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The Impact of Structural Adjustment on Trade Unions in Egypt

Laila Gad

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ABSTRACT

The following research focuses on trade union organisations, and in particular trade union officialdom in Egypt. The study examines the extent to which trade union officials at the various levels of the trade union hierarchy are reacting to reforms instigated by structural adjustment policies. The adoption of structural adjustment and economic reform measures as proposed by the World Bank and IMF have resulted in the government's withdrawal of some of the benefits and privileges it accorded to workers. Public sector workers are particularly affected by these changes, thereby posing a challenge to trade union officialdom, since the bulk of trade union membership is within the public sector. Trade union officials are reacting to the reform measures by trying to balance their role as representatives of workers' interests and their role in administering state policy. Whereas in the past these two roles were reconcilable, however, with liberalisation of the economy and the adoption of structural adjustment measures that is no longer tenable. Trade unionism has been weakened by the incorporation of union officials within government corporate structures, making it more difficult for trade union officialdom to challenge the reform measures adopted by the government. Rather, trade union officials are opting for 'co-operation' both with the government and with management in enterprises, to the cost of workers. In enterprises, trade union officials emphasise that the interests of work and workers are inseparable. At the level of the confederation and general unions, union officials present themselves as working to keep workers' rights, but also as partners with the government in its drive for growth. By so doing trade union officials are de-politicising trade unionism, and instead focus on economic gains. Union officials are redefining their role away from workers. Trade union action at the various levels is not based on what workers want or demand, but rather on what trade union officials want, in the belief that workers do not truly know their interests. As a result, trade union action has promoted the interests of union officials rather than that of the workers. Trade unionism has become in a sense a shell without a content. However, there is evidence that there are pressures to democratise trade unionism and make it more responsive to worker demands. These pressures are from within the worker base, from trade union officials particularly at the enterprise level who are affiliated to political parties, and from external forces like the Islamists. However these forces have their limitations, particularly in the face of institutionalised sectors that are capable of reproducing themselves and promoting their interests.

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Glossary

AALC African-American Labor Center

AFL-CIO American Federation of Labor/Congress of Industrial Organizations

ALO Arab Labour Organisation

ASU Arab Socialist Union

BOD Board of Directors

BOM Board of Management

CGT Confederation Generale du Travail

EBA Egyptian Businessmen's Association

ERSAP Economic Reform and Structural Adjustment Program

ESA Employee Stockholders' Associations

ESOP Employee Share Ownership Plan

ETUF Egyptian Trade Union Federation

GOE Government of Egypt

IA Industrial Adjustment Committee

IBRD International Bank for Reconstruction and Development

ICATU International Confederation of Arab Trade Unions

IDA International Development Agency

IFIs International Financial Institutions

IICL International Islamic Confederation of Labour

IMF International Monetary Fund

IPO Initial Public Offerings

LFS Labour Force Survey

NCWS National Committee for Workers and Students

NGO Non-Governmental Organisation

PEO Public Enterprise Office

PEs Public Enterprises

PVO Private Voluntary Organisation

RCC Revolutionary Command Council

SAP Structural Adjustment Programme

SFD Social Fund for Development

WCNL Workers' Committee for National Liberation

WDR World Development Report, 1995

WPM Workers' Participation in Management

NOTE ON USAGE OF TERMINOLOGY

In the research I use the terms ‘unionist’, and ‘unionists’ to mean trade union officials. This usage of the term is based on its utilisation in Egypt, where the term for unionist is *niqabi*. Unionised workers are *`edw niqabi*, trade union member. In the case of unionised workers who are known as activists (but not trade union officials), they are sometimes referred to as ‘unionist’, however, that is not the general usage of the term. I have adhered to the general usage of the terminology as in Egypt: ‘unionist’ for trade union officials; and ‘trade union members’ for unionised workers.

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Introduction: Trade Unions, Bureaucracy, and State

Bourgeoisie

Introduction:

Structural adjustment policies of the World Bank are implemented in a number of developing countries, more often than not they have the air of a prescription, with governments having little choice about how to implement them. Many countries can restore their credit worthiness, and hence finance development plans through World Bank/IBRD loans, by implementation of World Bank policies. While economic reform programs have been carried out in the past, the structural adjustment reforms proposed by the World Bank/IMF differ in a significant respect from previous reforms in developing countries, as it aims to 'rationalise' the intervention of government in the economy. Good Governance has come to be redefined as efficient governance. In practice this has meant cutting back on a number of social welfare/support programs that benefited the poor and unprivileged. World Bank policies of structural adjustment, however, have a negative impact on large sectors of the populations of the countries concerned. In Egypt, the impact of structural adjustment has been particularly harsh on workers. On the one hand, promotion of economic liberalisation and privatisation is subjecting many workers in public sector enterprises to redundancy. On the other hand, the government has gone back on a decades-old commitment to guaranteed and secure employment, effectively meaning an increase in unemployment, and job insecurity for the employed. Such a situation poses a challenge to trade unions, but the response of trade unions is governed by how trade

unions have developed in Egypt in the past, particularly the impact of the Nasser era on trade unions.

Following is an examination of World Bank policies, and the implications for workers and trade unions of such policies in Egypt.

Trade Unions in the World Bank Report

The World Development Report (WDR) for 1995 centred on the issue of workers in an “integrating world”. The report sums up world bank ideology concerning the direction of economies, particularly developing or ‘emerging’ economies. There is a focus on the need, indeed the necessity, of liberalisation of the economy and a reduction in state intervention in the management of the economy. This, it is indicated, is the best way forward for all concerned, for governments as it is perceived that state-run economies are not efficient in the long-term, for industry as productivity responds to real indicators from the market, and for workers as their wages would increase. The World Bank report focuses on growth in the economy, and the best strategies to attain ‘sustainable growth’. Market based economies are capable of growth that is sustainable, “whereas inward-looking and centrally planned strategies have generally failed to bring sustainable gains to all workers” (WDR: 16).

According to WDR, some policies governments pursued in the past had a negative impact on labour demand. Aiming to attain greater growth, governments encouraged the development of industry at the expense of the agricultural sector. State intervention led to the development of policies that have a “pro-industry, anti-agriculture bias” that resulted in a number of ‘distortions’ in the labour market. Policies have been put in place that are “biased against labour demand within agriculture; and regulations designed to make formal sector employment more

attractive to workers” (WDR: 31). It is believed that a market-oriented economy can reduce the negative consequences of labour regulations that resulted in the creation of a dual labour market (WDR: 34). The issue though is not simply a choice between state intervention and free markets, rather it is a choice of which public interventions bring about most efficient growth and most benefit to workers. The core issue is, according to the World Bank, increasing the productivity of capital and of labour, not “increasing the amount of capital and numbers of workers” (WDR: 17). Sound investments, in both capital and human resources, are essential for growth.

The recommendations of the World Bank extend beyond governments making internal reforms, governments must pave the way for globalisation and international integration of world economies. Two features of international integration are capital mobility and international migration. It is estimated that by the year 2000 only about 10% of world labour will not be integrated in the world global labour market (WDR: 50). According to the World Bank report adequate policies make the difference between the winners and the losers in world globalisation (WDR: 62-68). Protectionist regulations and policies can no longer be maintained in an increasingly and inevitably integrated world economy. On the contrary, the World Bank perceives as necessary an increase in developing the competitiveness of economies (WDR: 51).

The dynamo of international integration is export-led growth, be it in manufactured goods or services. Trade in services is increasing and integrating the world together (WDR: 54). Export-led growth is essential to balance international trade. Internal trade of manufactured goods is “the first avenue by which most countries feel the impact of economic integration” (WDR: 51). Governments that fail to adopt the proposed policies expose their countries to being ‘losers’ in the new global system.

The countries that have fallen behind are those that did not expand export manufacturing, and still rely on export of primary goods. The Middle East and Sub-Saharan Africa are in this category (WDR: 52). In a World Bank regional report on Arab countries, it is believed that the impact of the Uruguay Round on Arab countries will be negative, largely a consequence of lack of commitment on the part of Arab regimes to reduce tariffs, a Protectionist policy (World Bank, 1995a: 10).

The World Development Report maintains that governments have an important role to play in the new world system. While governments should not directly intervene in the economy, they nonetheless have an important regulatory function to carry out. For example, anti-Protectionist policies and securing the adequate investment environment must be implemented by governments. Governments need to assure investors “that the chances of success are high enough to offset the risks” (World Bank, 1995a: 14). Governments should also keep a balance by “convince[ing] labour that the future will be bright enough to compensate for short-term losses in employment and wages” (World Bank, 1995a: 14). While the report points out that governments must protect ‘social interests’, it is arguable that an examination of the reality of implementation of World Bank structural adjustment programs has been capable of addressing such ‘social interests’.

Place of 'labour' in World Bank formulation

It is recognised that the period of transition during the process of liberalisation of the economy does bring about hardship, especially to workers. The hardship is deemed to be a consequence of inefficient policies. The pro-industry, anti-agriculture bias in many developing countries has allowed the existence of dualism in the labour market, with a minority of workers in relatively privileged conditions in the formal sector, and

a majority of workers in the informal sector. Among the unprivileged majority are small farmers, and workers in the urban informal sector, whose numbers are increasing (World Bank, 1995a: 15). Among the policies deemed to have benefited a minority of privileged workers are, “a dominant public sector, protected industry, bias against agriculture, distorted education system, [and] unenforced labour standards” (World Bank, 1995a: 15). Also, dualism in the labour market “has distorted incentives and encouraged rent-seeking” (World Bank, 1995a: 1).

In the WDR, it is recognised that reform will result in losses in the short run for workers, primarily in the form of loss in wages, and for some unemployment. As reform proceeds, however, and inefficiencies are removed, the conditions of workers improve (World Bank, 1995a: 3). From the point of productivity, workers “become more productive as the goods they produce increase in value” (WDR: 54). At another level, reforms benefit workers as consumers, as they can buy products cheaply, made possible due to international trade (WDR: 54). While the WDR recognises that inequalities will persist, workers would be worse off without reform.

The approach of the World Bank in dealing with labour is economic, where labour is dealt with primarily as a cost factor. The focus on productivity of capital and of labour is the key to successful, efficient and sustainable growth, rather than increase in labour per se. Another focal point is flexibility of labour markets. Investments in training and retraining of the workforce is one of the areas the World Bank highlights, in order to respond to the constantly changing needs of the economy and labour demand. The World Bank philosophy in this respect is that old, inefficient labour regulations that ‘overprotected’ formal sector workers, are to give way to new regulations that “guarantee some standards of fairness in labour relations yet preserve

the flexibility of labour markets” (World Bank, 1995a: 1). Government involvement in labour regulations should focus on policies to regulate child labour, working women and minorities, minimum wages, safety standards at work, and conditions of work. Thus, the onus on determining labour requirements falls on enterprises or business activity. It is for this reason, the WDR argues, that trade unions have an important role to play, that of countering the power of employers.

Trade unions in the World Bank report

The role of trade unions, as per the World Bank report, is very important in protecting the attainment of the rights of workers, as well as acting as a counter balance to employers. The role of trade unions is deemed pivotal for the protection of workers’ rights in a free-market system. Central to the World Bank understanding of the role of trade unions is the changing relationship between trade unions and the state. Unions in many countries are politicised, which results in “excessive intervention and regulation as governments try to pacify workers and gain support for state-controlled unions” (WDR: 79-80). Free, independent trade unions are capable of representing workers in a market economy. Not only are such unions capable of ‘responsible’ collective bargaining, they are “mostly democratic institutions” (WDR: 85). The regional report for Arab countries indicates that unions are “becoming more active in the face of deteriorating labour market” (World Bank, 1995a: 17). The success of such effort has, however, been limited because unions are not truly independent, and collective bargaining is “overly politicised” (World Bank, 1995a: 17).

Unlike government intervention in setting wage levels which, according to the World Bank tends to create labour market distortions, the process of collective bargaining between unions and employers is perceived to be effective. The reason for this is that

“the pressures created by competition push unions and employers to seek ways to increase productivity rather than fight over rents” (World Bank, 1995a: 17). While the report recognises the significance and success of national and industry-level agreements, the World Bank gives preference to decentralised bargaining, at the local, branch level (WDR: 83).

The report points out that in some countries, trade unions represent the relatively privileged workers, more often than not a fraction of the workforce (WDR: 80). This is partly linked with dualism in the labour market. Trade unions have sometimes tried to advance the condition of workers who are unionised at the expense of workers who are non-unionised. While it is believed that in a market economy trade unions operate independently of government dictates and interferences, so it is believed that workers have the right of freedom of association, either to join a union or not to join a union at all (WDR: 82).

An issue that comes under examination in the report is that of the role of trade unions in improving productivity in firms. The report suggests that unions, by helping train/re-train workers to encourage job rotation and flexibility, are thus a positive influence (WDR: 80). The attainment of efficiency seems to be a critical factor. What seems to be happening is that many unions are forced to ‘co-operate’ with management, otherwise they may be marginalised. What the World Bank advocates is that by improving the productivity of enterprises both capitalists and workers benefit. Increased productivity is translated as better wages and benefits to workers. Thus, the interests of capitalists and workers are not contradictory. This, however, is not the case. The greatest benefit of such productivity enhancing activities is to the enterprise, not the workers. The report points out that labour and management in enterprises

sometimes get together or co-operate, which is a desirable outcome. In discussing a particular case of workers in Brazilian firms where quality circles were introduced, the report points out that “labour, keen to ensure continued competitiveness, did not insist on past privileges but instead co-operated with management in this process” (WDR: 83). This is not ‘co-operation’, but rather a coercion to co-operate and it reflects that by focusing on ‘productivity’ workers are disadvantaged.

One of the issues raised by the WDR is that trade union action can sometimes be negative, or ‘monopolistic’, by which is meant that trade unions “[improve] wages and working conditions for their members at the expense of capital holders, consumers, and non-union labour” (WDR: 81). While the report rightly argues that as a result of this so-called ‘union wage effect’ the difference in wages between unionised workers and non-unionised workers is exacerbated, three major factors are overlooked. First, and most significantly, trade unions are organisations that are supposed to look after the interests of workers, not for the interest of capital holders or society at large. Second, due to the situation that is existing of economic crisis world-wide, unions often are undercutting the wages of workers for the sake of workers remaining in their workplace. Indeed, trade unions are not in the position of making the kind of wage increases discussed above, increasingly they are making deals with management to accept wage cuts in return for workers to remain in employment. Third, the principle of unionism is solidarity. It is not the unions who are paying non-union workers, the union wants all workers to join the union.

One may best summarise the attitude of the World Bank to trade unions is that the latter are perceived as “agents for labour, organising large numbers of workers into a single entity whose collective bargaining power matches that of the employer” (WDR:

79). The choice of the term 'agent' sets the context in which the World Bank envisages the role of trade unions, because it reflects a fundamentally economic sense, whereas trade unions 'represent' workers, economically, socially, and politically. Further indication of this is the statement that "a key principle in industrial relations is to ensure that the parties engaged in bargaining absorb the costs of their action rather than shift them to third parties" (WDR: 82). This carries tones of business unionism, which emphasises that trade unions are partners in management, and that 'responsible' unionism takes that into account. The key to understanding the role of trade unions as per the World Bank, is that by focusing on the economic and integrative objectives/goals, trade unions are rendered basically as defensive organisations.

Structural Adjustment and Trade Unionism in Egypt

The present research examines the impact of the economic reform and structural adjustment program on trade unions in Egypt. The reforms in the economy pose a challenge to trade unionism as it has existed since the late 1950s, under a 'socialist' populist regime that nationalised production. Trade unions were deprived of much of their power in return for security of employment and protective legislation for workers. The structural adjustment program has resulted in a situation where many of the benefits that had been accorded to workers by the state are being withdrawn. The research examines trade union responses to these challenges. The discussion covers both the impact of reform on the trade union structure and organisation, as well as the question of how trade unions are re-defining their role in a market, private sector led economy.

The implementation of structural adjustment policies in Egypt is redefining the role of the state in society. One of the issues examined is the development of the Nasserite state, and the degree to which it was as 'socialist' as it claimed to be, and how trade unions developed within that system. The move toward liberalisation of the economy during the Nasserite and post-Nasserite eras, while sustaining a "populist" front, is also discussed. Specifically, the research examines the way the state is structured within these contradictions and how trade unions could deal with the contradictions. The study examines the extent to which unions are able to reconcile their role as workers' representatives, and their role in administering state policy. This becomes very clear under the changes that are taking place in relation to conditions of employment and other legislation related to public sector enterprises in Egypt, notably with regard to law 203, the new unified labour law, and the new trade union law.

Another issue raised is how workers themselves perceive the changes that are taking place in the enterprises, notably the idea of privatisation, and in what ways the public sector is important to them. Most important is how workers perceive workers' representatives' reactions to the changes. By contrast to the narrowness of the 'formal' trade union apparatus, there is an examination of other forms of workers' representation and worker action outside of the framework of the official trade union organisation. The research also establishes that liberalisation and structural adjustment do not have the same impact on all workers, which contributes to the understanding of how relevant trade unions are to different workers. Women workers receive particular attention in the research because they were among the groups that gained much from the state policies of the 50s and 60s. Increasingly, however, many of their "rights" are being eroded. Trade unions have provided little support to them in the transition.

In addition to the discussion of the impact of reform on the level of enterprises, it is important to shed light on the impact of the transition to a market-economy at a wider, more macro level. The implementation of SAP is marginalising large sectors of the population and pushing larger numbers into poverty. The study also sheds light on how, in the absence of real solutions to people's problems and the failure to integrate them in the 'new order', the alternative that emerges and which is gaining in strength is the Islamist 'solution', and the study reviews the extent to which it is viable or successful.

Methods

The subject of the current research, the impact of structural adjustment on trade unions in Egypt, is a complex issue. Structural adjustment per se is a multi-faceted field that combines economic, political, and social considerations. A fundamental consideration in undertaking this topic is that it is a study of a subject in flux. The implementation of some structural adjustment measures had started in Egypt from the late 1980s, while other measures are still in process. The pace of change is unpredictable in some cases. This is clear in the process of privatisation of public sector enterprises. From 1991, the year Law 203 was issued paving the way for privatisation of enterprises, to the end of 1995, three enterprises had been 'privatised'. The pace of privatisation led many researchers, for example Posusney, to argue that labour was acting as an obstacle to privatisation. From January 1996 to the end of December 1996, a period of twelve months, twenty enterprises were 'privatised'.

Another factor complicating the process is that the issue of trade unionism and public sector reform is a politically sensitive topic in Egypt. The costs of reform are high, and thus officials, junior or senior, do not disclose all information they may possess or

simply minimise them, or give the 'official newspaper' view of events. This is particularly the case in a highly bureaucratised and authoritarian political culture, as in Egypt. However, a wealth of information and resources can be obtained through 'inside contacts'. On the other hand, information from labour activists and others opposed to reform are equally problematic. The other side of the existing authoritarian political culture in Egypt is mistrust. As in the earlier case, once one is able to break through the mistrust, also a wealth of information and resources become available. Another factor that affects research based on the political culture is that of the centrality of "Government". Some views in support of reform or SAP are not views on the merits of SAP per se but rather they are a stand for the government. Likewise, opposition to reform is sometimes simply opposition to the government.

At times, the issue is raised of the difficulty that women researchers face in Arab or Islamic countries. In the course of this and other research in the 'male-dominated' world of industrial enterprises, the researcher has found this to be an over-exaggeration. The issue was raised by an American woman researcher who carried out work for her doctoral dissertation on state-labour relations in Egypt, Marsha Posusney. It is more likely that it is difficult for a foreigner to carry out research in Egypt. One may add that she has been back in Egypt to do more research since she finished her doctoral research.

In researching the topic of the study, a number of resources were utilised. These included an examination of the literature on the subject, material from newspapers and periodicals, and interviews. Although the literature on the research topic is limited, there is a number of very exhaustive studies in the subject area of the politics of labour in Egypt. No study on the working class in Egypt can overlook two major

studies, Amin Ezz El-Din's *Tarikh Al-Tabaka Al-Amela Al-Mesreyya* (The History of the Egyptian Working Class), and Joel Beinin's and Zachary Lockman's *Workers on the Nile*. The former study is a detailed account of the working class from the formation of a working class in Egypt during the nineteenth century to 1970, the end of Nasserism. The study is rich in details. The second study, *Workers On The Nile*, is an analytical examination of the working class from 1882 to 1954. The study examines the interlocking relations between class and nationalism. The doctoral dissertation of Marsha P. Posusney *Workers Against The State: Actor, Issues And Outcomes In Egyptian Labour/State Relations, 1952-1987* covers a period of the history and politics of the Egyptian working class that is very important but which had received little attention. Together with the study by Raouf Abbas Hamed, these works are indispensable sources of historical reference to the study of the working class in Egypt.

The works of Bianchi and Waterbury are equally essential to an understanding of the labour movement in Egypt. The works of Robert Bianchi (1989) *Unruly Corporatism: Associational Life in Twentieth-Century Egypt*, and his article "The Corporatisation Of The Egyptian Labour Movement" (1986) examine the corporatisation of the Egyptian labour movement. His works analyse the relationship between the 'State' in Egypt and other representational organisations, among which are trade unions. John Waterbury (1993) carries out in *Exposed To Innumerable Delusions: Public Enterprises and State Power in Egypt, India, Mexico, and Turkey* a detailed study of the political economy of the public sector in the four countries. The author examines the rationale for the selection of SOEs as instruments of the ISI strategy of state, the nature of the crisis that necessitated the reform of

SOEs, and the various interest groups within that public property regime and how they resisted the impending change and erosion of their 'entitlements'.

