in end-of-service benefits for retired civil servants, Army and security personnel is adding an unnecessary financial burden and should be seen as a “time bomb,” one leading economist warned Monday. “We cannot continue in this pattern. The cost of financing the end of service benefits for retired civil servants and Army personnel has risen dramatically following the implementation of the salary scale in 2017. The government needs to review the packages for the retired government staff before it is too late. This issue has become a time bomb that needs to be defused before it’s too late,” Ghazi Wazni told The Daily Star. According to unofficial estimates, there are close to 300,000 civil servants, Army and security personnel and retired government employees. For a country with a small population, limited resources and \$82 billion in public debt, the 300,000 figure is considered staggering by all counts. Over 35 percent of the government’s revenues go to covering government employees’ salaries, as well as end-of-service benefits for retired staff, whose number is growing by 7,000 to 9,000 a year. “The retirement benefits have grown from LL1.4 trillion [\$900 million] before the implementation of the salary scale to LL2.8 trillion. This is the most dangerous item in the 2017 budget and I don’t think the government can continue financing this program in this manner,” Wazni explained. Wazni and other economists insist that the only acceptable solution is to reform the retirement system for retired government employees, and apply the same for retired civil servants and army personnel. Retired senior army and security officers receive massive benefits that can reach up to \$300,000 lump sum and even more, in addition to monthly pensions and full medical coverage. Retired civil servants, on the other hand, do not receive the same treatment, especially retired generals and colonels. Wazni stressed that contrary to the general conception, the cost of debt servicing is not the biggest problem facing the Finance Ministry. “The average interest rates on Lebanese pound-denominated bonds and foreign currency-denominated Eurobonds do not exceed 8 percent and this percentage has remained the same for many years,” he added. Lebanon This Week, the economic research publication of Byblos Bank Group, cited the Finance Ministry and said that the compensation of public-sector personnel totaled \$5.45 billion in 2017, constituting an increase of 12 percent from \$4.9 billion in 2016. “Salaries, wages and related benefits accounted for 66 percent of the total in 2017, followed by retirement benefits (24.4 percent), its transfers to public institutions to cover salaries (5.4 percent) and end-of-service

indemnities (4.1 percent). The rise in the compensation of public-sector personnel is due to a 14.1 percent increase in salaries, wages and related benefits, as well as to a growth of 11 percent in retirement benefits and of 4.6 percent in end-of-service indemnities,” the publication said.

It added that the compensation of public-sector personnel represented the largest component of current primary spending, and accounted for 66.2 percent of such expenditures last year compared to 65.8 percent in 2016. “This item absorbed 35.4 percent of fiscal spending in 2017 relative to 32.7 percent in the previous year. The compensation of public-sector personnel was equivalent to 9.9 percent of GDP in 2017 compared to 9 percent of GDP in 2016. In parallel, salaries, wages and related benefits paid to public-sector employees amounted to \$3.6 billion in 2017, constituting an increase of 14.1 percent from \$3.2 billion in 2016, due to the new public-sector salary scale that was enacted by the Lebanese Parliament in July 2017,” Byblos Bank said. It also noted that salaries and benefits of military personnel reached \$2.3 billion and accounted for 63.1 percent of salaries, wages and related benefits paid to the public sector last year. “The salaries and benefits of personnel in public education followed with \$738.3 million (20.5 percent of the total), then civil staff with \$348.9 million (9.7 percent), the government’s contribution to the employees’ cooperative with \$208.3 million (5.8 percent) and customs employees with \$33.8 million (0.9 percent),” Byblos said. The Lebanese Army’s salaries totaled \$1.4 billion in 2017 and represented 63.5 percent of military personnel’s salaries and benefits.