In addition to the works cited above and others used throughout the research, one source of information that was very useful was the newspapers. The subject matter of research, as indicated earlier, is unfolding, and for this reason newspaper items and articles provided up to date information. Opposition papers were particularly useful since they provided good coverage of worker protests and activities of committees or groups working against privatisation and problems resulting from SAP. Such material is not available in the 'government' press. The most useful of the opposition papers were Al-Ahali, Al-'Arabi, Sawt Helwan, Al-Shaab, and Al-Wafd. In addition, Al-Hayat newspaper was also used. It is an Arabic newspaper printed in London that is known for its objective reporting of Arab affairs. Official papers used for reference were Al-Ahram, and Al-Akhbar.

The bulk of the research was based on interviews, carried out between July and the end of October 1994. A few interviews were also carried out in February and March 1997, for the purpose of updating. The bulk of the interviews were carried out in two public sector enterprises, with management, trade unionists, and workers. The two enterprises were Al-Sharkia Eastern tobacco company, and El-Nasr Company for Glass Manufacturing. The two enterprises are affiliated to the Holding Company for Thermal Industries. An interview was also conducted with the president of the holding company. A research licence was required to carry out the research at the enterprises. In each of two enterprises I visited two different locations. The interviews with management were carried out in their offices. As for the unionists, the meetings were usually carried out in any place that was relatively quiet, usually in

the administrative building and in one case in the trade union office. Often, there was more than one unionist in a meeting. Access to the workers was restricted, so that I always had to meet them accompanied and often during the interview there was a supervisor nearby.

In addition, interviews were also carried out with unionists in two political parties, Tagamuu and the Nasserite Party. The interviews at Tagamuu were very fruitful because members of the labour secretariat at the Tagamuu Party were always present, often with workers, often to try to solve a problem. It thus served to highlight the actual problems encountered in the process of reform and privatisation. In addition, the head of the labour secretariat at Tagamuu is a very active unionist and has been involved in the establishment of workers' defence committees and other organisations that aim at the protection of the trade union and workers' rights. The labour secretariat at the Nasserite Party is less active than the Tagamuu counterpart, although the head of the labour secretariat is also a labour and union activist.

In addition to the above mentioned, interviews were also carried out with the President of the General Union for Engineering Industries at the ETUF, the director of the privatisation team at the PEO, as well as a former President of the BOM of a public sector company and a current one, and the director of a research institute.

The method for referencing the interviews is by first writing the name of the person I was interviewing, the location, and the date. Particularly in the case of the interviews with the unionists, often in a single meeting several unionists would be attending and several would be interviewed, but the interviews were referenced by the name of the original person I was interviewing for ease of reference.

The 'Development Information Centre' at the USAID mission in Cairo is an extremely rich source of material relating to privatisation in Egypt. Perhaps it is because USAID is involved with a privatisation project jointly with the PEO.

Trade Unions in Egypt

An examination of trade unions in Egypt points out that they combine some of the characteristics of trade unions in developing countries, and some of the Soviet-model trade unions. At the crux of the matter is the question whom do trade unions represent, and the extent to which the answer to this question explains the function and role of trade unions. This consideration is relevant to trade unions in Egypt historically, but it is a particularly pressing concern at the current era. At the early stages of the development of the trade union organisations they were organised and perceived as separate trade organisations to protect the interests of the members of the individual trades. Later, with the rise of the nationalist movement and the Nasser era, the interests of the working class were perceived to be inseparable from the interests of society as a whole. Indeed, any discussion of class interests was deemed unnecessary at best, unpatriotic at worst. There were brief periods when it was possible to organise along lines of class interest. While there is absolutely no doubt that a working class has been in existence in Egypt for a long time, it has not always been recognised as an independent class with its own interests

The reality of trade unionism in Egypt reflects some of the observations of the World Bank in the WDR, but differs significantly in others. Conditions such as the relative under-representation of the workforce by trade union organisations, and the over-representation of the formal sector are clearly depicted in the case of Egypt. It is the views of the World Bank on the role of trade unionism under reform that differ

substantially from the case of trade unionism in Egypt. In the World Bank report, it is indicated that the relationship between trade unions and the state, even in those countries where the trade union movement has been controlled by the government, will change in the direction of greater independence of the trade unions. This, it is explained, is because trade unions will act as the force that protects workers' rights vis-a-vis employers thereby countering the power of the latter. The reality in Egypt is otherwise. On the one hand, with regard to the relationship between trade unions and state, all evidence is that the relationship remains much the same. It is not possible to say that trade unions have become more independent, nor that the regulatory role of the government has decreased. Partly, this is a combination of two factors, the state is still using trade unions to control workers, and the trade unions are primarily interested in their survival as organisations. In addition, until liberalisation extends to include political liberalisation as well, trade unions will remain corporatised.

Are trade unions truly representative of the working class ?

Trade Unions in Egypt are marginal organisations to workers in more than one way. Numerically, the unionised sector of the workforce in Egypt is relatively limited, estimated by some researchers at 30% of the workforce in Egypt (Adly in Abdalla: 173). This figure, however, is an overestimation. The unionised workforce in 1991 was calculated at 3.3 million workers (ETUF: 111). The total labour force in 1990 was estimated at 14.5 million (Al-Qudsi: APPTAB11.XLS). By simple calculation, unionised workers constitute about 23% of the labour force in Egypt, leaving more than 11 million workers non-unionised, or 'unorganised', and hence practically unprotected. The WDR argues that labour regulations in Egypt, among other countries, have contributed to the growth of the informal sector, creating "a two-tier

system that overprotects formal sector employees and under-protects informal sector ones” (World Bank, 1995a: 15). The trade union organisation, as it exists, exacerbates this condition. Rather than promoting the interests of workers at large, organised labour “has promoted its own consumption at the expense of productivity and has impeded technological innovation in order to protect jobs” (Waterbury, 1993: 235). It is interesting to observe that often in discussing the size of the working class in Egypt, the focus is on workers in the formal sector. For example, Ibrahim cites studies that estimate the growth of the working class from about 300 thousand workers in 1952 to about 800 thousand workers in 1968 (Ibrahim in Abdalla: 35-6). This indicates that non-organised labour is under-examined, and thus its political and economic might underestimated, though these may be ‘potential’ rather than felt.

Trade unions represent only a part of the working class, as indicated above. Although there was a change in the composition of the organisation, it is still dominated by the ‘traditional’ unions. The composition of the trade union organisation has changed since the 1970s to reflect a change in the structure of production in Egypt. The services sector expanded, while industry and agriculture declined. Industry constituted 28% of GDP in 1970, compared with 22% in 1993, agriculture accounted for 29% in 1970 and 18% in 1993, while for services the change has been from 42% in 1970 to 60% in 1993 (WDR: 166). An examination of the size of union membership by industry reflects “the precipitous decline in the relative importance of manufacturing workers and their replacement by government service and transport workers as the largest component of the labour movement” (Bianchi, 1989: 131). For example, one

of the traditional strongholds of Egyptian industry, Spinning and Weaving, decreased¹ in membership from 13% of the unionised workers in 1976 to 7.7% in 1991 (ETUF: 107-111). At the same time, the percentage of unionised workers in the Construction industries among the unionised workers has increased from 7.8% in 1976 to 15% in 1991 (ETUF: 107-111).

The change in the composition of the trade union organisation by industry is not reflected in the leadership of the ETUF, which still comes from the 'traditional' public sector industries, such as textiles, chemicals, and petroleum. Since the establishment of the ETUF in 1957, three of the seven presidents of the ETUF have come from the textile industry including the current president, one from petroleum, one from chemicals, one from agriculture, and one from insurance (Emam in Abdalla: 214). It is argued, however, that the unionisation of 'civil servants' and 'public employees' and their inclusion in the trade union organisation was a strategic decision. It is argued that "when unionization became a semi-official enterprise, unions of government employees were regarded as key instruments for penetrating and deradicalizing working class associations" (Bianchi, 1989: 132).

The trade union organisation has a distinct public sector bias. In 1991, the private sector constituted 25% of the membership of trade unions (ETUF: 113). The industries that have the largest number of private sector workers are, tourism and hotels (87%), land transport (78%), agriculture (61%), construction (35%) (ETUF:

¹ The numbers of workers in the Industry registered some fluctuations, but has remained basically stable. The decrease is in the percentage of unionised workers in Spinning and Weaving per total of all unionised workers.

113). A partial explanation for this is that the public sector has in the past hired most skilled labour, but it can no longer do so. The increase in the private sector may also be because “most new jobs are in low-productivity, low-wage services and agriculture” (World Bank: 6). The improved wages of the private sector contributed to its expansion. According to the World Bank, this pattern of investments reflects a reluctance by the private sector to invest much, indicating “lack of progress with reform” (World Bank, 1995a: 6).

Trade unions at the branch level represent all employees at the enterprise, production workers as well as clerical workers. Thus branch unions do not represent ‘workers’, they represent ‘employees’. I believe this distinction is significant because it implies that the ‘enterprise’ is the object of trade union activity, and not the worker per se. The worker as part of the enterprise is the responsibility of the trade union. The twist, however, is that where this brand of ‘enterprise unionism’ exists, the enterprise is not merely a unit of production, but also a ‘social’ unit. The ETUF perceives multiple unionism within an enterprise to be a weakness of the trade union organisation, which leads to the breaking up of the trade union movement (ETUF: 92). Consequently, the public sector is very important for trade unions in Egypt, and one of the challenges with reform is how to adjust to being a private sector dominated organisation.

On a number of counts, trade unions are increasingly marginal organisations to the working class. While the WDR insists on the importance of unions in the future as they will be needed by workers to secure workers’ rights, there is evidence that the case in Egypt is not so. The reason for this is that trade unions in Egypt are bureaucratic organisations, and as such their foremost objective is their survival as

organisations. This, however, is an effect rather than a cause. It is not merely a problem of structure, it is basically a problem of ideology.

The following section examines how the establishment of the ETUF in 1957 was significant to the development of trade unions into their present situation.

Corporatisation of the trade union movement

Trade unionism in Egypt can best be understood by placing it in the framework of the 'revolutionary' changes in society of the Nasser era. Labour played a significant role in the ideology of the ruling Junta. The ideology of the regime towards labour evolved over the first few years of the revolution, though there were some early indications on the nature of the relationship between labour and state. For example, within a month of the coup in August 1952, Decree 22 was issued by the Ministry of Social Affairs for the formation of a committee to examine the possibility of implementation of a unified labour law². Labour legislation was introduced that supposedly addressed many of the concerns of the labour movement, the most important of which was the establishment in 1957 of a confederation, the Egyptian Trade Union Federation (ETUF). Other 'revolutionary' changes were the provisions made for the participation of workers in decision-making at the level of the enterprise through the scheme of workers' participation in management first introduced in 1961, and on a broader societal and political level by the participation of workers in the People's Assembly, half the members of which were peasants and workers. It is important to note that all these changes were carried out in the context of social harmony, the culture of

² The Unified Labour Law came into existence much later, in 1959.

productivity, and workers' control. The institutionalisation of trade unions was cast in 'revolutionary tones', whereas it was not really so.

Trade unions in Egypt were transformed from pluralist to corporatist organisations, the process being particularly significant between the years 1959 and 1964 (Bianchi, 1986: 431). In the discussion of the corporatisation of the trade union movement in Egypt, the following definition of corporatisation is used:

'...a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their representative categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports'
(Bianchi, 1986: 429).

The combined effect of the Trade Union law of 1964, and the Unified Labour Law of 1959, strongly affected the corporatisation of the trade union movement (Bianchi, 1986: 431). The ETUF was structured as the highest level in the trade union hierarchy, a single confederation. At all levels of the trade union organisation, the principle of single unions was adhered to. Thus, there is one union committee at the enterprise level, one general union per industry, and one confederation, namely the ETUF. Henceforth, one of the features of the Egyptian trade union organisation is its pyramidal structure. At the base of the structure are the enterprise level trade union committees, at the middle level the general unions which are industry based, and at the top-most level the ETUF.

The specific role of trade unions, and their responsibilities were explicitly set out by legislation. A 'social contract' was made, whereupon the government guaranteed workers secure employment, adopted full-employment policies, and promoted workers' participation in industrial enterprises. In return, the independence and autonomy of trade unions was curtailed, so that there were "bans against inciting class antagonisms, organising work stoppages, trying to overthrow the political system, [and] using force to recruit union members" (Bianchi, 1986: 432). During the Nasser era it was compulsory for unionists to be members of the Arab Socialist Union. Thus, the trade union organisation in Egypt has almost become a semi-state organisation (Adly in Abdalla: 179). Indeed, organisationally, the ETUF is linked to a number of governmental bodies. The ETUF is not independent from the Ministry of Labour, and it has representatives in a number of other ministries and governmental authorities. Such a heavy presence of the ETUF in governmental and formal state agencies leads to the loss of autonomy of the trade union organisation and "dependence on state authority" (Emam in Abdalla: 216).

The corporatisation of trade unions, and the militarisation of society in the 1960s had an impact on the trade union movement, particularly on intra-union relations. These led to splinters within the organisation concerning the role the military played in public life in Egypt, including the 'domain' of the unions. There was conflict between "the trade union organisation and the federation on one side, and strife at the base level on the other side as there was conflict between trade union committees, the ASU committee of twenty, and the elected members in the BOD" (Emam in Abdalla: 206). The conflict that became clear in the trade union organisation revealed that the corporatisation of the movement was successful in co-optation of trade union

leadership selectively, and in particular at the top-most level of the organisation. The significance of this situation is that it highlights the 'allegiance' of trade union leadership to the government.

During the Sadat era the situation was exacerbated. Sadat moved in the direction of liberalising the economy, with a focus on 'productivist strategies' rather than the 'distributive policies' under Nasser (Bayat: 76). By drawing back some of the reforms of the Nasser era, the Sadat regime alienated itself from workers. It is argued that precisely because of this, under Sadat corporatist tendencies in the trade union structure increased, as evidenced by the issuing of the trade union laws of 1976 and 1981. As Sadat "lacked grassroots support within the working class [h]e therefore needed the support of the leadership of the labour movement to carry out his new policies" (Bayat: 77). Consequently union leadership were increasingly a "self-recruiting elite with broad powers of consultation in economic policy-making" (Bianchi, 1989: 129). This was especially so with the introduction of indirect election of union officials at the middle and higher levels of the organisation. The increased corporatisation of the trade union movement and the association of the top leadership of the organisation with the ruling regime and interlinkages with it, resulted in further isolation of the top leadership from the workers the organisation represents. The ETUF leadership became "more encapsulated by the state bureaucracy and more insulated from rank and file pressures" (Bianchi, 1986: 439).

The corporatisation of the trade union movement has led on the one hand to a distancing between the trade union organisation as a whole from workers, and on the other hand to increased friction within the trade union organisation as some union officials came to be incorporated in the state. The bureaucratisation of the trade union

organisation had a significant effect on this outcome. The bureaucratisation of the movement was both a consequence of corporatisation of trade unions, and a cause of further corporatisation. The following sections examine the relationship between state bureaucracy and the development of a state bourgeoisie, with interests entrenched in the interests of the state. Henceforth, the research discusses the ‘embourgeoisment’ of the trade union leadership, and its impact on workers and the challenges to the trade unions posed by structural adjustment reforms.

Bureaucracy and the state bourgeoisie

The aim of this section is not an examination of the social roots of the 1952 revolution, but rather how the group that came to power in 1952 established its hegemony by utilisation of the bureaucratic apparatus and the impact of this on trade unions. The ‘revolutionary’ coup d’etat of 1952 did not introduce radical changes to the state bureaucratic apparatus. Rather, after the removal of some undesirable persons, the regime utilised the existing structures to address the needs of government (Emam: 83). One may argue that this is because when the Free Officers seized power in 1952, they did not have a clear political or economic ideology. Instead, the regime “adopted the method of administrative procedures that rely on the state as a social institution and henceforth on bureaucracy in accomplishing the revolutionary agenda” (Emam: 83). Thus, when the free officers came to power, they needed to strengthen the state bureaucracy apparatus. The bureaucratic apparatus, however, retained its pre-Revolution bourgeois character which came to represent “the basic foundation for the new bureaucratic structure” (Emam: 87).

What the regime did was that it shifted the base of the bourgeoisie. Prior to the 1952 revolution the bourgeoisie was primarily a rural bourgeoisie. The land reforms enacted

during the Nasser era diminished the importance of the rural bourgeoisie (Amin: 50). This has been possible because of the weakness of the latter. The rural bourgeoisie was politically acquiescent to the British presence in Egypt, was antagonistic to independent popular action, and most important, it was riddled by internal divisions (Amin: 36-8). It was not only the weakness of the 'old' bourgeoisie that led to the rise of a state bourgeoisie. It is pointed out that, "a state bourgeoisie could come into existence is generally seen as the result of a kind of class vacuum brought about by a feeble private entrepreneurial class, a tiny proletariat, and a dispersed peasantry" (Waterbury, 1993: 177). Thus, the regime that came to power consolidated its power by relying on the bureaucratic apparatus, and of course, the military. The urban bourgeoisie the regime strengthened and helped perpetuate became a state-dependent bourgeoisie.

The state bourgeoisie, came to include all the technical and administrative state apparatus. This 'civil apparatus' expanded from 195 thousand in 1952 to 2.1 million in 1980 (Ibrahim in Abdalla: 16). Free state education initiated as part of the achievements of the 1952 'revolution' contributed significantly to this expansion. An interesting observation made about the state bourgeoisie in Egypt is that it "is not a class but merely bourgeois" (Waterbury, 1993: 177). Thus, the 'new' middle class, the backbone of which is the state bourgeoisie, differs from the 'old', pre-Revolution, middle class in that it includes "a considerable section of the craftworkers, and the upper income tranches of employees and workers of the public and private industrial sector" (Ibrahim in Abdalla: 20). Thus while the state bourgeoisie is not a class, it represents an *esprit de classe*, to use the term by Waterbury.

As the Nasserite state became increasingly involved in the management of the economy, both in productive and distributive activities, the productive and distributive bodies became part of the state bureaucracy, and consequently the state bourgeoisie. State bourgeoisie extended to include not only the senior management of state enterprises, but also some labour leadership. In a study on Mexico, the 'bureaucratic or governmental bourgeoisie' includes "'not a few labour leaders'" (Waterbury, 1993: 177). The same applies to the trade union organisation in Egypt. Insofar as it is corporatised, it is part of the state bourgeoisie, specifically the topmost positions. The trade union organisation, in specific the topmost echelons of the organisation, is a state-dependent, state bourgeoisie. This throws into doubt whether one may speak of the trade union organisation, especially the topmost level, as a working class organisation. In addition, the power of the lower levels of the organisation to carry out their role as representatives of the working class are severely curtailed as a consequence of the corporatisation of trade unions. The presence of a dependent state bourgeoisie that comprises trade union leadership, combined with a corporatised trade union organisation that is in a number of ways marginal to the workers it represents, has paved the way for the utilisation of trade unions by the state to control workers.

State bourgeoisie, state autonomy, and class conflict

One issue that needs to come under examination is that of the relative autonomy of state from control by class forces. During the previous discussion, it became clear that the elaborate bureaucratic state apparatus that the Nasserite regime came to rely on to carry out the social and economic functions of state was bourgeois in character. This was the case even after nationalisation and the creation of a public sector, which led to an ideological contradiction in a 'public' sector that is managed by a state bourgeoisie

(Emam: 88). The result was that management of enterprises was not merely an economic entity, it was an arm of state and thus, a political entity as well. Trade unions were acted upon by both management, and the state. Trade unions thus were 'transmission belts' between management and state on the one hand, and workers on the other hand. In this relationship, trade unions played a passive role of 'distributor'. In a discussion of trade unionists, Waterbury points out that "...leaders who are political eunuchs are granted the sole right to distribute "the gains of the revolution." Dissidents, if not illegal and thus subject to arrest, get the police, vigilantes, arrests, disappearances, and martyrs - but no goods" (Waterbury, 1993: 237).

It is the case, however, that over time bureaucracies develop their own interests. For example, in the regional study of the WDR it is recognised "old policies have created an oversized public sector with established vested interests that is hard to cut back" (World Bank, 1995a: 21). Similarly, John Waterbury examines senior management of public sector enterprises, and points out that senior management has a vested interest in public sector enterprises (Waterbury, 1993: 12). One of the methods through which the state bourgeoisie, comprised of a number of bureaucratic bodies, manages to reproduce itself is that it "exploits the control over state assets to convert public into private wealth" (Waterbury, 1993: 12). It is thus that vested interests are established. The upper echelons of bureaucracies have been able to benefit mostly, thereby creating a gap between the upper hierarchies of the bureaucracies and the lower ones (Emam: 93). The reproduction that is taking place is carried out at the individual level rather than at an institutional level, meaning that the concern is not with reproduction as a class, rather "what really may be at stake is an assured way of life, a bourgeois standard of living and consumption" (Waterbury, 1993: 188).

This line of analysis is applicable to trade unions in Egypt. The bureaucratisation of the trade union organisation in Egypt has allowed the “embourgeoisment” of the senior levels of the movement, particularly the ETUF. That the senior levels of the organisation have benefited in terms of wealth and political status is beyond a doubt. It has become an established tradition that ETUF presidents take the post of Minister of Workforce/Labour, and the president of the ETUF is usually given a post in the ruling National Democratic Party. However, the reproduction of the state bourgeoisie is dependent on retaining a position in the state bureaucratic apparatus.

A form of Michels’ Iron Law of Oligarchy operates in the case of trade unions in Egypt. The organisation becomes an end in itself (Munck: 112). The basic argument of this theory is that trade union leaderships become oriented to fulfilling the ‘institutional needs’ of the organisation rather than focusing on fulfilling the needs of the workers. Related to the concern of the survival of unions as institutions, the trade union leadership runs the organisation on an oligarchic basis. Eventually, trade union leaderships ideologically drift apart from the workers whom they represent (Hyman: 15-16). This has been proven already to be the case of trade union leadership in Egypt. Other studies on trade unions with oligarchic tendencies have also pointed out that trade union leadership often “are essentially agents of capitalism within the working class” (Munck: 113). Some theorists argue that the ‘Iron Law of Oligarchy’ can be tempered by the ‘law of democracy’, based on “the process of accountability which prevents trade union leaders becoming too distanced from their membership” (Munck: 112). This is not the case in Egypt.

The pyramidal structure of trade unions and the system of indirect election of the middle and top level of the organisation has rendered trade unions in Egypt

undemocratic, with very little accountability except the good will of the unionists. Indeed, in dealing with some 'dissatisfied' unionists the government uses promotions and conferring benefits to such unionists, leading to a separation between them and the trade union organisation, and often leading such unionists to concentrate on pursuing their personal interests (Emam in Abdalla: 217). The government deals similarly with dissent among the rank and file. The government resorts to a number of means in dealing with labour dissent: force or containment. Among the most striking examples of the latter, is the policy that was adopted with one of the leaders of the workers' strike in the Iron and Steel company in August 1989, which was violently crushed resulting in detention and deaths of workers. The Labour leader was 'contained' by offering him a position in the People's Assembly, and membership in the ruling National Democratic Party, both of which he accepted (Adly in Abdalla: 177). The 'Iron Law of Oligarchy' thrives in this environment.

The following section highlights the consequences of the integrationist tendency of trade unions, including how this led to the rise of a number of challenges that could threaten trade unionism as it exists today.

Egyptian trade unionism and the integrationist thesis

Due to the relationship discussed above between management, state, and trade unions, and which makes trade unions act as transmission belts between state/management and workers, unions as organisations are forced to maintain an unantagonistic, non-confrontational relationship with management/employers. Michels' theory of the Iron Law of Oligarchy arguably defines the source of power of management/capitalist as both an economic and a political power. The theory presents an instrumentalist view of trade unions, wherein the workers whom the trade unions represent have a

negligible, if any, role to play in the affairs of the union (Hyman: 29). This may not be exactly the case. While the oligarchic tendency of trade unionism in Egypt are overwhelming, one factor that may have increased significance in the future is that of worker protest. Spontaneous worker strikes are well documented, mainly occurring in public sector enterprises. Strikes have been far from representing labour 'militancy', instead they were very defensive. Such labour protests were not "of a regime-threatening kind" (Waterbury, 1993: 240). Rank-and-file spontaneous action may be of a limited success in public sector enterprises, primarily because the importance of the latter is in its distributive role, not its productive role. In a market economy where enterprises are productive, strikes or work stoppages have a more immediate impact on management/employers. But, trade unions in Egypt by emphasising economic gains and co-operation with management, undermine the impact of such worker protest.

The crucial factor in the analysis of the integrationist tendencies of trade unionism is the distinction between the economic and the political powers of trade unions. In the Nasser era, trade unions in Egypt basically relinquished political power, in return for job security for the membership and "a constant stream of material benefits" (Waterbury, 1993: 236). In Marxian analysis, without political vision, trade unions may find they are focusing on the 'effects' rather than the 'causes' of capitalist oppression (Hyman: 10). By focusing on their economic role, unions become economistic and are integrated within capitalism. Economism of trade unions leads to the development of sectionalism, and the emergence of a trade union consciousness rather than a working class consciousness. As Lenin pointed out "trade-unionist politics of the working class is precisely bourgeois politics of the working class,"

(Hyman: 13). By focusing on the economic and integrative objectives/goals, trade unions are rendered as defensive organisations.

In Egypt, unions represent the workforce that is privileged, by virtue of protection by labour legislation, and benefits such as comprehensive health care and insurance. However, much of the 'privileges' the unionised workforce benefited from is under threat because of the economic reform program, a major component of which is privatisation of public sector enterprises. On the one hand, with privatisation some public sector workers will be dismissed, and on the other hand, the workers who remain will no longer enjoy security of employment (Posusney, 1995: 32-3). In addition, workers in enterprises will have to contribute to any social security plans they benefit from, such as health care. The result for unionism is that the state reneged on part of the 'bargain' with trade unions, specifically, that the state no longer guaranteed secure employment and material benefits. In the meantime, the state conceded some sort of union independence by legalising strikes in the new Labour law, which was more of a cosmetic measure than actual change. By an examination of union responses to the reforms taking place, what emerges is that trade unions have adopted many of the characteristics of business unionism.

According to business unionism, trade unions are economistic. The focus is on the immediate concerns of workers, the economic rights of workers and conditions of work. The economistic nature of business unionism makes it fit in the overall framework of the World Bank on trade unionism and the place of labour in the World Bank's strategy for reform. A central theme of business unionism is that of partnership between trade unions and management, the 'growing together' of union bureaucracies and management. Both managers and unionists recognise the need for co-operation.

Such behaviour is seen as 'responsible' unionism, since the interests of labour and of business are complementary rather than contradictory (Hyman: 20-1). One thus finds that unionists, particularly at the level of the ETUF, are increasingly calling for 'responsible' trade unionism. For example, on the issue of government intervention to block the nominations of 'undesirable' candidates in trade union elections, the ETUF "tried to persuade the government to stop nullifying unacceptable candidates and instead to invest greater resources in the socialisation of a younger generation of "responsible" union officials in the Confederation's newly established Workers' University" (Bianchi, 1986: 442).

Underlying the philosophy of business unionism in Egypt, is the utilisation of trade unions to control workers. The process of reform is thus confronting trade unions with a very problematic situation. On the one hand, trade unions need to survive as organisations, and the adoption of a business unionism approach which is a reformist position, allows them to continue as organisations to play a role in enterprises and at the wider national level through the confederation. On the other hand, the co-operation between trade unions and state/management in the face of threats to the privileges of the membership of unions, is creating tensions within the trade union organisation, and between unions and labour, tensions trade unions cannot ignore. The policy of trade unions has been to try to juggle these two often conflicting demands.

The role of the ETUF may seem a bit confusing, at one and the same time supporting government action in principle or at least submitting to it, but the ETUF eventually objects to how such action is applied. It is not infrequent that the ETUF agree in principle with government action/proposals, but the stance of ETUF changes when much pressure is exerted upon it from the lower levels of the organisation. For

example, the ETUF seems to be adopting a one step forward, one step backward approach regarding privatisation. Thus, while the ETUF supported the issue of Law 203, it objected to how the law was implemented. In December 1992, the president of the ETUF, under pressure from some members, held a General Assembly meeting at the ETUF and “passed a resolution condemning privatisation and called for legalising strikes if any workers did lose their jobs as a result of public sector diminution” (Posusney, 1995: 20). The ETUF recognised it was not possible to go back on the trend toward privatisation and reform of the public sector enterprises, including the dismissal of workers as part of the reform process, instead the ETUF “came to redefine their *raison d’être* as winning the best terms for workers who would be displaced or reclassified” (Posusney, 1995: 20). There was more than just recognition of the fact of dismissal of workers, the ETUF was part of a national committee to design packages for ‘redundant’ labour, ranging from early retirement schemes, training and retraining, as well as severance payments for setting up small enterprises. The ETUF, however, condemned the dismissal of workers, but it “made no effort to mobilise the membership behind these implicit threats” (Posusney, 1995: 20).

Business unionism is often set in the context of the ‘growing up’, and ‘maturity’ of unions. Part of the ‘maturity’ of unions is that unrealistic idealism must be replaced by co-operation with management. In effect this means unions develop closer ties with the business community. In 1989, the ETUF issued a joint statement with the Egyptian Businessmen’s Association outlining some guidelines on economic reform and the public sector. This meeting was kept from the public until it was leaked by an opposition party paper in April 1989. The ETUF and the Businessmen signed the statement in May 1989 (Badawi in Abbas: 52-3). This was a reversal of an earlier

ETUF position regarding the Businessmen Associations, when in 1986 the ETUF condemned what it defined as “the developing close relationship with the EBA [Egyptian Businessmen’s Association] and the government’s economic planners” (Posusney, 1995: 15). The ETUF feared that such a relationship would threaten workers’ established rights. Yet, three years later the ETUF and the EBA signed a joint statement for reform in the public sector.

Despite the adoption of ‘business unionism’ by trade unions in Egypt, the relationship between unions and state remains to a great measure unchanged. The limitations on trade union independence in the past in return for benefits to the unionised workers and consultation of trade unions, specifically the ETUF, in any policies that pertain to workers, have been replaced by limitations on trade union action in the name of partnership with management. The policy of co-operation with state and management, and the consequent self-imposed limitations on independent trade union action, has led to the emergence of challenges to unions from within the trade union organisation, and from labour.

Challenges to the trade union movement

One of the challenges that is confronting trade unionism currently, is the extent to which the membership supports trade unions. The experience of unionised workers with trade unions concerning reform has not been positive. Despite protests from workers and some unionists concerning the sale of some public sector enterprises and their transfer to the private sector, no action was taken to prevent such sales (Emam in Abdalla: 208). In other instances, trade union officialdom has carried out actions that were condemned not only by workers, but also by other unionists. When it became known that the ETUF signed an agreement with the EBA, a ‘Committee For The

Defence Of The Public Sector And National Industries' was set up by workers in the Helwan industrial suburb, as a response to the agreement. Needless to say, this action resulted in some divisions within the ETUF. In another instance, a 'National Committee to Combat Privatisation' was formed in November 1993. It included unionists, some of whom were from the ETUF, as well as unionists from all industries nation-wide. The 'National Committee to Combat Privatisation', issued a "Solidarity" letter on privatisation and the negative impact of economic reforms on workers. It is suggested that this may have prompted the government to delay passing the new labour law (Posusney, 1995: 25).

While the role of the ETUF in addressing the concerns of workers at the public sector enterprises is negligible, and at times even antagonistic to worker demands, the ETUF is even more marginal to workers in the private sector. It is not an uncommon occurrence for workers to relinquish union membership in order to remain in the company (Emam in Abdalla: 213). While workers may not be too concerned with their union membership, they are keen to maintain their position in the public sector enterprises. Thus, when the Minister of the Workforce requested the names of workers in private sector companies to bypass state employment, "thousands of workers submitted collective resignations," in order not to miss the opportunity of state employment (Ibrahim in Abdalla: 41). This occurred in 1992 in Tenth of Ramadan city, which is one of the new industrial zones in Egypt. The workers concerned requested that they be "rehired as temporary employees so they could remain on the list" (Posusney, 1995: 26). The action of the workers came as a surprise to both the government and the employers, and the former "accused the workers of laziness for

seeking less demanding positions, and of selfishness for refusing to yield their spots on the waiting list to others who lacked employment” (Posusney, 1995: 26).

The bureaucratic stronghold the trade union organisation has, particularly at the level of the ETUF, enabled it to withstand the challenges it faces from ‘dissident’ unionists, and from its labour membership. The separation between union officialdom and workers has rendered trade unions separate from the workers’ movement (Emam in Abdalla: 217). The real challenge to trade unions in Egypt comes from the Islamist movement. Perhaps this is an indication of the extent of the integration of the trade union organisation, that the most serious threat to it comes from outside it.

The Working Class and the Islamist Movement

The riots of January 1977 were very significant in depicting the discontent of the underprivileged or marginalised sectors of society with economic reform. In response to pressures from the IMF, subsidies on basic goods, such as bread and sugar, were to be cut by 50%. Within the day on January 17, “the first gatherings and other expressions of popular protest erupted, followed by two days of the most widespread collective outrage witnessed in Egypt since the burning of Cairo on January 26, 1952” (Beinin in Lockman: 248). The protest was not simply directed against the removal of subsidies, it resulted from a general feeling of a drop or decline in the standard of living of the “popular masses”, as a consequence of the implementation of the economic reforms of 1975 and 1976 (Beinin in Lockman: 253).

The significance of the January 1977 riot is that it was a predominantly working class movement with presence of branch level trade unionists (Beinin in Lockman: 251). This movement was condemned by senior trade union officialdom. In addition, the Left distanced itself from the movement, prompting the scathing criticism that “the

Left was reformist, limiting itself to supporting the demands of the masses and defending the legitimacy of their actions , whereas the actual movement and consciousness of the masses were revolutionary” (Beinin in Lockman: 253). The January 1977 riots demonstrated how the workers who formed the backbone of this movement, were ‘betrayed’ by the official union apparatus, and by the ‘Left’. This depicts the failure of the ‘Left’ and the trade union organisation to represent workers.

Since the 1970s the force of the Islamists has been felt in Egyptian society, but in recent years it has gained in strength. While the Islamists have historically played a role throughout the modern history of Egypt, the Islamic movement as it exists at present, and since the late 1970s, is somewhat significant for the working class. Though this movement does not operate along class lines, and indeed its membership extends to include upper class, middle class, and working class membership, it is largely a movement of the dispossessed, and as far the working class is concerned, no other movement or political organisation comes near the Islamic movement in representing them. It is argued by some that a considerable proportion of the urban poor are from the working class (Shaaban in Abdalla: 31). The left which prides itself in its support for the working class is poorly presented or rooted in the working class (Adly in Abdalla: 176). Indeed, the achievements of the left in addressing the needs of the working class are humble. The strength of the Islamic movement is that it is a strong political and cultural opposition movement that is at the same time a popular movement.

The true challenge to trade unionism in Egypt now is two-fold: that because there are so many marginalised workers who do not belong to the trade union structure, increasingly as it exists the trade union organisation is a marginal organisation.

Second, there seems to be a real threat that the political movement of Islamists is incorporating the urban poor and workers and thus workers are joining the social and political movement of the Islamists, which claims to support the interests of these marginalised workers' more than the trade union organisation is. The irony of the matter is that again, the Islamists movement claims to speak for all, that no separate class interests are pursued, but rather the interest of all that is undivided.

The Islamist movement and its relation to the workers' movement has some of the features of social movement unionism. As evidenced by the fieldwork carried out for this research, some of the 'dissident' unionists are resorting to the wider movement of the Islamists. Social movement unionism aims to combine a workers' movement with an existing wider social movement (Munck: 117). While it is the case that the objective of social movement unionism is to strengthen one or both 'converging' movements, in the case of Egypt it is the failure of the trade union movement to address the interests of workers that has led to the search for the Islamist alternative. Yet, in the face of such a challenge, it seems to be the case that trade unions remain sectional, and are concerned with addressing the needs of the organisation, rather than that of the membership. While it is not possible to discount the efforts of the unionists who do try to represent the interests of workers, they are isolated and powerless to face or challenge the oligarchy of trade unions. At the same time, the scenario of a trade union movement carried out under the umbrella of the Islamists will not lead to an independent trade union movement, simply because the Islamist movement does not recognise that the working class has interests that are separate from, and sometimes in contradiction to the interests of other sectors in society. In either case, it is workers who lose.

Overview of the Thesis

The following section gives an overview of the issues discussed in each chapter in the thesis.

The development of trade unionism in Egypt

The chapter starts out by examining the development of the working class in Egypt, with specific emphasis on a working class for capital. The stages in the development of workers' collective organisations, from guild to union, is examined. A number of political and ideological forces helped shape the development of unionism in Egypt, mainly nationalism. A relatively strong and independent trade union movement developed with the development of capitalism and capitalist social relations of production. The movement, however, had its weaknesses. Although the trade union movement lent the Free Officers their support for the July Revolution, the power of trade unions was soon curtailed. The new regime cut the support of unionists from underneath them by providing workers (and unionists) with many of their long-standing demands. However, by the mid-1960s the corporatism began to crack at all levels, the political, economic and social.

Liberalisation and globalisation: Trade unions at a cross road

The failures of Nasserism led to the liberalisation of the economy, albeit gradually and under different names. It was not possible, however, to embark on a full-fledged liberalisation program because of the social costs involved. The structural adjustment program introduces reform that had already been started by the government. It provided the government with the chance to basically complete what it had started earlier. The benefits of the program could be nationalised, and the negative

consequences of its implementation blamed on the World Bank and IMF. However, liberalisation and globalisation are forces that divide workers rather than unite the working class. A public, a private and a Gulf market absorbed Egyptian labour. The different interests of workers could no longer be addressed within the unitary trade union organisation. Thus just as there is a strong pressure for democratising trade unions because of the different interests among workers, the corporatist pressures remain and are strengthened by the state, to control labour.

Public Enterprise Reform Between The World Bank And The Egyptian Government

The reform of public enterprises is one of the cornerstones of the structural adjustment program. The measures to reform it involve high costs for public enterprise workers. The reforms are presented as inevitable. In preparation of the reform, Law 203 was issued in 1991 that transformed public enterprises to business sector enterprises. It is meant as a transition phase to privatisation of the enterprise. The law provided management in enterprises an opportunity to carry out reforms. The logic used was that ownership and management could be separated, so while public enterprises were publicly owned they were managed by the logic of the private sector. Another measure used to adjust the structure of public enterprises, especially the financial structure, was the re-arrangement of public enterprises in holding companies. A labour law was proposed that would be in line with a market oriented economy, allowing dismissal of labour, but at the same time allowing strikes, although this was under extremely restrictive conditions. In the measures proposed, labour was made to pay the price of reform, but it was assured that without the reforms the situation would be worse. The process brought to light the problems within the trade union organisation since the

latter justified the reforms. Trade unions did not take an active step in trying to protect the rights of workers.

The impact of restructuring on workers

Workers are impacted by structural adjustment reforms at two levels, in the workplace and in their livelihood. Within enterprises, the impact of reform has been a drive to 'rationalise'. The reforms made workers more vulnerable. Furthermore, adjustment measures at the macro level included cut backs in subsidies, which led to a decline in the standard of living of workers. However, at the same time that the government is pursuing these reforms that are having a negative effect on workers as part of the underprivileged, the government is being generous with the bourgeoisie. At the same time as workers are being marginalised by the policies adopted by government, the regime is integrating the bourgeoisie as a partner in development. Many unionists are opposed to this situation but there is no objection to it from the 'official' union organisation. In the void created by the state policies, and in the absence of workers' support for the trade unions, Islamist organisations are filling the void. In particular, through the charitable associations and private voluntary organisations, Islamists are providing workers as part of the underprivileged with services the state has withdrawn.

Trade unions and structural adjustment: partners in change?

The trade union hierarchy is facing a challenge presented by structural adjustment. At all levels of the organisation, trade unions are trying to redefine their role. Foremost, trade unions are defending themselves as organisations. In so doing unions at the various levels of the organisation are presenting themselves as partners in the process

of change, with government and with the management in enterprises. At the higher levels of the organisation the unions argue that without reform, the situation of workers would be worse. In enterprises unions are promoting the view that the interests of work and workers are one and the same. By presenting themselves as 'partners' unions are promoting their interests as organisations. The issues they address relating to workers are very narrow, and do not address such vital issues to workers as unemployment. This has distanced workers from the organisation. However, there are attempts by 'dissenting' unionists to oppose SAP and public sector reform. While these efforts are increasingly visible, they are nonetheless fragmented and have been primarily motivated by varying political agendas, leftist, Nasserist, or Islamist.

Conclusion: Trade unions, workers, and structural adjustment

Trade union organisations have narrowly defined interests. Rather, trade unions are responding to the challenges posed by structural adjustment by refusing to democratise, and continue being state dependent. As a result workers are voicing their demands and protesting through largely spontaneous movements that are almost completely outside the trade union organisations, and sometimes against them.

Chapter Two: The Development of Trade Unionism in Egypt

Introduction

The current chapter aims to examine the historical development of the trade union movement in Egypt and its relationship to the wider labour movement, and the state. Two main lines of research are to be followed. First, the extent to which the trade union movement was a class struggle, and degree of efficiency thereof. Second, an attempt will also be made to highlight the features that have prevailed and characterised the labour/trade union movement. The analysis carried out links the different phases in the development of the trade union/labour movement with the various stages in the development of capitalism in Egypt. Specifically, the approach adopted points out that the macro economic developments form the boundaries within which the labour movement develops. Yet, within these boundaries there are political, social, and cultural factors that ultimately shape the labour movement.

The Tawa'if/Guilds of Egypt:

Guilds had been in existence in Egypt long before Mohammed Ali came to power. Until the beginning of the nineteenth century the production of goods in Egypt was carried out by craftworkers, organised in Tawa'if and Asnaf, guilds and trades¹. At

¹ It is worthwhile to note that guilds were sometimes referred to as 'niqaba', the term used for 'union'.

the turn of the 19th century in Egypt there were about 64 guilds (Ezz El-Din, 1987:27). It was possible to have more than one guild for the same trade, by country of origin or religion, such as the Armenian jewellers' guild, and the Jewish jewellers' guild. Furthermore, there was a hierarchy within guilds, where some guilds/trades were considered of a higher standing than others. For example the silk and cloth traders were among the distinguished guilds, while among the less notable guilds were "sweets sellers, cooks, fishmongers, and alcohol vendors" (Hamed: 22).

The production system was based on a hierarchy of expertise, with "masters" at the top of the hierarchy and apprentices at the bottom. Within each guild, order was maintained by the master, or shaykh. It was also the responsibility of the shaykh to protect the rights of members. Guilds, however, played a very important role not only in the protection of their members, but also in society at large. The importance of guilds can be fully understood by examining their functions in society, and not only for the member craftworkers. Prior to Mohammed Ali, society was divided into 'rulers' and 'ruled', where "the former enjoyed the spoils of power while the rest of society operated under its own traditional institutions almost independently of the rulers" (Safran: 27). Under that system, the guild was the basic 'unit' in towns, as was the village in the countryside (Safran: 28). In towns, guild shaykhs played a bigger role in the political, economic, social, and religious life of the townspeople than did the rulers. Guild shaykhs were the link between the rulers and the people. Indeed, the guild was a central 'institution' in society. It was an administrative tool of government, particularly in the collection of taxes (Hamed: 22).

It is significant to note that guilds did not act as pre-cursors of workers' organisations. Perhaps even more important, guilds did not play a role in the transition to capitalism in Egypt. From the point of view of capitalist development, the guild system as it existed in Egypt was not capable to accumulate capital and gather enough force to generate an 'industrial revolution' in Egypt. The guild system was considerably weakened under the rule of Mohammed Ali and his successors. The development of capitalism in Egypt was shaped by two major factors: direct intervention by the rulers through reform measures, and integration in the world economy at a very early stage through cotton production. The result for Egypt was that capitalist social relations did not develop at the same pace as did capitalism.

Stage One: Emergence of the Working Class and Capitalist Social Relations

The first stage in the discussion/development of the working class in Egypt may be considered by some to be rather extended. I take as a starting point the coming to power of Mohammed Ali in 1805 and the end of WWI as the end of the formative stage. As in all histories it is not possible to be rigid about starting or ending dates as there is some overlapping. Since the objective of the historical background is to examine collective action by workers and their representatives, and not simply an institutional history of trade unions, one has to start the analysis with the Mohammed Ali era. The reason behind this is that some of the reforms that were carried out during the rule of Mohammed Ali and of his successors had a direct impact on the formation and character of the working class in Egypt.

There are differences among researchers as to when a working class emerged in Egypt. According to Gamal El-Banna the three factors that led to the formation of a working class in Egypt are: the abolition of serfdom; the presence of a guild system the mode of production of which was different from that of the capitalist system; and the establishment by Mohammed Ali and Ismail Pasha of industrial enterprises (El-Banna, 1995: 35). El-Banna indicates 1863 as the beginning of the emergence of the working class, with the beginning of the rule of Ismail Pasha. His justification is that "it is reasonable to imagine the existence of a working class since that date that was free of the problems that riddled work/labour relations in the Mohammed Ali era" (El-Banna, 1995: 43). Amin Ezz El-Din, like most analysts of the working class in Egypt, takes 1882 as a starting point for the emergence of an Egyptian working class. While he recognises the significance of the Mohammed Ali era in paving the way for the emergence of the Egyptian working class, Ezz El-Din identifies the period from 1882 to 1914 as the period in which the working class was formed (Ezz El-Din, 1987: 38). This analysis is largely based on the interpretation that abolition of serfdom/free movement of peasants and the establishment of what may be called 'large' industrial enterprises are necessary conditions for the formation of a working class, in specific an urban working class.

In the present research I argue that an Egyptian, urban, wage labour force came into existence in Egypt during the rule of Mohammed Ali, but it was a 'conscripted' workforce, and was not able to become the core of the labour movement until much later toward the end of the nineteenth and early in the twentieth centuries, a point of view that is not particularly new. It was at the end of

the nineteenth century that a working class for capital was in existence. However, not only did the basis for the emergence of a working class exist during the rule of Mohammed Ali, but perhaps more important is the fact that the reforms undertaken by Mohammed Ali and continued by his successors have contributed significantly to the characteristics of the working class, and in the direction of the labour movement/labour activism. The major reforms during the formative stage of the working class are discussed below.

Reforms of Mohammed Ali and his successors:

The reforms initiated by Mohammed Ali were truly revolutionary. The Egypt he came to rule was primarily an agriculture-based economy geared at local consumption. The objective of Mohammed Ali was to turn the Egyptian economy into a surplus producing economy, to finance his development plans for the country. It is argued that Mohammed Ali was motivated by a belief that political strength was based on economic strength (Kassem: 7-8). This point is very critical in the understanding of the development of capitalism in Egypt. Many of the reforms carried out by Mohammed Ali, including industrialisation, were not geared at capital accumulation. It is important to note, for example, that as a result of the monopoly of Mohammed Ali on external trade, no commercial bourgeoisie capable of capital accumulation emerged in Egypt. Thus, while some conditions came into existence that helped create a working class, other factors existed that delayed the emergence of capitalist social relations.

Reforms in agriculture

After Mohammed Ali came to power, over a period of years he became the de-facto proprietor of agricultural land in Egypt. This was carried out by seizure of

the land and its distribution to individuals who, in return for paying taxes to the government, had the right of usage of the land. It was in 1858, under Sa'id Pasha that the right of usage of the land could be inherited. Through the 1858 decree it became possible for individual beneficiaries of the land to rent the land for a maximum of three years, or sell the right of usage of the land. However, it was not until 1883 with the enactment of the Civil Law (*Al-Qanoon Al-Madani Al-Ahli*) that owned land could be referred to as private property, to be disposed of in any form by the owner with no restrictions (Ezz El-Din, 1987: 23).

The pattern of land ownership was toward the creation of large land holdings and the fragmentation of the small ones, which led to the emergence of an agrarian Egyptian bourgeoisie. Wage labour in the land was limited, and instead these "large estates were usually worked by peasants who received a plot of their own in return for labour service, or were rented out to small tenants" (Beinin and Lockman: 9). The landowners were little more than absentee landlords and thus very little investments were made in the land to enhance its productivity. These factors combined led to the further deterioration of the already poor situation of the peasants. They were thus forced to go to urban centres in search of employment (Ezz El-Din, 1987: 25). Thus, one of the key factor in discussing the issue of the emergence of private property in agricultural land is that it resulted in making many peasants available for wage employment in urban areas. The movement of the peasants to urban centres in search of employment plays an important role in labour relations during the first stage in the development of the labour movement in Egypt, as will be shown below shortly.

Industry

It was with Mohammed Ali that wage labour started in Egypt. He established industrial enterprises that could be referred to as 'large' and 'modern'. In order to strengthen the army, Mohammed Ali initiated his modernisation campaign. It is argued by some that his industrial policy was basically geared to "feed" the army (Ezz El-Din, 1987: 27). In addition, the army was the major consumer of the goods produced by the "Pasha's factories". While there is no doubt that to a great extent industry during his rule did cater to the needs of the army, such as the Citadel Arsenal and ammunition factories, there was a civilian component in the industrialisation effort as well. There was a beginning of diversification of industry, albeit it was centred around agricultural products, ranging from textile production, processing of agricultural goods such as oil distilleries, and sugar production (Kassem: 33-6). Industrialisation under Mohammed Ali was monopoly industrialisation, and no infringements were tolerated, and where they occurred they were punishable by "flogging, hard labour, or death" (Safran: 30). Some work was carried out in the homes of workers, in particular employing women and children. The same 'rules' that applied to monopoly industry were adhered to with the home workers.

It is estimated that there were about 40,000 workers in all the factories during Mohammed Ali's era, out of a total wage labour force of 260,000 in Egypt (Kassem: 53). They were wage-earners. Yet, in spite of the existence of wage labour, it is not possible to claim that a working class had come into existence for a number of reasons. First, the owner of capital had almost total control over workers, by controlling their effort/labour and lives. Second, the recruitment of

workers was not on a contractual basis, it was virtually a conscription as in the army where workers were collected by force from their villages and sent to the factories (Ezz El-Din, 1987: 29). Third, though these were wage workers, in fact the wages were used to control the workers, so that sometimes wages were held back or delayed to ensure that workers did not run away. Fourth, they were not wage labourers for capital – the aim of production was not the accumulation of capital but provisioning of the state.

By the end of the 1830s and 1840s Mohammed Ali's political and economic power was broken, and much of his 'modernisation' effort particularly in industry began to decline. In fact, it was only during the rule of Khedive Isma'il that state investment in industry resumed (Mabro: 11). The period from 1849 to 1882 is considered to be a transitional period, during which Egypt moved into a stage of economic liberalisation and integration into the world economy, based on the freedom of the movement of goods and of work (Hamed: 40-1). The transition to capitalism in Egypt was enhanced by the influx of foreign capital. Foreign capital entered Egypt via two methods. First, through loans to finance the development of the country's infrastructure, both from governments and from foreign companies/banks. The most notable example was the digging of the Suez Canal. Egypt incurred huge debts, and failure to re-pay led to direct European control over the Egyptian economy, which encouraged further investments. Second, it was through investments by foreigners, both in industry and agriculture, but mainly in agriculture, "which helped the integration of Egyptian agriculture into the world economy" (Mabro: 22-3).

The integration of Egypt into the world market was characterised as dependent capitalist development. It was primarily an agrarian capitalism that developed in Egypt, revolving around cotton. One of the interesting features of the development of capitalism in Egypt was that though the land-owning bourgeoisie was Egyptian, “the country’s economy as a whole was by 1914 largely controlled by foreign interests...[where] credit, foreign trade, and shipping were almost entirely in non-Egyptian hands” (Beinin and Lockman: 9). Likewise for industrial enterprises and transport companies/public utilities, which were owned or managed by foreigners. The industrial enterprises were based on agricultural products, for example textiles, oil, and tobacco, the latter of which was dominated by the Greeks. Thus while the concentration of wealth in the country was distributed between the Egyptian agrarian land-owning bourgeoisie and the foreigner investors, the bulk of the population became impoverished. Similarly, towns and urban centres flourished at the expense of the further deterioration of the villages and rural areas. This continued the trend of migration of peasants from rural areas to urban centres in search of work.

Labour relations under dependent, agricultural capitalism

Employment for the industrial enterprises and the services companies, including the public utilities, came largely from among the peasants who migrated in search of paid work. Employers resorted to labour contractors, *khawlis*, to provide them with required labour, in return for a fee. Some *khawlis* were appointed by the government. The *khawli* recruited workers either from villages or from urban concentration points of the villagers. The contractor then would agree with the workers about length of employment and pay. Workers got paid directly from the

khawli. Needless to say, it was an extremely exploitative system. It was, however, a practical method for the foreign owners/managers since workers were dealt with as the responsibility of the khawli, in payment of wages, in enforcement of work discipline, and sometimes in the dismissal of the workers if work so required (Beinin and Lockman: 25). The lack of skills and experience of the workers facilitated this system. There was a continual supply of cheap unskilled labour, mainly from rural areas.

The rapid expansion in the Egyptian economy, particularly after the British colonisation was both a result of foreign investments, and a cause for further investments. The growing demands of industry could not be met by the local work force alone. The supply of technical, skilled labour came from outside the borders of Egypt, mainly from other Mediterranean countries, in particular Greece and Italy (Hamed: 45). Like other foreigners who came to Egypt², these workers were in search of better opportunities in Egypt as a result of worsening conditions in their countries of origin. The foreign workers occupied the upper ranks of work or supervisory positions. Egyptian workers, however, constituted the bulk of the workforce. For example, a large Egyptian work force was employed in public utilities and transport companies, such as the tramway and railway companies (Beinin and Lockman: 37). Tobacco companies also employed a large Egyptian workforce. It is no coincidence that it was these sectors that first witnessed extensive Egyptian labour activism.

² Among the other nationalities that had considerable presence in Egypt at that time were British, French, and Syrians.

Poor working conditions afflicted all workers, Egyptians and non-Egyptians. Workers received low wages, worked long hours, and had no employment benefits. These working conditions provided the basis for collective action by workers. The lot of the Egyptian workers was, however, worse than that of their foreign counterparts. There was a differentiation between Egyptian workers and non-Egyptians, so that "when the Egyptian held the same job he was often paid less than his European counterpart" (Beinin and Lockman: 41). This was particularly so with regard to wages and in access to supervisory positions, which were occupied primarily by non-Egyptians (Ezz El-Din, 1987: 41-2). Foreign workers had an important impact on the labour movement in Egypt during the first stage of its development. First, foreign workers brought with them their experiences in collective action, from which the Egyptian workers learned. Second, the presence of foreign workers and their comparative advantages in relation to the local workers became a focal point of labour activism in Egypt, particularly as of 1907.

Workers and their representatives

The turn of the twentieth century witnessed the rise of strike action. Initially the strikes were carried out by the non-Egyptian workers, with the Egyptian workers at the margins of the strike action, as in the strike of the tobacco workers in 1899. The Strike of the Alexandria tramway workers in November 1900 was significant in that it was the first strike carried out completely by Egyptian workers. Workers' demands revolved around opening promotions to supervisory positions, limiting authority of non-Egyptian supervisors, and equality in applying fines against both Egyptian workers and non-Egyptians. Workers' demands were largely unmet, and

where concessions were made, they were inadequate. The strikes highlighted the need for permanent organisations. Unions, though under a different name, societies or associations, came into existence with strikes. During the period from 1899 to 1907 a number of "associations" came into existence, for example, The Tobacco Workers' Association (1899), the Printers' Association (1901), the Metallurgical Workers' Association (1902), Alexandria Tobacco Workers' Association (1902), and the Cairo Lawyer/Legal Clerks' Association (1902). The latter indicates that the term was not used exclusively for manual workers. Indeed, "niqaba" the Arabic word for unions, was used quite liberally, to the extent that "even large landowners referred to their organisation, established in 1921, as a niqaba," (Beinin and Lockman: 100).

Up to 1907, the unions that were formed were mainly led and "membered" by foreigners. Starting in 1907, however, "national", meaning Egyptian, trade unions developed. It was around 1907 that a change began to take place. From that date to 1919 numerous strikes were carried out by workers. It was not only conditions of work that motivated the strikes, but also the decline in the standard of living, since prices increased significantly during that period (Sa'id: 53). The growth boom slowed down significantly. Particularly prone to strike action were the public utilities sector, namely tramway workers, railway workers, and workers in ports and harbours³ (Ezz El-Din, 1987: 56). The new-found strength of the labour

³ Workers in that sector were mostly Egyptians, and management was foreign. It was also the case that the transport/public utilities sector had attracted a very

movement was to a great extent because of the support it gained from the nationalist movement. For example, the National Party, *Al-Hizb Al-Watany*, in its nationalist campaign tried to reach out to various sectors of society, including workers and peasants. It founded in 1905 People's Schools, which were night schools to eradicate illiteracy and "to teach the poor and workers free of charge" (Sa'id: 39). It was also the National Party which sponsored the establishment of the Manual Trades Workers Union in 1909. It was the first time that the word 'niqaba', union, was used in place of the more common 'association', and some believe that it was an attempt at Egyptianizing the labour unions, "by linking it with older, indigenous forms of organisation by the urban working people" (Beinin and Lockman: 68).

An emerging nationalism

The period preceding WWI can be considered as the beginning of the development of the labour movement. It was during this period that the first attempt at forming a Workers' Party was made. On 12 July 1908 *Al-Ahram* newspaper ran an announcement by *Hizb Al-Makased Al-Mushtaraka Lil Omal* (Party of the Common Goals of Workers) of a public lecture, the subject of which was the necessity for Egyptian and foreign labourers to join the party. Another attempt was made in 1909 to establish another Workers' party (Sa'id: 60). This period was also marked by a number of important strikes. In the strikes, the demands revolved around increasing wages, reduction in the number of working hours, and

considerable amount of investments, and thus it became the core of labour activism until it was replaced by the textile sector in the 1930s and 1940s.

improvement in the conditions of work. Strikes were held not only to impose pressure on management to meet workers' demands, they were also utilised to rally support for workers' demands among various sectors in society. From the point of meeting the demands of workers, the strikes were not remarkable successes, although some demands were met.

One of the strikes that particularly stands out in the pre-WWI period is the strike of the Cairo tramway workers in October 1908. Briefly, the tramway drivers and the ticket collectors presented an appeal of several points to the company, all geared at working conditions and unjust practices against them. Workers' demands were not met and, eventually, the strike was crushed, but the significance of the strike is that other sectors of society became drawn into the strike (Sa'id: 56). To be specific, The Umma Party⁴ (The Nation) gave some financial support to the strikers, and support for their cause was voiced by intellectuals, mainly through newspaper articles. In addition, there were demonstrations from the public at large in support of the striking workers (Ezz El-Din, 1987: 75).

The strike was conducted by drivers and ticket collectors only, technicians did not join the strike. The latter presented demands of wage increases and a reduction in working hours in 1910 in a one day strike. The company conceded to their demands. In 1911, representatives of both the technical workers and the drivers presented an appeal for basically the same demands that were made in 1908 but the company refused it, under the pretext that supervisors were not doing their job well enough. The company's refusal instigated a new development in collective

action by workers. A delegation representing the striking workers travelled to Alexandria to contact Alexandria tramway workers. As a result of this strike, the "Declaration of 25 July" was made and the company agreed to refer the case to the headquarters in Brussels regarding workers' demands (Ezz El-Din, 1987: 75).

One may thus argue that during the period preceding WWI, the workers' movement was perceived and acted as one of the social forces in society struggling vis-a-vis foreign powers. Trade unions were primarily confined to economic demands and conditions of work. They had not begun to be concerned with political demands, although they were realising their potential for collective action and as a pivot for the nationalist struggle. Alongside these positive developments for the labour movement, there were, however, serious shortcomings. Partly as a result of the pattern of development of capitalism in Egypt, the working class that did emerge was not homogenous. The proletarian core which was actively involved in the labour movement represented a small section of the working class. Even within the proletarian core, the workers were "united by the fact of their employment in large-scale enterprises, but divided by their varying origins and commitment to industrial life, modes of employment, income levels, degree of job security and benefits, and skill levels" (Beinin and Lockman: 39). This characteristic of the working class persisted, and had an impact on the development of the labour movement.

⁴The Umma Party was basically the party of the rich landowners.

Stage Two: Capitalism and Nationalism: Workers Engaged in a Dual Struggle

The second stage in the development of the labour movement extended from the end of WWI to the 1952 Revolution. This period is an extremely rich one in the history of the working class. The struggle of the working class at this stage was a dual struggle. On the one hand, the working class was involved strongly in the nationalist movement, and on the other hand it was struggling against capitalist exploitation. The labour movement 'matures' during this stage, so that by the late 1930s and 1940s an immensely significant development occurs, namely, that trade unions play the leading role in directing an independent, assertive labour movement. The 'duality' of the workers' movement was resolved by the 1952 "National" Revolution, and it was resolved from above, in favour of the struggle for nationalism, and national capital.

Rising discontent

The onset of WWI brought about many changes in the labour movement and in industry. In December 1914 Britain proclaimed Egypt a protectorate, and severe restrictions were imposed on political and 'popular' action. On the one hand, anyone breaking the strict military laws was arrested, and on the other hand many peasants and workers were taken by force to serve the Allied forces. The war effort also entailed giving priority to the needs of the army such as grain and other agricultural products at very low prices, so much so that food shortages spread throughout the country (Hamed: 68-9). The result was that there occurred revolts of discontent over food shortages in 1917-18.

One of the major consequences of WWI was the flight of foreign capital from Egypt. Combined with limitations on trade imposed by the War, there was a rise in mass unemployment, a phenomenon that was new in Egypt (Ezz El-Din, 1987: 98). As a result, unemployment riots spread in Cairo and Alexandria, and occasionally there were violent strikes. The increase in the cost of living, combined with a virtual freeze on wage increases, forced workers to accept employment at very low wages. Unemployed workers carried out strikes demanding 'food for work' (Sa'id: 59).

Attempts at reviving trade unionism started after the War. A committee was formed in Alexandria to revive the Manual Trades Workers' Union, headed by former members of the Union. The committee became particularly active in February and March 1919. There was a call for recognition of trade unions, both single unions, and the revival of the Manual Trade Workers' Union as a federation (Ezz El-Din, 1987: 169). The Alexandria Manual Trade Workers' Union issued a declaration entitled 'Proposal for Workers Protection Law' on March 2, 1919, six days before the March 8, 1919 Revolution. The demands covered conditions of work, working hours and employment benefits (Ezz El-Din, 1987: 172-3). The 1919 revolution thus occurred at a time when the labour movement was just beginning to emerge from its weakness.

Alliances for nationalism

The March 1919 Revolution provided an opportunity for workers to express their grievances. With the end of WWI, a group of nationalists formed a delegation, a Wafd, to travel to Britain to discuss the matter of the independence of Egypt. The endeavour of the Wafd to go to Britain failed, which meant that Egypt would

remain a Protectorate. The Wafd opposed this ruling. In March 1919 a popular upsurge took place precipitated by the exile of the leaders of the Wafd, most notably Sa'ad Zaghloul. The upsurge was extensive both in coverage and in participation. Workers, students, 'ulema, lawyers, and others participated. At the time of the 1919 upsurge there were two movements: the first a movement by al-Wafd that wanted an end to foreign rule, and second, the movement of workers for better working conditions. In March 1919 the two movements converged (Beinin and Lockman: 99).

Workers joined the revolt on March 9, a day after it started. It started with transport workers but was soon joined by others. The strike that particularly stood out was the railway workers' strike, which started on March 15, and continued until May 2. It developed into a general strike, joined by about 4000 workers demonstrating. This strike sparked off other strikes among workers in the following enterprises: The Amireya Press on 18 March, the Gas company on 6 April, the Post, among others. The strike practically brought the country to a standstill. Although workers focused on economic demands, such as conditions of work and pay, the significance of the strike, however, was that it highlighted the power of united workers' action, and thus the potential of the working class in the nationalist struggle (Sa'id: 64).

For workers the political gains from the 1919 Revolution far exceeded the economic ones. It also started what would become an alliance between the working class and nationalist forces, particularly the Wafd, which was "deemed more as a national front than a Party,"(Beinin and Lockman: 101). The point is aptly summarised by Beinin and Lockman:

The events of 1919 had fused national and class consciousness into one composite world-outlook for most Egyptian workers, an alloy which was to be reinforced by the course of political and economic life in subsequent years.

(Beinin and Lockman: 105)

The April-May 1919 period pointed that although the conditions existed that would allow total compliance with workers' demands, in fact only partial compliance was attained. Workers' most pressing economic needs remained unmet. Partly as a consequence of the activities of the workers' movement during 1919, Reconciliation and Arbitration Committees were established to look into disputes that had occurred between workers and employers. Some concessions were made to the workers, such as increases in wages (Goldberg, 1986: 99). However, the relations of power in the industrial sphere remained unbalanced, to the disadvantage of workers.

Industrialisation, the new bourgeoisie, and labour

The problems caused by WWI were a blessing in disguise for industry. The war contributed to a boom in industrial development. It was motivated by the increasing demand for goods, and by the relatively low wages. Industries increased to meet the consumer demands of the population, and of the British Army. Among the industries that particularly flourished during that period were furniture, leather products, textile and clothing, and food/nutrition industries (Hamed: 73). The War also resulted in the revival of some trades/crafts that were on the wane before the war.

Investments in industry were carried out by foreign and *mutamasir*⁵ capital, but also increasingly an Egyptian industrial bourgeoisie began to emerge. In 1920 Tal'aat Harb, a renowned "nationalist" economist founded Bank Misr. The agrarian bourgeoisie was the source of the capital of the Bank. At one level, the Bank was a 'nationalist' project where only Egyptians were allowed to participate. At another level, the Bank allowed the largely agrarian bourgeoisie to "diversify the sources of its wealth and develop alternatives to foreign control of credit and trade" (Beinin and Lockman: 11). The starting capital of Bank Misr was 80,000 Egyptian Pounds. The Bank contributed significantly to the establishment of enterprises in the manufacturing, commercial and service sectors. It established large manufacturing enterprises in textiles, oil extraction, cement, and other industries. Bank Misr contributed to the development of industrial enterprises for many years until it was nationalised in 1960. The success of the Bank Misr 'projects' had the effect of encouraging further investments in industry, and a number of establishments were set up to finance the development of industrial enterprises (Hamed: 74-5).

However, the period of economic prosperity for industry began to abate by the early 1920s. The "high profits realised during and immediately after World War I were replaced by losses owing to foreign competition and a cotton crisis which considerably reduced domestic consumption" (Deeb: 188). As a result, there were wage reductions and dismissals from work, which led to agitation among workers and to almost daily strikes. This set off an attempt at the re-organisation of the

⁵It means 'Egyptianized'. This refers to foreigners who were residents in Egypt.

labour movement to enhance the bargaining power of trade unions (Deeb: 188-90). Nevertheless, the gains of the labour movement were limited at that time and were the result of political pressure on the newly formed government, rather than through the process of industrial bargaining.

The legal reforms

To counteract strikes, which were almost a daily phenomenon after WWI, a number of laws were issued to contain strike action. Law 37/1923⁶ was an attempt at limiting strikes and other collective action. For example article 124 of Law 37/1923 banned strikes for public employees. Article 274 of the same law regulated strikes of workers employed in public utility organisations. Punishment was denoted to anyone found guilty of "infringing on liberty of others at work, or infringes on the right of anyone to employ or not employ others" (Adly, 1993: 121), by virtue of article 375 of the same law. Nonetheless, strikes continued.

In July 1927 a committee headed by Abdel-Rahman Reda, under-secretary of the Ministry of Justice, was formed by the Wafd-led government, as a response to unceasing strikes. The Ministry of Interior recommended the formation of a committee to investigate work relations between workers and employers, and to lay the legislative grounds for labour relations. The Reda Committee examined documents of the Reconciliation and Arbitration Committees initiated in 1919, with a view to establishing both workers', and employers' organisations to

⁶That means Law 37 for the year 1923.

represent them (Adly, 1993: 121). Two years later the Reda Committee presented its recommendations to the Government.

The report provided the legislative basis of labour relations. It included recommendations on work contracts, limitation of working hours to nine (9), regulations concerning the employment of women and of minors, arbitration committees, the legalisation of trade unions⁷, and insurance for work related illness and injuries. It is worthwhile to mention that the Reda Committee excluded agricultural workers. The Egyptian Federation of Industries⁸, established in 1921, opposed the recommendations of the Committee, and the government, under pressure from this organisation, ignored the recommendations of the Reda Committee with the exception of one, the establishment of a Labour bureau, which was affiliated to the Ministry of Interior, a measure adopted in 1930 (Beinin and Lockman: 184-5). Although the Reda Committee was an indication of the Wafd's concern for workers, a closer examination, however, points out that the core demands of workers were not addressed during its government, and much less during the reactionary governments that followed it.

As pointed out earlier, the Wafd merged its interests with the working class. It is to be noted, however, that in its support for trade unions, the Wafd perceived them

⁷Although unions had been in existence for some time, unions were not officially legalised until 1942.

⁸The membership of the EFI consisted primarily of the foreign companies in Egypt.

to be as “auxiliary organisations for its political struggle” (Deeb: 189). This trend was elucidated in 1924 when the Wafd attained power through a limited form of rule. One of the prominent Wafd leaders, Abdel Rahman Fahmi, formed and headed a federation, called the General Union of Workers of the Nile Valley, in July 1924. An examination of the objectives of this organisation reveals that the Wafd wanted to control the labour movement. First, it imposed restrictions on strikes, so that for example trade unions would have to get the approval of the General Union. Second, it defined the objective of the labour movement as “safeguard[ing] the workers’ rights and to prevent them from succumbing to communist ideas” (Deeb: 191). Third, and most significantly, it stated that workers’ rights should not infringe on employers’ rights, “to prevent the workers from demanding more than their rights” (Deeb: 191). This was so that investors would not be discouraged. The General Union headed by Abdel-Rahman Fahmi was short lived, but it had the effect of alienating some trade union leadership from the Wafd. This was particularly the case as it was perceived that the General Union was established in order to curtail the ‘communist influence’ on the working class (Goldberg, 1986: 67). This pointed to the growing influence of the socialist movement in the labour movement.

The Egyptian Socialist Party was founded in April 1921. Its membership was from among Egyptian leftists and members from the foreign community living in Egypt, in particular Alexandria. The group of socialists who eventually founded the Egyptian Socialist Party had been in the labour movement in Alexandria, and called for the necessity to form trade union federations. This group was very critical of the Wafd as it saw in its brand of bourgeois nationalism an attempt at

controlling trade unions, and utilising labour for narrow self-serving goals (Beinin and Lockman: 138-9). This group of socialists established a general federation of labour, which in February 1921 was founded in Alexandria as the Confederation Generale du Travail (CGT). By 1924, the CGT was the most significant force in the Alexandria Labour movement, as was evidenced by its role in the Filature strikes in February-March 1924. However, the government crushed the movement, especially at the level of the workers.

Despite the early success of the Party, it was not able to sustain a hold in the labour movement. The reason for this was that it was too radical for the workers, and the fact that there were 'foreign' elements' in it somewhat alienated workers (Beinin and Lockman: 141). Perhaps more detrimental to the Egyptian Socialist Party was the fact that a splinter occurred within the Party leadership. As it happened the splint ran along ideological, national, and regional lines. On the one hand, was the Alexandria based Bolshevik, more radical movement composed mainly of the foreign leadership. On the other hand was the Cairo based, Fabian movement. The former group maintained strong ties to the worker's movement, and in 1922 became the Communist Party of Egypt. The Left, however, had a limited role during the 1920s.

For the labour movement, the 1920s was a period of union activity, but did not reach the pitch of 1919. Although the workers in the public utilities such as

⁹ Among the prominent 'foreign' members of the Egyptian Socialist Party was Joseph Rosenthal, a Palestinian. There was also a heavy Greek presence in the Party.

tramway workers, gas workers, electricity, and water workers were still 'faithful' to their struggle traditions, the core of the movement was shifting to other industries, such as textiles, and tobacco. Other unions were primarily concerned with "narrowly defined union issues" (Beinin and Lockman: 125). Nevertheless, the workers' movement had not achieved independence by the close of the 1920s. The association between the movement and political forces reveals the existence of a relationship of patronage between the Wafd Party and the workers' movement. Underlying this relationship was "a conception of the workers' movement as lacking legitimate goals and objectives of its own, as essentially one component of the national movement embodied in the self proclaimed representative of the entire nation, the Wafd" (Beinin and Lockman: 105). In addition, the absence of a "down to earth" approach by the socialist leaders among the mass of workers delayed the development of a class consciousness among workers. Thus, the nationalist movement gained more from workers, than did the workers gain from the nationalist movement.

At the level of the enterprise administratively and legally the position of trade unions was ambiguous. Trade unions existed, but they were not officially recognised. In fact, this was one of the issues raised by the ILO 'Butler' mission in 1931. The report condemned the 'anomalous' situation of unions (Goldberg: 73). That situation of unions would remain until the legalisation of trade unions in the 1940s. The issue the ambiguity of trade unions raises is that collective bargaining at the enterprise becomes very limited at best, meaningless at worst. The Arbitration and Reconciliation committees set up in 1919 carried out that role by examination of complaints from workers against their employers. The

recommendations of these committees were, however, not binding (Beinin and Lockman: 291). Thus, while the unionists were from among the workers at the enterprises, their scope of action at that level was very limited.

It is important to examine the extent to which the trade union movement was truly a working class movement. As has been pointed out earlier, the transport and public utilities sector workers in Alexandria, Cairo, and Suez were very involved in the labour movement. Other examples include the sugar workers of Kom Ombo, tobacco and textile workers. These were primarily workers in the large enterprises. Although the industrial and large enterprise sector was continually growing, it was only by the late 1930s and 1940s that a considerable base of large enterprises would come into existence. Despite the growth in industry, particularly between 1907 and 1937, it constituted a growth in the small enterprises. The following data reveals that situation:

As late as 1937, over half of Egypt's industrial establishment employed no staff, and 92 percent had fewer than 5 employees. Only 3 percent employed more than ten workers, though these "large" firms accounted for a total of some 140,000 workers.

(Beinin and Lockman: 37)

Also, repair/maintenance work absorbed a considerable amount of labour, about one-third of workers in small enterprises (Kassem: 278). However, in the 1930s industrial expansion grew at very high rate, partly as a result of a shift to import-substitution, and hence the industrial workforce employed in the large enterprises increased considerably (Goldberg: 45).

Another very important factor was the increasing rural migration to urban areas in search of work, due to the continual neglect of rural areas. An indication of the extent of the migration was that for the period from 1917 to 1937, while the overall population growth of Egypt was 25%, for Cairo it was 66%, and for Alexandria 55%, indeed, "by 1927, 34 percent of the population of Cairo had been born elsewhere in Egypt" (Beinin and Lockman: 46). This factor had a significant impact on the labour movement, namely, to the migrants employment in industrial enterprises and worker activism was a new experience. It is argued by some that this is one of the reasons why industrialists, particularly in the 1930s and 1940s, founded their enterprises in or near rural areas. It provided a constant flow of cheap labour, "in an environment that would inhibit labour organisation that would ultimately cause the price of labour to rise" (Goldberg, 1986: 54). Many of the rural migrants, particularly the new migrants, were not organised, in great part because they maintained a strong link with their villages, and thus identified more with their places of origin than their new identity as 'worker'. This feature gave the labour activism of the 1920s and early 1930s an 'urban' flavour.

Women workers were side-tracked by unions. Women had been in waged employment since the time of Mohammed Ali, basically as 'home-workers'. With expansion of industrial production women became involved in the industrial sector, such as in tobacco factories rolling cigarettes. Women workers were to be found particularly in the agricultural based industries such as cotton gins. In such industries, it was not uncommon for women workers to be hired on a seasonal basis (Goldberg, 1986: 45). Women workers were concentrated in the low-skill, low-pay jobs. It has already been mentioned that legislation had been issued

concerning the employment of women and children. One may argue that this could have been a reason why the concerns of women workers were not considered worth pressing by the trade unions, because already there was legislation 'protecting' the women workers. During the 1920s and 1930s the trade unions largely ignored women workers. The exception seems to prove the marginalisation of women workers from the trade unions, namely in February 1925 Ittihad Al-Omal, the paper of the General Union that had been founded by Abdel Rahman Fahmi, started a woman's page in the paper. However, it turned out to focus on the concerns of middle class working women (Beinin and Lockman: 166-7). It was not until the 1940s that there would be a role for women workers in the trade unions.

Last, one issue that is important to highlight is that the increase in the number of trade unions, should be tackled with some reserve. Trade unionism at that stage was infused more with 'trade consciousness' than with 'class consciousness'. An example of this is given by the apparent frustration expressed in the May 8, 1925 issue of Al-Hissab¹⁰ paper regarding trade unions. In an article titled 'How Our Unions Should Be', the author writes:

Besides the big unions that are in existence in Egypt now ...we find very small unions whose membership does not exceed the fingers of one hand, ... such as the union of almond nut crackers, and the union of workers who iron clothes. Yes, any group of persons working in a particular trade have the right to form a

union to combine them and to protect their rights, but they should not form unions that are completely separated from any other union as this weakens them.

(El-Gebeilly, 1991: 104)

Besides the fragmentation of the unions, the author of the article also points out that some unions combine in their membership both the workers and the employers (El-Gebeilly, 1991: 104). This is clearly similar to the guild system, and perhaps reflects that unions were perceived as such by many workers. The situation changes very much by the mid-1930s and the 1940s.

The economic depression and workers

The economic condition of the working class worsened from the end of the 1920s and early 1930s due to the Great Depression. The Depression took a toll on workers in the form of wage cuts, dismissals, and reduction in benefits. Unemployment was rampant. The effect of the Depression exacerbated already worsening conditions for workers. Workers protested against price increases, and demanded “popular housing projects, hospitals for treatment of workers, and other services” (Ezz El-Din, 1987: 417). To a great extent ‘progress’ relating to workers’ demands had decreased significantly with the ousting of the Wafd both from power in 1924 and from parliament in 1928. For example, attempts were made to pass a labour law when the Wafd came to power in 1924, but stopped after the Wafd government was dismissed a few months later. Efforts were

¹⁰ The mouthpiece of the socialist wing of the trade union movement.

resumed in the parliamentary committee¹¹ for 'worker and social affairs' since 1924, but to no avail (Ezz El-Din, 1987: 397-404). Thus it was that with the return of the Wafd to power in 1930, hopes were high that workers' demands for a labour law would be fulfilled. The return to power of the Wafd¹², albeit for six months, led to partial fulfilment of worker demands.

ILO Mission

The 1930s did not witness too many changes in the organisation of trade unions. Workers' demands during that era were concentrated in three areas, passing a labour law, legalising trade unions and ensuring their independence, and addressing the consequences of the economic crisis workers confronted. The trade union movement began to lobby at the international level in order to bring attention to the demands of the workers' movement. In an attempt to contain the situation, the government invited a delegation from the ILO, and thus the Harold Butler mission arrived in 1931 to investigate the situation in Egypt. According to the end of mission report, the conditions of the working class in Egypt were "appalling". Working hours ranged between 14 to 16 hours a day, wages were

¹¹ The majority of seats in Parliament were Wafdist. The mentioned committee was headed by a Wafd member of Parliament.

¹² The Wafd came into and out of power six times from 1924 to 1952, with a total of less than seven years. However, the presence of the Wafd in Parliament enabled it to play a very active role in the political life of the country even when it was out of power.

very low, and children less than ten years old were working in inhuman conditions (Adly, 1993: 123).

Among the recommendations of the mission were, the official recognition of trade unions, the introduction of compensation payment for work-injuries, the separation of the Labour bureau from the Ministry of Interior, the reform of laws on the employment of women and of minors, and a reduction of working hours. In response to the Harold Butler Mission recommendations, the government carried out some reforms, at a rather slow pace, but the government did not address the core concerns of the workers' movement. Among the reforms were laws regulating the employment of minors and of women, laws 48/1933 and 80/1933 respectively. Also, a partial regulation of working hours was enforced, but it was limited to industries considered dangerous industries (Law 64/1935). Other reforms included issuing law 64/1936 on compensation for work-related injuries, and legislating the establishment of a "Consultative Labour Council" in 1938.

Beginning of an independent labour movement: 1936, a summer of discontent?

A number of factors combined to ultimately cause an 'explosion' in the labour movement. By the mid 1930s, the workers movement had seen many alliances with various political parties, and yet workers' core demands were not met. The experience with the Wafd in the 1930s was particularly problematic. In 1931, Abbas Halim, the former Prince, founded the Egyptian Labour Party. The Wafd, which had been in an ambivalent alliance with Halim, was fearful that it could lose its control over the labour movement and thus fought him, and the party was disbanded. The Wafd then mended relations with Abbas Halim, and by 1935

intensive Wafd lobbying among workers took place, making promises of major reforms, both legal and economic (Hamed: 196-7). When the Wafd returned to power in 1936, it became clear that it would adopt a gradual approach with regard to workers' demands. The sense of disappointment with the Wafd's inability to initiate the legal reforms it had promised earlier, combined with a critical factor to lead to a series of strikes. Expansion in industrial development was creating a workforce solely dependent on wage labour for their livelihood. Thus by the mid 1930s, and particularly the end of the 1930s these workers "were completely dependent on industrial wage labour for subsistence and had no choice but to make a permanent place for themselves in the framework of the new capitalist industrial system" (Beinin and Lockman: 38).

By 1936, the condition of much of the workforce was miserable. The government did not adopt a comprehensive labour law. It addressed only sectors of the workforce, such as women and minors, or "dangerous" industries. A wave of strikes swept through Egypt. Workers in the major concentrations of industry, in Cairo, Alexandria, and in the Delta Region, carried out strikes, which were violently quelled by the government, using the police and army. Such developments, meaning only partial concessions on the part of the government, and vehement crushing of strikes, elucidated to workers the importance of an independent trade union movement, including independence from political parties. Many trade union and worker leaders felt betrayed by the events of the summer of 1936, and as a result efforts began to strengthen the labour movement, including discussions for the formation of "a labour federation independent of all political parties" (Beinin and Lockman: 225). Thus the stage was set for the next phase of

the workers' and trade union movement in the 1940s. Workers' brought to the 1940s their past experiences, often floundering ones, of association with different political forces to little benefit to the workers' movement.

The 1940s: "La Belle Epoque" of the labour movement?

The second World War had a similar effect on industrial development as did WWI. The War came as an opportunity for some industries to grow. For a while, it even resulted in a general growth in industry. Partly this was a result of a kind of protectionism that the War brought about to Egyptian industries because foreign goods were no longer competing with the former. In addition, Egypt became the regional supplier of the British forces in the Middle East (Ezz El-Din, 1987: 646). The industries that benefited during the War were those that were utilised by the army, for example some food industries like dried cheese and vegetable packaging, spare parts, medical equipment, tires, and lenses, among others (Ezz El-Din, 1987: 646-7). While some industry and some industrialists may have benefited from the war, that was not the case for the majority of the Egyptian people.

In the War years, Egypt faced a number of economic problems, not least among which was unemployment, and the general decline in the standard of living of peasants and workers. The crisis of unemployment resulting from the War was unprecedented. It was due to stoppages in a number of industries. For example, all German and Italian companies stopped operations in Egypt, because they were

considered 'enemy' industries¹³. This led to dismissals of numerous workers, particularly in the small workshops. Most of these workers received no compensations for their dismissal. Indirectly, several sectors were effected by the War. For example, the decline in international trade contributed to the decline in activities in ports and duanes, and it also had a negative impact on the industries that relied on imported production inputs, either machinery or raw materials (Ezz El-Din, 1987: 630-1). Among the industries that were negatively impacted was the textile industry.

This state of affairs was indicated by the events of September 1939 as the Henry Pierre textile factory, and similar Vichey-oriented industries, decided to close the factories, whereupon the workers and trade union leaders presented a complaint to the Labour bureau. In response to the failure of the government to act on behalf of the workers, the General Union of Mechanised Textile Workers, headed by Sa'ad Uthman, began a general strike. Some of the General Union leaders went on a hunger strike to force the government to interfere to stop the dismissal of workers. The strike gained the support of other workers in other factories, so that in the end the government was forced to interfere. The government warned the companies that if the factories were not opened so workers could get back to work, the government would take over the factories. Factories were to operate three days a week and pay workers for four days' work, rather than fire workers for the time being (Uthman, 1983: 28-33). According to Sa'ad Uthman, this incident

¹³ Although Egypt was not involved directly in the War, by virtue of the Treaty in 1936 Egypt was considered an ally of Britain.

strengthened the General Union of Mechanised Textile Workers, and other unions in their demands for legal recognition of trade unions, and other legal reforms. It also “liberated some unions from the control and leadership of Abbas Halim, and other personalities and political parties” (Uthman, 1983: 33).

The government dealt with the unemployment situation primarily as a security concern, although a multi-ministerial committee¹⁴ was formed to examine the unemployment situation. The recommendations of the committee in 1940, however, were not adequate in addressing the issue of worker dismissals. Among the recommendations of the committee were: regulations on the numbers and wages of Egyptian and foreign workers in all enterprises, the usage of the Arabic language in all economic activities to encourage the involvement of educated Egyptians, the need for personal identification cards for workers indicating residence and trade, and the need to reduce the dismissal of workers to the minimum and instead adopting measures such as the reduction in number of working days (Hamed: 172-4).

Legalisation of unions

In 1940, as a result of pressure from workers, a proposal for a trade union law was introduced and was approved by Majlis Al-Nuaab (House of Representatives), but it was rejected by Majlis Al-Shuyukh (The Senate). But, when the Wafd government came to power in 1942, it issued a law legalising trade unions, law

¹⁴ Committees to examine the employment situation had been formed as early as 1931.

85/1942. The law, though its issue was considered a victory, was problematic. It only gave superficial rights to trade unions. For example, the law excluded some sectors of the workforce/ wage earners from forming unions, among whom are government employees, employees of local and rural councils, agricultural workers¹⁵, and hospital workers and nurses. Also, the law banned the formation of a confederation of trade unions (Hamed: 164-7).

As for the unions that were formed, there was much control over their activities. Trade unions that were formed were subject to monitoring by the police. A pre-condition for recognition of union was administrative registration at the Labour bureaux. This gave the Ministry of Interior the power of administrative control over the unions, through the Labour Bureaux affiliated to that Ministry. The Ministry of Interior, together with the Ministry of Social Affairs, was also involved in the supervision of meetings of the unions, thereby limiting considerably the scope of union meetings. Perhaps the worst of all these constraints was the provision made in the trade union law for the dismantling of a trade union without resorting to courts, only administratively (Adly, 1993: 124-5).

After the law of 1942 legalising unions was issued the number of unions increased substantially. By 1944, the number had reached 210 unions, with a total membership of approximately 103,000 workers. The number steadily increased as the following table demonstrates for selective years:

¹⁵ One of the reasons for excluding agricultural workers was to prevent the spread of 'communist ideas' to the Egyptian countryside.

Table 1**Number of Unions and Membership**

Year	Number of Unions	Membership
1944	210	102,876
1946	488	95,538
1949	465	123,005
1952	568	159,608
1955	1,155	394,245
1957	1,361	500,000

Source: (El-Gebeilly, 1991: 307).

In the 1940s, as in previous decades, the bulk of enterprises were private sector, both foreign and Egyptian. As for numbers of unions by industry, in 1949 the biggest number of unions, 94, was in the transportation sector (all transportation services and manufacture of transportation vehicles). This was followed by food/nutrition industries (45), and commercial activities (46). Some other industries were as follows: Spinning and Weaving (30), Manufacture and Dyeing of clothes (22), construction sector (32), Public Utilities such as sanitation (25), and mechanical and metallurgy (20) (El-Gebeilly, 1991: 304-5). Unions were enterprise-based, thus the above distribution does not reflect union membership density by industry. Most of the unionisation, however, was in the small scale industrial sector. For example, for the year 1943, one third of unions, to be precise

96 unions out of 311, were in enterprises employing less than 100 employees. Added to this is that “neither the leadership nor the membership of newly formed unions possessed any knowledge of trade union principles or practices” (Beinin and Lockman: 294). Also, there was a clear regional bias in trade union distribution, with the largest concentrations in Cairo, and Alexandria (Ezz El-Din, 1987: 720).

The fact that unions were enterprise-based made control of the unions by employers relatively easy. There were, besides the enterprise-based unions, general trade unions (federations) such as the Cairo Tobacco workers. There were attempts at establishing confederations, but they were unsuccessful attempts until the 1950s, when Nasser came to power.

Political organisation of workers

The revival of the socialist and communist movements in Egypt in the 1940s contributed to the strengthening of the labour movement. In September 1945 the “*Workers’ Committee for National Liberation*” (WCNL) was established. It was an organisation of trade unionists who were members of the New Dawn communist organisation. The WCNL was a “political organisation of the working class” (El-Shafei, 1993: 22). The WCNL aimed to establish itself as a workers’ front for nationalism. It was based primarily in Shubra Al-Kheima, one of the bigger industrial zones, with a concentration of textile industries¹⁶, and among its

¹⁶ It is noteworthy that the textile industry was highly organised, about 66% of all textile enterprises were unionised.

leadership was Taha Sa'ad Uthman, who had been the president of the General Union of Mechanised Textile Workers. Thereby, textile workers established themselves "as the vanguard of the working class" (El-Shafei, 1993: 19).

During that period, another force was trying to control the labour movement, namely the Muslim Brotherhood. The organisation was established in 1934. The organisation basically called for the need to promote and adopt the principles of Islam (Hamed: 207). It was a generalist ideology, and the movement only tried to establish links with the labour movement by the end of the Second World War. A National Committee for Students and Workers was formed by the Muslim Brotherhood to try to infiltrate the labour movement. It is believed that the Brotherhood wanted to weaken the workers' organisation in Shubra al-Kheima, for what it believed was its destructive 'communist' ideology (Hamed: 207). The experience of Taha Sa'ad Uthman indicates that the Muslim Brotherhood had no clear agenda for the labour movement, rather they were seeking political power. In his memoirs, Uthman, who had been a member of the Muslim Brotherhood at an early stage in his life, noted that in the events of 1945 that led to widespread police arrests of trade union leaders, the Brotherhood played a role in informing police about the whereabouts of some leaders. Furthermore, in April 1945 when the General Union for Mechanised Textile Workers was disbanded, it emerged that the Brotherhood had reached an agreement with Labour Bureau to form a new General Union. This, Uthman argues, contributed to the decision of disbanding the former organisation (Uthman, 1983: 178-9). However, the Muslim Brotherhood was not a serious contender in the labour movement, unlike the WCNL.

The WCNL combined two struggles the working class was involved in, a nationalist struggle, and a struggle against capital. The WCNL was disillusioned with the nationalist experience of the past, and called for all the popular forces in the country to unite with the working class for Egypt's political, economic, and social development. It called for an end to British presence in Egypt, nationalising industry, land reforms, political rights for women, among others (Beinin and Lockman: 336-7). The WCNL came at a time of increased political openness in Egypt, probably a result of the lifting of Martial law. However, the government was alarmed by the rise of a number of nationalist movements and cracked down on them in December 1945 .

The sequence of events that started in mid-December 1945 unleashed major strike waves the government was unable to contain, and which seriously challenged its authority. These strikes indicated the strength of the workers'/trade union movement. In mid-December 1945 the army occupied Shubra El-Kheima, whereupon the WCNL counter-attacked in January 1946 with a considerable show of power, by staging a strike involving all the textile workers in Shubra El-Kheima. A second organisation, the National Committee for Workers and Students (NCWS) also organised a similar strike, but it resulted in bloodshed. A succession of strike waves erupted in July 1946, and September 1947 which were violently repressed by the Government, headed then by Isma'il Sidqi¹⁷. One of the strikes was carried out in September 1947 by 26,000 workers in the Misr Spinning and Weaving Company in Al-Mehalla. Workers' demands included control of

¹⁷ He was the conservative chairman of the Egyptian Federation of Industries.

working conditions, changes in the company-level trade unions, stopping dismissal of workers, among others (El-Gebeilly, 1991: 184-5). In the same month, a strike took place in the Filature Nationale Textile company, whereupon the Shubra El-Kheima textile workers, in a demonstration of their support, held a *solidarity strike*.

The ultimate challenge to the Regime, however, was with the April 1948 strikes, in which Police (April 5 and 6), and Nurses (April 7) went on strike. These strikes brought the King "on the brink of defeat, but he was saved by his declaration of war against Israel, on behalf of the Palestinians, whereupon the strikes came to an end" (El-Shafei, 1993: 23). The defeat in this War served to undermine the regime.

By 1950 there had been a plan to establish a trade union confederation at the national level. This step was championed by a communist organisation, Democratic Movement for National Liberation, in the relatively open political climate that emerged with the return of Al-Wafd Party in 1950. The Preparatory Committee for the General Federation of Egyptian Trade Unions was established in December 1951. It included among its membership both leftist and non-leftist trade unionists. The preparatory committee agreed that a congress would be held on January 27, 1952 to discuss the founding of a General Federation (Hamed: 136). The history of Egypt would have probably taken a different course had that congress met, but it never did meet because on 26 January, 1952 Cairo went up in flames, in what is known as the Cairo Fire, the day before the congress was due to be held. After the fire, martial law was imposed, and the Wafd was ousted from power, for the last time. In May, 1952 the Preparatory Committee was re-formed

under the name of the Founding Committee for the General Federation of Egyptian Trade Unions, and a congress was scheduled to be held from September 14-16, 1952 to discuss the founding of the Federation (Hamed: 137). However, the coming to power of the Free Officers changed the course of the labour movement.

In concluding the section on the labour movement at its second stage of development one can make the following observations. The predominant feature of the labour movement was that it was a dual struggle, for nationalism, and against capitalist exploitation. Because a substantial proportion of industry was foreign, or *mutamasir* the two movements converged. By the late 1930s and 1940s, economic concerns began to overtake the nationalist ones, although the latter remained part of the workers' struggle. The effect on the labour movement however was significant, as a more independent labour movement began to perceive itself as a class for nationalism, rather than as a social force for nationalism. Attempts to control the movement by the 1940s were not very successful. It retained its independence. There were, however, problems with the labour movement. It retained some of the biases discussed earlier, namely that it was largely an urban-based movement with limited concern of the women members of the working class. For example, in 1946 the Association of Egyptian Women workers was established, but it remained for a few years only, after which it completely disappeared from the labour action scene. As an organisation, it was mainly concerned with issuing of publications basically dictated by leftist intellectuals. The association did not carry out any concrete actions to promote the rights of women workers (Uthman, 1983: 206). Besides this organisation, women

workers received little attention from the wider labour movement, nor did they participate in the general unions¹⁸.

During the second stage in its development, the labour movement became increasingly independent. Yet, within the labour movement there were problems between trade unionists and the workers whom they represented. Part of the problem was the failure of trade unionists themselves. There seemed to be an indication that unionists did not fully appreciate the strength of the rural identity of most workers (Uthman, 1983: 58). Second, since the labour movement was involved in the nationalist struggle, many unionists fell under the control or manipulation of 'bourgeois' nationalists (Uthman, 1983: 59). This put a distance between unionists and workers. To illustrate the point attention is drawn to the result of the parliamentary elections of 1945 and 1950. As the Second World War was coming to an end there were increasing calls for the participation of workers in political life. Worker representatives nominated themselves for seats in the House of Representatives in parliament. In the Shubra El-Kheima district, a 'working class district' dominated by the textile industry, none of the unionists who ran for parliament seats won the votes in the district in either election (Uthman, 1982: 18-9, 178-83). Thus, though the labour movement by the end of the 1940s and early 1950s was on the way to greater independence, it was not

¹⁸ It must be noted, however, that the program of the Preparatory Committee for the General Federation of Egyptian Trade Unions included equality of pay between men and women workers.

strong enough to face the suppression imposed by the new government of the Free Officers.

Stage Three: Corporatisation of Trade Union Movement

The coming to power of the Free Officers in the coup d'etat of 23 July 1952 resolved the duality of the struggle of the labour movement by settling the issue of the nationalist struggle. The strategy of the regime vis-a-vis the labour movement was varied, formulated to some extent by the economic direction of the regime. Overall, however, it was one of containment of the labour movement. The enduring feature of the labour movement during the Nasser era was its corporatisation. By the legal reforms addressing workers' demands and by reforming and bureaucratising the trade union organisation, the Nasser regime impacted the labour movement in two ways. First, trade unions became instruments of state in implementing labour policy, thereby trade unions became de-politicised. Collective bargaining was meaningless under a system that regulated most aspects of employment from hours of work to insurance and wages. By their corporatisation trade unions became separated from the workers whom they represent. Second, while the Nasser regime managed to curtail the labour movement, it could not completely suppress it. Although legal reforms addressed the needs of workers, workers were subjected to capitalist relations. Even when the state proclaimed 'the socialist path to development' in fact it was state capitalism. With the deepening political and economic crisis of the regime, the conflict between labour and capital became more overt. Thus the corporatisation of the labour movement could not resolve the conflict between labour and capital, but only managed to contain it for some time.

Labour and the coming to power of the Free Officers

After the Cairo fire of 26 January, martial law was imposed in Egypt. Under such conditions, no civilian political force emerged. Combined with the weakness in Farouk's regime, this led to a political vacuum (El-Shafei, 1993: 24). The situation remained thus until July 1952, when the Free Officers carried out their coup, virtually unopposed. By proclaiming adherence to social justice, the rule of law/constitution, and purging the country of corruption, the 'revolution' won the support of many sectors of society. Thus, a few days after the Free Officers seized power, delegations of workers and trade unionists went to the Revolutionary Command Council (RCC) headquarters to give the support of workers for the 'Revolution' (Ezz El-Din, 1987: 799). Within weeks the intentions of the regime for the labour movement became very clear.

Among many unionists, the revolution and its leaders in the RCC were genuinely perceived to be the beginning of a new era of democratic rule in Egypt. Based on the positive feedback some members of the Founding Committee for the General Federation of Egyptian Trade Unions received from a meeting with RCC members, including Nasser, on July 31 the Founding Committee issued a statement supporting the revolution and its objectives. The Founding Committee urged the RCC to return Egypt to "parliamentary life as quickly as possible, as well as to repeal martial law, and all other legislation restricting democratic freedoms, especially the old labour laws" (Posusney, 1991: 46).

Despite the support the regime obtained from the workers' movement, it is a fact that less than a month after coming to power, the new regime ferociously quelled a strike in Kafr El-Dawar. On August 13, 1952 a strike was held at Misr Spinning

and Weaving, a textile factory in Kafr El-Dawar, where workers demanded the resolution of some of their earlier demands, including better pay and an end to arbitrary dismissals. Perhaps it is noteworthy to mention that the striking workers and demonstrators supporting them were chanting slogans of support for the new government and its leaders. The reaction of the regime was police intervention, and the execution of two leaders of the strike, Mostafa Khamis and Mohammed El-Baqary. Some 'justifications' were used later to explain the nature of the intervention, including that strike was incited by 'communists', in other accounts by Wafdists. Neither was proven to be the case (Beinin and Lockman: 422-5).

The events at Kafr El-Dawar left a negative impression among workers, and this was an issue of concern with some of the leadership at the RCC. Thus General Mohammed Naguib who became the first President of the new 'revolution' government noted:

I was keen on gaining the trust of workers and peasants after the execution of Khamis and El-Baqary under a state of unstable security, so we do not lose [the support of] the largest sector of the populace.

(Ezz El-Din, 1987: 807)

The events of Kafr El-Dawar, however, were not an "incident", very soon afterward it became clear it was a policy of containment of labour. Thus, one of the officer members of the RCC, Abdel Menem Amin, became responsible for 'labour affairs', and in September he "took an office and a military secretariat in

the Ministry of Social Affairs¹⁹“ (Ezz El-Din, 1987: 808). On September 12, the RCC declared that the congress that had been scheduled to meet from September 14-16 by the Founding Committee to discuss the establishment of the Federation of Egyptian Trade Unions “would be postponed to an undefined date” (Ezz El-Din, 1987: 810). The rationale used to disband the congress and the Founding Committee was largely based on security reports which stated that the Federation, should it be established, would be a tool in the hands of the ‘communists’ or the Muslim Brotherhood, or even the Wafdists (Ezz El-Din, 1987: 810). The labour movement at that stage, however, could not confront the force of the Free Officers, and acquiesced to their decision to dismantle the Congress for the establishment of a Federation (Posusney, 1991: 48).

At that point it became clear that the RCC had the upper hand in defining the agenda for labour. The independence of the labour movement was compromised. The ‘heavy handed’ approach to labour was unacceptable both to workers and even to the reformists among the Free Officers such as Khaled Mohieldine²⁰. Reformists within the RCC tried to moderate the otherwise hard line of the Free Officers, calling for “freedom of trade union action and the right to strike” (Beinin and Lockman: 431). They were, however, a minority in the RCC, and eventually

¹⁹ Labour and employment were the responsibility of the Ministry of Social Affairs.

²⁰ He eventually became, and currently is, the president of the leftist Tagammu Party.

the power struggle was resolved in favour of the hard line military faction in March 1954.

The crisis of March 1954 demonstrated the extent to which the various factions within the RCC tried to use the labour movement to consolidate their power. In the end two factors were critical for the success of the 'Nasserists'. First, the crack down on the Left/leftist forces the regime engaged in since coming to power considerably weakened the labour movement. The labour movement was deprived of some its most prominent leaders who were imprisoned. Second, many unionists gave their support to the Nasser faction in return for economic gains for workers and employment security, as well as pledges from the regime "confirming them in their positions of trade union leadership" (Beinin and Lockman: 444). This, however, was not carried out in a crude quid pro quo fashion. Many among the pro-Nasserists in the labour movement saw in him and the RCC "the only viable vehicle for achieving the demands of the Egyptian Nationalist movement" (Beinin and Lockman: 444). It was thus that the Free Officers tried to incorporate the union movement, by both crushing opposing factions and rewarding loyal ones (Bayat, 1993: 67).

The "NEP" and labour:

When the Free Officers came to power in 1952, the industrial base of the country was rather modest. In the period immediately preceding the Revolution, 1951/52, the rate of growth of industry was low, partly because of the end of the boom period of import-substitution industrialisation in the non-durable consumer goods sector. Attaining the highest levels of economic and of social growth was the primary consideration of the new government, and in that scheme, industrial

expansion was the core (Kasem: 316). The development of industry and attracting investments to it was one of the major issues addressed by the new government, particularly in the area of import-substitution in the durable and intermediate productive goods. The new government, however, had no well-defined ideology on economic policies. This was reflected in the government's industrial policy.

One week after the 'new' government came to power in 1952, the corporation Law 138/1947 was amended so that the proportion of Egyptian capital in enterprises was reduced from 51% to 49% of ownership, extended to "legal parties" as well, thereby allowing for the involvement of foreigners in the ownership of enterprises. It also stipulated that a minimum of 90% of the workers in companies must be Egyptian, which it may be argued was there for the purpose of increasing the industrial workforce. The law was well received by the Egyptian Federation of Industry:

"This law seems to want to put to an end - once and for all, we hope - to that absolutely unjustified fear of foreign capital...Therefore we called for the encouragement of private investments of foreign origin to the greatest possible extent, and the authorities have finally vindicated us."

(Abdel-Malik: 89)

Besides the Corporation law, the new regime initiated a series of legislation affecting the workforce. On 27 September 1952, a committee was formed by the Minister of Social Affairs to examine labour legislation. It was a tri-partite committee, with membership from the government, labour representatives, and the business community. The goal of the committee was the preparation of a unified labour law. The representative of the RCC in the Ministry, however, rejected the

idea of formulating a Unified Labour Law, and insisted that the objective of the committee was the revision of existing labour legislation (Ezz El-Din, 1987: 814). Based on the recommendations of this committee Laws 317, 318, and 319 for 1952 were passed in December 1952.

The Individual Contract Law, Law 317/1952, added to workers' benefits that were provided in law 41/1944. Among the additions were a bonus at the end of employment, an increase in the annual leave, obligatory medical care for workers in enterprises employing more than 500 workers, protection of workers against arbitrary dismissal, and providing transportation to workers who live in areas where there is no access to transportation. While this law addressed many of the demands that workers had made earlier, the provision relating to the dismissal of workers was problematic. It did not completely ban 'arbitrary' dismissals, rather it gave workers the right to appeal 'arbitrary' dismissal in a court of law (Ezz El-Din, 1987: 815). This issue was redressed in 1953, by virtue of decree 165 "which made it a very expensive and bureaucratically cumbersome undertaking to dismiss a worker without cause" (Beinin and Lockman: 432).

The second law, Law 318/1952, known as the Conciliation and Arbitration Law, was a reform of Law 105/1948. The new law facilitated the procedures in the settlement of disputes by establishing a number of conciliation and arbitration committees nation-wide. It also made resorting to these committees obligatory for all disputes, individual or collective. While this law provided for favourable conditions to workers, in relation to the conditions of employment and the assurance of settlement of disputes at work, it contained a loophole. Due to the vague wording of the law, employers could in fact dismiss workers by declaring a

work stoppage, after which they could resume work and hire workers on the employers' terms. This ploy was used enough to warrant a modification in the law on March 21, 1953 when a "Factory Stoppages" committee was formed to examine such cases (Ezz El-Din, 1987: 820).

Another law issued during that period was the Trade Union Law, Law 319/1952. Though this law does not deal with conditions of work it was nonetheless important in that it increased organised labour. This was made possible by facilitating registration of unions, so that instead of administrative registration at the Ministry of Social Affairs as per Law 85/1942, unions were recognised upon submission of their papers to the Ministry. The law allowed new sectors of workers to unionise, such as agricultural workers. It increased union membership by stipulating that if three-fifths of the workers in an enterprise are unionised then the remainder of the workers of the enterprise become union members automatically. This closed-shop system was strictly enforced. The law also allowed for deduction of union membership dues from the pay cheques of the workers by the employer. Manual workers and clerical workers could not combine in one enterprise union.

The trade union law, nevertheless, was problematic. For example the three fifths condition, when combined with the deduction of union fees from the workers' salary by the employer, put a distance between trade unions and the rank and file. Some unionists also argued that it made unions more easily controlled by management (Beinin and Lockman: 433). While the law cut down on the administrative aspects and control on formation of unions, it imposed constraints on union meetings. It was necessary to have clearance to conduct a union meeting,

and the law stated that unions were banned from dealing with political and religious matters (Adly, 1993: 145). But, the law made it clear that the formation of a trade union federation was possible.

Regardless of the shortcomings of these laws, they did provide more security of employment than earlier laws. The issue of these laws was, however, accompanied by a military decree banning all strikes. As a package, therefore, many among the workers and trade union leaders accepted the legal changes. Yet, on examination of how much workers gained from 'reform from above' compared to the 'changes instigated from below' as was the case prior to the revolution, one finds that the latter is more capable of delivering benefits to workers. This point is illustrated by taking the example of wage increases. Although the pre-Free Officer regime was not particularly pro-labour, wages for workers increased by about 45% in the period from 1946 to 1952. This was achieved "partly as a result of strikes and union activities" (Mabro: 153). In contrast, while the government of the Free Officers doubled the minimum wage in 1953 to LE 0.250/day, "this law was not seriously enforced until the beginning of the 1960s" (Mabro: 153). Thus the traditional methods of collective bargaining are capable of providing workers with more benefits than the legalisation of workers' demands, perhaps because if the law is not enforced then workers lose by recourse to the legal courts to prove their rights. It is a lengthy, expensive process, and in addition, laws may contain loopholes. The discussion by no means implies that legalising workers' demands is not required, quite on the contrary, it means that both legal recognition of worker' rights and giving workers the tools to fight for these rights are equally important.

The government had tried to make industrial investments attractive by making all new industries tax exempt for five years (Abdel-Malik: 101). Furthermore, the government was willing to become a 'partner' in heavy industries and provide support if needed to private investors (Kassem: 320). Yet, in spite of all this 'good-will', as well as the Corporation Law to encourage private investments in industry, and the labour laws to stabilise labour, industrial growth was not substantial. On the one hand, Egyptian capital was limited, in particular the potential of the land-owning bourgeoisie remained unavailable for investments in industry. On the other hand, the share of investments by foreign capital in industry was insignificant due to bureaucracy and interference by the government in enterprises, including private enterprises. Thus, in 1956, the lack of investments in industry combined with the Suez crisis set the government's policies in another direction. While the period from 1952 to 1956 was known as the private/free projects phase, or to borrow the term of Lenin the 'NEP' phase, the period following the Suez crisis was the period of the planned economy (Kasem: 318).

The populist basis of the revolutionary government

Populist regimes in many parts of the developing world, in general, have common features: anti-western foreign policy, state-led economic development strategy, and the idolisation of the national common cause. At the same time populist regimes maintain a potential for grassroots participation. The latter is constrained though by the development strategy of the state, which emphasises productivity, profitability, and discipline. They are populist because they fall back on the masses for support, usually through social reform and nationalist discourse.

Political parties were disbanded in January 1953, but in order to maintain “popular participation”, the RCC established the Liberation Rally²¹, *Hay'at Al-Tahrir*. It was formed in January 23, 1953 basically as a national front²². The Rally was basically “another arm of the new military government” (Posusney, 1991: 51). Membership was practically open to all. The program of the Liberation Rally echoed the philosophy of the RCC: establishing national sovereignty for Egypt and The Sudan, a commitment to a just social system and equality in education, in distribution of wealth, in political rights, social welfare, and a strengthening of ties with other states with particular focus on Arab States (Abdel-Malik: 92-3). Since it was formed, the Liberation Rally had a considerable role in directing the labour agenda, through a labour bureau in the Rally. It is also important to note that trade union leaders were ‘expected’ to be members of the Liberation Rally. The extent of the importance of the Liberation Rally’s labour bureau became clear when it established the Permanent Congress of Egyptian Trade Unions as an unofficial trade union federation (Ezz El-Din, 1987: 823).

Under the name of ‘popular participation’ the militarisation of society took place. The topmost positions in ‘popular’ organisation were from the military. This was the case with the Liberation Rally, the Arab Socialist Union, and even with the economic establishments, such as the Economic Agency. Pluralism gave way to unitary, hierarchical corporatist structures. Implied in this was a kind of an

²¹ The Liberation Rally proved vital for Nasser in the crisis of March 1954, since he won to a great extent due to the support from its membership of workers.

agreement or a “‘social contract’ between the authoritarian state and civil society” (Bianchi, 1989: 81). The state thus delivered the ‘goods’ in return for popular allegiance. With the beginning of the planned economy this became increasingly the case with regard to the labour movement.

The Planned Economy and The Socialist Path

The Suez Crisis which started with the nationalisation of the Suez Canal in July 1956, and ended with the 1956 War at the end of October of the same year, had a profound impact on Egyptian internal and external policies. As a quick response to the political crisis, but more important due to the economic problems that confronted the government over the few years preceding the crisis, the Egyptianization laws were issued on January 15, 1957. A series of laws, Laws 22/1957, 23/1957, and 24/1957 stipulated that “thenceforth all commercial banks, insurance companies and foreign commercial agencies would have to become Egyptian corporations owned by Egyptian capital and under Egyptian management” (Abdel-Malik: 108). By April of the same year the bulk of the British, French, and Turkish banks and insurance companies were Egyptianized. The process extended until 1962, but the bulk was carried out earlier. Needless to say, the Egyptianization laws targeted foreign bodies. The private sector was still in existence, but increasingly with the expanding role of the state in the economy, the private sector began to decline.

²² Although it was sometimes referred to as a party, it was not so.

The significance of the Egyptianization movement was not in the actual 'possession' of the banks, or the insurance companies, and their assets, but in the administrative and bureaucratic apparatus that was created and which gained in importance as they became 'tools' of the state's direct role in the economy. A few days before the Egyptianization laws were passed, to be precise on January 13, two agencies were created: the High Committee for National Planning, and the Economic Agency.

The High Committee for National Planning was established by Presidential Decree. The Economic Agency, which was established as Law 20/1957, was "supposed to combine under a single head all the functions assumed by various ministries and departments in the companies of mixed type that existed on January 13, 1957" (Abdel-Malik: 111). In effect, it was like a central holding company. The Economic Agency also played a role in the execution of the Plan, not only by managing the enterprises it held, but also by creating new enterprises, in accordance with the Plan. As such, the Economic Agency "emerged clearly as the representative of state capitalism in the period under study: instead of the former owners and managers, the agency managed companies, and it created new ones that it held in full ownership" (Abdel-Malik: 111). As the state's role in the economy increased, so did the importance of the Economic Agency.

An important issue that must be emphasised is that though, from an economic perspective, the Egyptianization laws were a turning point in the direction of the government towards economic centralisation or a command economy achieved through the "glorious July laws" of 1961-64, political centralisation was already under way before the Egyptianization laws. Since Nasser came to power in 1954,

there had been a crack-down, sometimes violent, against 'opposition', particularly the Left and the Muslim Brotherhood. This was a trend toward the hegemony of the state over the various fields of political, social, and economic life. It was then the turn of workers to come in line.

Thus, a five-year plan was initiated in 1958, but after some initial difficulties, it was transferred to a three-year plan. The three year plan provided the industrialisation process with a strong push, albeit resulting in an unbalanced budget (Abdel-Malik: 131). But, the five-year plan for 1960-65, often referred to as the first five-year plan, was very important as it paved the way for the extensive nationalisation of 1961-64. Already in 1959, there were clear indications of the direction the government was to take with the 1961 'Socialist Laws'. In a speech by Nasser in 1959 he stated that:

There is all that justifies the ownership of industry by the state, because it [State] represents the people, and because it creates a balance to private ownership, and provides security from the control of private capital over industry.

(Kasem: 324)

Egyptian Trade Union Federation (ETUF)

In 1954, the Revolutionary Command Council approved the establishment of a central labour organisation, as a confederation. Thus the Permanent Congress of Egyptian Trade Unions was initiated and it operated until 1957, but it had not submitted any documents for its establishment. At the same time another organisation, the Congress of Trade Unions of the Republic was formed. Thus, in fact two confederations were in existence. The Permanent Congress was quite

active, it established the Pan-Arab trade union federation in 1956. In January 1957 the Egyptian Trade Union Federation (ETUF) was declared, after the Permanent Congress pressured the preparatory committee to make a constitution for the ETUF.

The objectives of the ETUF were clarified in its program. It aimed to protect workers from "exploitation", thus for example it banned (sub)contracting of workers. The objectives include the limitation of working hours to 48 hours per week. Other objectives of the ETUF were ensuring adequacy of wages, and insurance against work related injuries and illness (Adly, 1993: 160-1).

Organisationally, the ETUF is the peak of a pyramid forming the trade union structure. At the base of the pyramid are enterprise-based union committee, between the ETUF and the latter is the general or industry union. It is possible to form a union committee at the enterprise level if a minimum of 50 workers join the union committee²³. With the introduction of law 62/1964, union committees came to acquire complete legal status, and thus these committees could be dissolved without affecting the remainder of the union structure.

The ETUF is the organisation responsible for the direction of the Egyptian trade union movement, since the ETUF plans the policies, and puts in place all the programs necessary for attaining its objectives. Among the more specific objectives of the ETUF are the responsibility to defend the rights of Egyptian workers, participate in discussions on economic and social development for Egypt, give a consultative view on any laws relating to work and labour, co-ordinate with

general unions and assist them in attaining their objectives, and form a model system that general unions, and committees would adhere to. Such a system would cover the administrative and financial by-laws of the organisation (Adly, 1993:170-1).

The general union is, as has been mentioned earlier, the intermediary level in the overall structure of the union structure. It is not possible for members of a single trade to be organised in more than one general union. As for the responsibilities of the general union these are: the protection of workers' rights, improvement of working conditions, upgrading social status of workers, participation in planning and implementation of vocational training for workers, supervision, following up and monitoring activities of union committees.

Union committees have a number of responsibilities basically related to the workplace, such as dispute settlement. Yet, it cannot have collective agreements without the approval of the "general" or industry union. Union committees participate with the general union in the preparation of collective/joint contracts. They also participate in the discussions of the production plans of the enterprise and implement such plans. Also, union committees provide a consultative view on breeches of bylaws by employees. Before it implements any service, the trade union committee has to review them with the general committee. Thus trade union committees (enterprise level) basically play a consultative role, and fall under much supervision from the general union.

²³For agricultural co-operatives the minimum number of workers is 30.

It emerges that the structure of trade unions in Egypt is hierarchical with strict delegation of authority and regulated responsibilities. It is organised with a clear flow of command from the top to the base. The level that is most in contact with workers, namely the union committees, are the weakest and are subject to extensive supervision by the general union. Subsequent labour laws have not altered this situation, rather they have consolidated power and control at the top of the hierarchy. Yet, as a policy or decision-making organisation, the ETUF does not have significant power, and it represents the corporatisation of the trade unions by the state.

The Nasser Regime, with its populist ideology, had a profound impact on the trade union movement in Egypt. Nasser had certainly issued a number of protective laws for workers, but in doing so he intentionally neutralised the trade union movement in Egypt. Nasser curtailed the role of trade unions to economic concerns. To be specific, the role of unions became more as mediators since the legislation provided workers with what had been long-standing union/workers' demands. Also, as a result of the highly centralised, hierarchical, and diversified organisation of the trade union, they became to a large extent isolated from the rank and file. Thus, with Nasser, the trade union movement was weakened.

Although the formation of a federation had been a long-standing demand of the labour movement, the formation of the ETUF was met by severe criticism by some unionists. It was argued that the unitary organisation was undemocratic and compromised the independence of the labour movement (Serafy, 1983: 18). This was especially the case by making membership in the ASU mandatory for trade unionists. In addition, the bureaucratisation of the structure led to the emergence

of bureaucratic unionists, who dealt with unionism as basically an administrative charge (Serafy, 1983: 25). Further measures were adopted in subsequent years that further corporatised the labour movement.

Unified Labour Law

On April 5, 1959 the unified labour law (Law 91/1959) was issued with the aim of unifying the trade union movement and to unify the different labour laws, some of which dated back to 1933. The law was considered one of the most significant labour laws issued after Nasser came to power (Ezz El Din, 1987: 902). It had consequences that were very far reaching for the trade union movement in Egypt. Among the provisions of the law was the adoption of industry based unions, rather than the enterprise based unions. A general union combined all workers in one industry or group of industries that were interrelated by the production of one product. As a result, almost overnight, the number of unions decreased from 1400 enterprise based unions to 65 industry based unions, with only 59 of the latter established (Adly, 1993: 145). The general union was represented in governorates through local branches of the union. This is evidence of the further consolidation of the power and authority of the state over the trade unions and the labour movement. The unified labour law was defined as “a landmark piece of corporatist legislation” (Bianchi, 1989: 78). The rationale behind the reorganisation of unions was largely for security reasons. The Nasser government was informed by the Syrians, which Egypt united with in 1958, that “by consolidating union activity in a handful of big federations”, the Syrians explained, “the new labour law had eliminated many of the local nesting areas that served as the traditional refuges of Ba’thist and communist troublemakers” (Bianchi, 1989: 78-9).

In addition the unified labour law limited the action of the trade unions by regulating the expenditure of unions and authorised areas of expenditure. The law regulated some aspects of the budget of the union, specifically it indicated that administrative expenses were not to exceed 20% of the annual revenue, and a minimum of one third to be used as expenditure for workers, such as health. Most significant the law indicated that the Minister of Social Affairs had the power to request from a primary court to dismiss a union if it was found to have instigated change in the political system, or lobbied against any sector in society, and leaving or avoiding work intentionally, thereby severely limiting the independence of unions. Indeed, these provisions limit any attempt at action.

It was the massive nationalisation which started in 1962 that was of particular significance during the Nasser era. A substantial public sector emerged accounting for approximately 40% of GDP. The (public sector) enterprise became the central unit of the system. In 1961 a law initiating workers participation in management was issued. The 1961 Laws included measures that regulated profit distribution in joint companies, setting a minimum wage, and regulation of working hours. Law 114/1961 allowed for the participation of workers and employees in the management of enterprises through the board of directors via two elected representatives. The law was modified in 1963 to double the number of elected workers' representatives to four. In 1966 a law was issued which decreed that employees "controlled public and state money which they were to utilise for production according to a national plan" (Bayat, 1993: 67). These 'gains' for the workforce however, came at a price. There were some guidelines that had to be adhered to. All strikes were banned. It was illegal to "[incite] class antagonism,

taking industrial action, or trying to overthrow the political system" (Bayat, 1993: 68).

The over-arching objective of the first five-year plan in 1960 was the doubling of the national income in ten (10) years. Indeed the growth rate projected for the industrial sector (including electricity and construction) was 81.8% for the period of the plan. Evidently this required an increase in the workforce; 17% for unskilled labour, 25.4% in industry, electricity, and construction. Wages would increase by 34%. In return labour output would increase by 21.8% on average (Abdel-Malik: 132). Given such an ambitious plan, there was a need to attract workers to the industrial sector from the then-predominant agricultural sector.

By 1961, after nine years of various approaches aimed at enhancing industrialisation, the initial goal of the revolutionary government, of social and economic development, remained to a large extent unfulfilled. Local and foreign capital did not invest sufficiently in industry. It seemed to be that what Egyptianization did attain was bureaucratisation of economic management. Rather, economic problems were increasing, while the "country's wealth was still being employed only in part, while its capital was getting very little use, and that in a rather incoherent fashion" (Abdel-Malik: 150).

The July 1961 socialist laws resulted in the nationalisation of the bulk of commercial and productive enterprises in Egypt. With Law 117/1961 came the nationalisation of the banks, insurance companies, and enterprises in the heavy-industry sector, and other agencies. Law 118/1961 allowed for at least 50% of the capital of 83 enterprises to be held by a public corporation, and finally Law 119/1961 which "affected 147 medium industrial companies ... belonging to

groups or families, established state participation through state ownership of all shares held by each stockholder in excess of LE 10,000" (Abdel-Malik: 153). The justification used at the time for the nationalisation was, according to Ali Sabry, the then Minister for the Presidency of the Republic:

It was necessary... to mobilize the nation's savings in a deliberate fashion in order to accomplish the national objective: development. Similarly, this economic mobilization must be carried out in conformance with our basic principles: it must respect the individual's right to existence, his right to creation and growth, and his right to property within the framework of the law...It was on the foundation of these positions that the word 'nationalisation' was coined; nationalisation is ownership by the nation in the true literal sense of the word...For us the public sector is not a method chosen for the liquidation of property but rather one that should lead to the broadening of its base²⁴.

(Abdel-Malik:154)

All nationalised enterprises, totalling 367, were to be allocated to 38 public corporations, which came to replace the Economic Agency. The High Council for Public Corporations presided over the different public agencies. In line with this development, law 62/1964 was issued, which further concentrates the number of

²⁴ It is interesting to note that the same terminology is used for privatisation in the present, which is officially referred to as the broadening of the base of ownership.

general unions, from 59 to 27. Similar industries were organised into a general union.

Law 62/1964, concentration of power

Subsequent to the Unified Labour Law 91/1959, law 62/1964 was issued, partly as a response to the nationalisation's of 1961 - 1964. Most importantly, law 62/1964 re-categorised unions so that any industry or group of industries that are similar or related or produce a common product were to be organised into a general union. Thus, a further condensation occurred, whereby the number of general unions decreased from 59 to 27. The law made clear that it was not possible to have more than one union per industry or per enterprise. By virtue of this law, unions became legal entities entitled to settle disputes.

Among the other provisions of the law is the expansion in unionisation, the law allowed state employees to form unions, and agricultural workers could form unions in villages. Although the law dismantled branch unions in governorates, it established regional unions at the level of the governorates to co-ordinate among unions. Financially, the law increased the administrative budget of unions from 20% to 30% , as well as other financial considerations (Adly, 1993: 150).

The major thrust of the law was that it further condensed the number of general unions, which leads to more control. The effect of these combined laws on the trade union federation is that it has rendered unions centralised structures. Among other corporatist measures adopted by Nasser, was that in order to be eligible to become a union official, it was necessary to be a member of the 'Arab Socialist Union'. These measures, understandably limited the effectiveness of trade unions to carry

out or encourage class-based action of the working class, because basically the working class became a part of the state.

One of the often referred to features of the state under Nasser was its labour laws. The laws were protective of workers, and addressed/legislated most of the demands workers had made over several years during the 1930s and 1940s. An examination of the labour laws shows that the process of legal change under the Free Officers was a gradual and incremental process. It is, however, possible to argue that the labour laws corresponded to the different stages the government went through in pursuit of execution of its overall social and economic policies, and specifically industrial development. Previous to 1961/2 labour legislation centred on the conditions of work, but under the 1961/2 laws workers were 'appropriated' by enterprises.

Concerning the governments' policies, the period previous to the 1960s was concerned with the "wo/manning" or staffing of the industrial sector, thus with improvements in the conditions of work. After the nationalisation of 1961, industrial development grew at a very high rate. In fact, it is estimated that the rate of growth, levels of investments, and levels of productivity achieved during the period of nationalisation and to some extent that of Egyptianization, were unprecedented, and have not been attained since then. Henceforth, the labour laws of the 60s that provided for security of employment, participation in management and decision-making, and sharing in profits of the enterprises. With an objective of doubling the national income, and a growth rate of 81.8% as per the five year plan, such laws were used for the stability of the workforce. On the other side of the equation, the trade union movement was effectively rendered powerless. At the

organisational level, the trade union movement was very centralised, and rigid. The unions at the level of the enterprises, a potential source of labour activity, were made vulnerable by giving them a legal persona, thus they could be dismantled in a court without effecting the rest of the trade union hierarchy.

Corporatisation of the labour movement and labour unrest

While it has been shown that for the most part the labour movement in Egypt was contained, there was evidence nonetheless of labour unrest. While one of the first provisions of the regime was banning strikes, workers registered their conflicts with employers via Conciliation and Arbitration committees or in labour tribunals. A cursory glance at the number of registered disputes between workers and employers since 1952, reveals that there was a sharp increase when compared to the pre-revolutionary era. The average number of labour disputes for the period 1945-1951 was 15,221 while for 1952-58 it was 45,635 (Beinin, 1989: 77; El-Gebeilly, 1991: 317). Partly, the increase was because of the ban on strikes, but it points to the situation that despite legalisation of workers' rights, the laws were not always enforced.

It is important to put this increase in labour disputes in the context of the size of the industrial workforce for the period under examination. The size of the total labour force in 1952 was 6.48 million, while in 1958 it was 6.79 million (El-Gebeilly, 1991: 308). While in the industrial enterprises employing 10 or more workers it was (in thousands) 264.9 in 1952, and 268.2 in 1957 (El-Gebeilly, 1991: 313). Thus the increase in the size of the workforce for the period under examination, from the mid 1940s to the end of 1950s, was not major. The sharp increase in labour disputes thus could not be due to an increase in the labour force.

Many employers were able to get around some of the restrictions imposed on them by the laws. For example, employers could dismiss workers or not pay the minimum wage by hiring workers for the probationary period, in some cases workers were fired and then re-hired immediately by the same employer for an additional probationary period (Beinin, 1989: 80). Another area of infringements was the hiring of workers through contractors. This was a prevalent practice in some industries, namely "in agriculture, construction, and longshore work" (Beinin, 1989: 80). Although many workers registered their complaints as disputes, the number of cases which the workers won was not substantial. Thus for cases presented before labour tribunals in 1954, out of a total of 14,640 cases workers won 29.8% of the cases, and for 1955 workers won 38% of cases (Beinin, 1989: 78; El-Gebeilly, 1991: 318). The absence of trade unions in settling disputes was glaring, and when there was trade union activity, it was not difficult to dismiss the 'troublesome' trade unionists/workers. In fact, it is reported that sometimes trade unionists themselves "sometimes colluded with employers to have militant workers dismissed" (Beinin, 1989: 81).

End of Nasserism: A new beginning for labour

By the mid-1960s Egypt had serious economic crisis partly instigated by the decrease in the profitability of the public sector. Underlying the populism adopted by Nasser were some structural problems that eventually led to the collapse of Nasserism. Populism "faced a conflict between the political/social basis of the state, and its economic rationale. This is to mean that conflict emerged by trying to satisfy conflicting classes, workers, and the bureaucratic/ technocratic state" (El-Shafei, 1993: 10). Whereas individual enterprises were pursuing efficiency and

profit maximisation, the state adhered to pursuing social objectives that included job security, and selling goods at low fixed prices.

The crisis was a crisis of capitalism. It was on the one hand a crisis of capital accumulation, or rather non-accumulation, and a crisis of profitability (Bradley: 80). By the mid 1960s investments in industry had plateaued. At the same time, industrialisation and investments in industry were not met by increased labour productivity, basically because of the state's populist policies regarding employment of workers (obligatory recruitment and secure employment), and fixed wages (since 1961, minimum wage was enforced). As a result the value-added declined. A fall in profitability occurred, followed by "stagnation in the accumulation of capital" (Bradley: 82). The way out for the economy was liberalisation and encouraging private investments, a process which began to take place by the late 1960s. Liberalisation became not a policy option, rather it became inevitable.

The high expectations of people which the Nasserist rhetoric fed, were confronted by limited economic and political resources. Politically, the death blow to Nasserism came in June 1967, with the defeat in the 1967 war, whereupon the focus on development ceased and instead the government directed all its resources towards reconstruction due to the extensive damages caused by the 1967 war. The end of Nasserism seemed to have been marked by a wave of strikes that started in 1968. For example, in February 1968 a strike erupted in Helwan, a major industrial area south of Cairo. The strike took the form of demonstrations carried out by workers and students. The strikes continued into the 1970s after Sadat had seized power. For example, in August 1971 about 10,000 workers in the Iron and

Steel industry went on strike against deteriorating conditions. This wave of strikes continued well into 1972. An adequate explanation is that these strikes were primarily instigated by declining economic conditions. The end of Nasserism thus had both an economic dimension and a political one.

Conclusion

The corporatisation of the labour movement provided workers with a social contract based on the legalisation of workers' rights and demands, ranging from wage increases to participation in the management of enterprises. In return, workers were expected to abide by the formal channels provided by the state structure for the negotiation of conditions of work, and the settlement of disputes. Most important, workers were expected to carry out their part of the bargain and become 'productive'. This became more pronounced since 1961-2 and the enactment of the Socialist Charter. In that scheme, trade unions were no longer seen as proponents of workers' economic rights (Posusney, 1991: 80). Rather, after "The Great Transformation" as the 'socialist' period was sometimes referred to, the role of unions changed. The following quotation which appeared in an economic periodical on 12/1/61, describes the new role of unions:

...unions are no longer charitable societies, helping the distressed and treating the sick - they must become centers of revolutionary radiation and instruments for pushing forward the wheels of production.

(in Posusney, 1991: 80)

Nevertheless, corporatisation of the labour movement, and legalisation of workers' demands did not satisfy the requirements of some unionists, even those who 'co-operated' with the regime. Thus, while the working class made further gains under the 'socialist' reforms of 1961-2 through provisions for 50% representation of workers and peasants in all local and national councils, including the House of representatives, some unionists felt that the regime did not go far enough. Thus, for example in 1962 in a meeting with Nasser, some unionists insisted that they wanted the right to carry out collective bargaining with respect to wages and conditions of work, as well as the right to make collective agreements with management (Ezz El-Din, 1987: 942). They were totally refused their request and informed by Nasser that the gains of the working class under the 'Revolution' far exceeded what workers demanded. Indeed, Nasser said that "they [workers] made agreements and bargained for hundreds of years, for decades and still, the minimum wage law was passed without being asked for" (Ezz El-Din, 1987: 943). It is also important to note here the fact that while the ETUF was by law required to be represented in the committees for formulating labour laws, their opinions were only consultative.

The benefits of Nasserism to workers were not felt by all workers. Some gained more than others. Overall, only a proportion of the labour force was unionised. Thus for example while the labour force in the early 1960s was between 6 and 7 million, in 1964 unionised workers were approximately 1.1 million, and for 1965 it was approximately 1.3 million (El-Gebeilly, 1991: 314). Thus the benefits of corporatisation of the labour movement went to a proportion of the labour force. One possible winner was women workers.

The Nasser era was reputed as advancing the situation of the working woman. During the first few months after the establishment of the ETUF in 1957, a branch (shu'ba) for working women was founded comprised of a number of women. On 21 October 1957, the shu'ba proposed some amendments to laws issued in 1933 concerning annual leave, maternity leave, work related injuries, and wages of working women. In January 1958 some amendments were made limiting working hours for women, and setting a maximum for the number of overtime hours per day (ETUF, 1992: 456). The Nasser era had equated working men and women in wages, and work entitlements. However, the role played by unions in the promotion of women's rights was not significant. The shu'ba of the ETUF was a sectional consideration of women. More middle class women benefited from Nasserism than did working class women. The primary reason was education. Free education at all levels including universities, combined with the government's policy of guaranteed employment for university graduates. Thus women graduates found employment in the administrative apparatus of state. The issue of the employment of women is discussed in more detail in a following chapter.

Thus, by the mid 1960s corporatism developed many cracks, economic, social, and political. Economically it became unsustainable, and it raised the dissent of both workers and some trade union leaders. However, despite these critical problems in corporatism, the defeat in the 1967 War was the deathblow to the system. Nasserism completely lost any credibility that remained. With the end of Nasserism and the beginning of liberalism, especially after open door policy, capitalist social relations became more pronounced. The state became more pronounced as a capitalist state. The state became an instrument of capitalism via

legislation, and by subsidising the bourgeoisie. The position of the state became paradoxical, on the one hand a capitalist state, and on the other hand still trying to maintain the facade of a workers' state. The cracks in the system deepened. With structural adjustment, the state could no longer play both roles. The following chapter discusses the fourth phase in the development of the labour movement in Egypt. It discusses the era of liberation and globalisation, and their implication both for workers and trade unions. The basic challenge the state faces under liberation is that the 'social contract' with the 'popular forces' breaks down. By decreasing the role of state in the economy, it is inevitable that the state has to decrease its political grip on civil society. Thus, corporatism should, in theory, give way to pluralism.

Chapter Three: Liberalisation And Globalisation: Trade Unions At A Cross Road

A new stage in the development of the labour movement started in the late 1960s, with the end of Nasserism, and continues to the present. The major trends acting on the labour movement at this phase, the fourth in the development of the labour movement, are economic liberalisation and Globalisation. In many ways these two processes have a similar impact on workers. They divide rather than unite the working class. While the two processes have provided some of the conditions for the strengthening of the labour movement, nevertheless, they also weaken it. The overlap in the two processes of liberalisation and globalisation has had a negative impact on the labour movement. The restructuring of the world economy, the globalisation of capital, and emergence of the neo-liberal ideology with structural adjustment as one of its key components, are founded on the primacy of the economic factor in development.

Furthermore, I argue that in the current phase, the trade union organisation is in fact one of the causes of the weakening of the labour movement. Increasingly trade unions are being challenged from the workers themselves. The end of Nasserism has meant a gradual move away from state-led development based on both economic efficiency and social welfare, to growth-oriented policies based on economic performance. The position of trade unions vis-a-vis these changes became untenable.

The changes brought about by liberalisation policies adopted in Egypt and globalisation are discussed in detail below, with an analysis of the implications of these changes for the labour movement.

Part I: The Era of Liberalization

The beginnings of economic liberalisation:

Economic liberalisation started out in Egypt as an attempt at redressing the failures of Nasserism. After the defeat in the June 1967 War there came to the fore calls for a reassessment of the “Revolution”, and ridding it of ‘corrupt elements’, in particular the much vilified “power centres” (marakez al-quwa). As already mentioned in the previous chapter, the defeat in the 1967 war sealed the fate of Nasserism. The weaknesses of the regime were fully exposed. In the aftermath of the defeat there was a number of protests. The military establishment came under much attack as inefficient and corrupt. Nasser, however, managed to weather the storm. Indeed, on June 9, 1967 a few days after the War, Nasser made a public speech in which he claimed responsibility for the defeat and announced his resignation from all public offices he held. The reaction was immediate, on the following day the ETUF announced a general strike in almost all governorates in Egypt, and declared that it would not come to an end until Nasser withdrew his resignation. Nasser managed to utilise this ‘popular’ support to introduce reforms, both political and economic.

Liberalisation of the economy increasingly became viewed by the government as inevitable. However, liberalization policies also inevitably meant diminishing the benefits that workers received. As the June 10 strike demonstrated, workers

were an important power base for the regime to fall onto in times of crisis, thus introducing the kind of reform that was needed would lose the regime an important power base. The way the Nasser regime could proceed with the reforms toward liberalisation was by 'recreating' the Revolution, and the re-making of a nationalist plan that would make some of the liberalisation measures acceptable, as sacrifices for the good of the country. This is made clear in the March 30 Program.

March 30 Program

The declared aim of the March 30 (1968) Program was purging the revolution of corrupt elements and included attempts at democratisation.¹ It received the overwhelming support of voters on May 2, 1968. The March 30 Program was basically the 'manifesto' of the new stage of re-directing or correcting the path of the 'revolution' (Ezz El-Din, 1987: 1002). The March 30 Program provided guidelines for the modernisation of Egypt after the defeat in the 1967 war, aiming to produce political and economic reform. More specifically, the program introduced some civil liberties measures by repealing some repressive laws or reforming them. These were law 119/1964 concerning state security, law 25/1966 on martial law, law 84/1953 on judicial powers of the military officers (repealed), law 162/1958 relating to the emergency state, prison law 396/1956, and military decree 14/1956 on detention centres (Ezz El-Din, 1987: 993-7).

¹ Indeed, the March 30 Program itself was issued in a 'democratic' way, by a referendum.

The Program also included measures for elections to be held for “local and regional bodies along with the central organism, the Arab Socialist Union” (Hussein: 299). There was an attempt at making the ASU more democratic through elections rather than the system of appointments that was in operation. It is argued that Nasser wanted to break the power of the ASU and its power centres by making the ASU more of a bottom-top organisation (Waterbury, 1983: 329). The system of elections was to be applied to all ASU committees, at the local levels as well at the central one. It must be noted, however, that these ‘democratisation’ measures were not very significant. The March 30 Program was:

...a yes or no vote on a series of “democratic” promises without real content, followed by the election of bodies devoid of any real power, whose role was to avail themselves of the “popular will” in order to lead everyone back to his factory, field, or school, thus leaving politics to the politicians.

(Hussein: 300).

Among the major objectives outlined in the March 30 Program was the need to ‘repair’ the economy. Although no specific policies in that regard were stated, there was a focus on ‘efficiency’, and on ““placing the right man in the right position”” (Cooper: 484). The program did not make statements that pointed to a change in the direction of economic policy, but, as the subsequent months proved, the translation of the guidelines signalled a gradual move toward liberalisation. It is believed that the March 30 Program “initiates what might be conceived of as a reorientation of the regime and a narrowing of its

constituency...[by] shedding constituencies on the left and gaining them on the right” (Cooper: 486). Thus in June 1968, a decree was issued regarding foreign exchange, which allowed some groups to open accounts in Egyptian banks in foreign currencies. These covered foreigners living in Egypt, Egyptians who had immigrated, and Egyptians who lived outside Egypt for a period exceeding five years. No restrictions were imposed on such accounts (Cooper: 486). Imported luxury items were allowed into the country² and purchase was possible in convertible currency. Importation policies were revised so that importation for ‘personal consumption’ was allowed. In addition, exportation by individuals was allowed (Mabro: 131). In part, this was an attempt on the part of the government to redress the trade imbalance with the then Soviet bloc.

Scientific management and the public sector

In keeping with the spirit of the March 30 Program and the call for modernisation, the regime placed much emphasis on “modern” and “scientific” methods for attaining (socio)economic development. The task of reconstruction of the country’s facilities and economy after the destruction of the June 1967 war³ was tackled on technical grounds. In fact, the focus on technical and scientific

² Initially it was allowed in special shops, not widely available, since importation of goods was confined to ‘personal use’.

³ The governorates bordering the Suez Canal in particular came under heavy attack during the war, and were heavily destroyed.

administration, necessarily “efficient” administration, served to de-politicise the changes heralded by the March 30 Program (Cooper: 485).

Attempts at addressing the problems of the public sector were made at this stage as a campaign for increasing production and efficiency. There was a call for purging the public sector of corrupt management, mainly those who belonged to the category of “political” military individuals who had connections with the centres of power, though some civilian managers were implicated with corruption as well. In May 1968, a significant change in public sector managers was enacted. Public sector management was divided into three groups: a group that was loyal to the objectives of the revolution as well as ‘efficient and flexible’; a group that was not corrupt but which was nonetheless inefficient, and needed to be replaced with others possessing greater capabilities; and finally, a group that was both corrupt and not loyal to the objectives of the revolution “either intentionally or through ignorance” (Ezz El-Din, 1987: 1001). Only those in the first group were allowed to continue, the others were removed.

The argument that was used to justify this action was that such a step was intended to purge the ‘socialist revolution’ of the elements that led to the defeat of the 1967 war (Ezz El-Din, 1987 : 1001). Although such a ‘witch hunt’ may have been partly engaged in to dissipate some of the anger directed at the military after the defeat in the war, in fact, it was otherwise. One may argue that at this stage there was a separation between management of public sector enterprises, and ownership of these enterprises. The separation between the two allowed for carrying out reforms in the public sector without appearing to infringe on the

‘public’ nature of it, nor to appear to be retracting from the principles of the ‘socialist revolution’.⁴

Among the “scientific” methods used was the establishment of the technical, ‘Production Committees’ in all public sector enterprises. There was a proposal by trade unions to establish ‘production congresses’ in 1965, but no measures were taken in that regard until the formation of the ‘production committees’ by Decree 270 in 1969 (Posusney, 1991: 90). These committees addressed the call for increase in productivity. Production committees comprised of sixteen members, of which three were from the trade union committee at the enterprise. It is important to note, however, that the views of the trade union members of the production committees were only consultative (Ezz El-Din, 1987: 1011).

It is very important to note at this stage that there had been earlier attempts at addressing the problems of the public sector. A committee was formed in late 1966 called the Supreme Control Committee, the objective of which was the “surveillance of the public sector and detection of opportunists and deviationists” (Waterbury, 1983: 98). The committee carried out changes in senior management positions, by removing some and appointing others. The reforms that were carried out after the March 30 Program was outlined in the pre-1967 war period. In March 1967, Nasser highlighted the following areas for reform:

⁴ It is interesting to note here that the issue of separation of management and ownership resurfaces in the 1990s, with the debate on the privatisation of public sector enterprises.

1)Management is a science and its rules do not change under socialism or capitalism. The only difference between the two systems stems from the ownership of the means of production and the control of profits.

2)Wages must be linked with productivity. Socialism does not mean equal wages but equal opportunities to work.

3)The Arab Socialist Union is to involve itself in public sector operations only to the extent that it can contribute to implementation of plans and smooth relations between workers and management. In no way is the ASU to interfere in the production process itself.

(Waterbury, 1983: 99)

Thus, however significant the March 30 Program was⁵, the redirection of the economy it proposed was already underway in the period before the 1967 war. The reform measures adopted in line with the Program addressed some of the problems already in existence before the war, such as the foreign exchange imbalance (Waterbury, 1983: 168). The losses incurred in the war of 1967 and the rebuilding of the army, coupled with a call for the need to make sacrifices for the battle, were utilised to initiate policies that would have otherwise been difficult to justify earlier. The changes introduced by the March 30 Program therefore had the impact on workers of maintaining the facade of the social

⁵ It was considered among the 'basic documents' of the regime of the Free Officers.

contract the government had made by security of employment and other protective legislation, but at the same time the costs of maintaining the contract were being gradually shifted from the government to the workers. This is highlighted by examining how workers were impacted by the move to liberalisation.

Workers and the beginning of liberalisation

Workers were directly impacted by the gradual shift toward liberalisation in a number of ways. Public sector enterprises were, as aptly phrased by Cooper, 'the heart of reformism'. Since the public sector enterprise was both a social and economic unit, it produced subsidised goods, often at a loss, and provided lifetime employment to workers assigned to it. Labour productivity was a major concern because unemployment was avoided by "creating a large mass of underemployed and necessarily frustrated and inefficient public employees and officials" (Mabro: 210). This combination of policies resulted in a serious productivity crisis in the public sector. Coupled with the cost of reconstruction of the army after the war, there was a call for increased productivity, at no increased cost. The rallying call was sacrificing for the sake of the "struggle", al-maaraka.

The impact on workers was twofold. Price increases led to a drop in the standard of living of workers and of most state employees. Simultaneously, there were tax increases and in 1968 a policy of wage reductions was implemented. In an effort to boost productivity, there was an increase in working hours, from 42 hours per week to 48 hours/week without compensation. In addition, forced savings were increased from 1/2 to 3/4 of a day's pay per month (Posusney in Lockman, 1994: 218-9). Moreover, the March 30 Program initialled a "change in the distribution

of resources - either between the public and private sectors, or among units within the public sector" (Cooper: 488). In line with the regime's reforms of imposing economic criteria on the public sector, some limited "denationalisation" took place in 1968.

The consequences of the above changes was no surprise. A number of factors congregated, leading to outbursts of strikes by workers, often not in isolation from other groups in society, notably student activists. These factors were, on the one hand a deterioration in the standard of living, on the other outrage at political corruption, and third opposition to what was considered by many to be going back on the 'socialist gains' of the revolution. A number of strikes broke out in 1968. For example, in February workers in Helwan went on strike in protest at the lenient sentences given to the army officers in the wake of the 1967 war. Also, in 1968 strikes took place as a reaction to the denationalisation plans announced, and the reductions in wages. A reallocation of resources at the wider societal level took place, so that at the same time that there were cuts and reductions in wages of workers, some concessions were made to the bourgeoisie, particularly the agrarian bourgeoisie⁶.

The strikes by workers received neither much support nor much condemnation from the trade unions. Unions were engaged in their own 'struggle'. Primarily it was a power struggle between the ETUF, presided by Ahmed Fahim, and the Labour Secretariat at the ASU, headed by Ali Sabry. In essence it was a struggle

⁶ For example, the desequestration of some land, and the 'liberalisation' of prices of some agricultural products, such as vegetables and fruit.

for the independence of the ETUF from the ASU. Although it is argued by some researchers that it was a struggle for the independence of the *labour movement* from government control (e.g. Posusney and Ezz El-Din), I believe it is not exactly the case. Without a doubt, the ASU was a very powerful organisation and had political power over the trade unions simply because of the condition that trade unionists had to be members of the ASU. There is evidence that the ASU used this power in its favour, by blocking the ASU membership of 'undesirable' candidates. The conflict intensified starting 1967, although it had begun by 1966, basically as a result of "the events of 1967 and early 1968" (Posusney, 1991: 85).

This 'struggle' can be highlighted by examining the conflict over the trade union elections of 1967. Trade union elections were scheduled for 1967, and in fact they had begun at the local level, but the onset of the June 1967 Arab-Israeli war put an end to the elections. After the war, the ETUF campaigned to restart the elections, but the labour secretariat at the ASU managed to prevent the resumption of the trade union elections (Posusney, 1991: 92). The reasons for the postponement of the elections was the 'public good', although there were elections for the ASU locals, and for the professional syndicates (El-Gebeilly, 1991: 278). After the March 30 Program, the rationale for the delay was the drafting of a new labour law that would introduce changes to trade union elections (Posusney, 1991: 93). In fact, it was only in 1971, under Sadat, that the trade union elections were held.

Also, there was a conflict between unionists at the different levels of the trade union hierarchy. In particular trade unionists at the enterprise/local level were very critical of the trade union structure. By the end of the 1960s, local unionists

“were in agreement that the trade union movement had stagnated and that the contact between its different levels had been lost” (Posusney, 1991: 99). The issue that came under most criticism was the system of indirect elections, whereby membership to the middle and top levels of the trade union organisation was not elected directly by workers, but were selected from among candidates appointed by the local boards. This system allowed ‘unpopular’ candidates to be elected at the middle and top levels of the trade union organisation, though they may have failed to get elected to the local level (Posusney, 1991: 97).

A point that needs to be emphasised is the growing distance between trade unions and workers whom they represent with the shift to liberalisation. As explained in the previous chapter, the measures to corporatise trade unions in the early and mid sixties were justified on the basis that the state legislated conditions of employment ranging from wages to ensuring security of employment. The shift to liberalisation led to a review of the state commitment to labour, while this move was not met by an equal ‘liberalisation’ or democratisation of the trade union organisation⁷. In addition, the trade union organisation became more interested in the entity itself than the workers it represents. Since the late 1960s, the trade union organisation, particularly the top levels of the organisation have come under criticism by some unionists and leftists. The criticism pointed to the narrow concerns of the ETUF, and highlighted issues that should have been taken with

⁷ In fact, there was a further of condensation of the number of general unions in 1967, so that they were decreased from 27 to 21.

more concern by the organisation, such as union democracy, and the relation between trade union action and political action (Ezz El-Din, 1987: 1005).

The trade union members elected in 1964 have come under much criticism as having 'betrayed' the true principles of the trade union movement. Specifically, the administrative apparatus of the movement increased its domination over the labour movement (El-Banna, 1994: 413). Indeed, "trade union leaders became isolated in their offices, managing the trade union movement, not leading it" (El-Gebeilly, 1988: 16). Charges were made against the movement ranging from corruption to lavish expenditure on the facilities of the trade unions, such as office equipment, and furniture, and mostly being undemocratic⁸. There was a neglect of workers' concerns, and little effort to improve the increasingly deteriorating situation of workers (El-Gebeilly, 1988: 16-7).

Thus, as Egypt moved toward liberalisation, the euphoria of Egypt's 'socialist experiment' gave way to an increasingly bewildered and discontented working class, and a corporatised but divided trade union movement. Under Sadat, and particularly after the initiation of the Open-Door policy, these trends were exacerbated. In July 1971, a few months after Sadat was elected, the National Action Program was issued. It was a set of principles aiming at the 'democratisation' of Egyptian society. The National Action Program defined trade union action not as confronting the owners of capital, but rather as the 'preservation of workers' gains', and increasing their productivity. This was to be

⁸ From 1964 to 1971, the general assembly of the ETUF did not meet a single time (El-Gebeilly, 1988: 17).

done in collaboration with the ASU. By so defining the role of trade unionism, Sadat undermined the aspect of class struggle in trade unions. Indeed, by emphasising that trade unions should collaborate with the ASU, the implications were compromising the independence of the trade union organisation (El-Gebeilly, 1991: 281).

By thus separating the economic from the social and political it became easier to impose the liberalisation policies the regime wanted to introduce. Trade unions, because they were corporatised, also adopted the logic used by the government. As long as the government did not withdraw "workers' gains" trade unions were not willing to protest against the government. Instead, their struggles concerned their organisation not their constituents. This resulted in a growing gap between workers' interests and trade union willingness to pursue them. These measures were further deepened when Sadat came to power and extended liberalisation policies. What emerges with the Open-Door policy is that by allowing unregulated gains and consumption to the bourgeoisie in the name of encouraging investments, social inequality increased and became more visible. The sacrifices workers were asked to continue with and the economic hardship they endured became difficult to accept in a system where there was visible and provocative display of wealth.

Sadat and the open-door policy

When Sadat came to power after the death of Nasser in September 1970, he continued the reform toward liberalisation. The changes toward further liberalisation, which were initiated after the October 1973 War, were in response to the following problems. First, there was an increased need to import

food/nutrition products, particularly wheat. A need to replenish raw materials/strategic goods, and intermediary goods for production. This was mainly due to depletion of some of the existing resources due to the war effort. Third, there was a need to upgrade the existing infrastructure/public utilities which had deteriorated significantly because of lack of maintenance and destruction during the War. In order to address these problems, there was a need for extensive resources, both local and foreign.

Over the few years following the War, the government witnessed a financial crisis. Savings fell, export levels remained basically unchanged and the deficit in the balance of payments increased, from LE 98 million in 1973 to LE 530 million in 1974 (Awadalla: 323). In order to finance its reform program, the government, then headed by Sadat, resorted to short-term loans, and the adoption of the so-called "open door policy". The intention of the open door policy was to attract foreign capital to Egypt, and to provide incentives for local capital. Towards that end, a number of measures were adopted by the government.

It was in 1974, with the *October Working Paper* that economic liberalisation, or *Infitah*, became official government policy. The October Paper was a turning point from Nasserist ideology⁹. Although the October Paper was cautious about continuity with the 'achievements' of Nasserism, it emphasised the need to "[rectify] the 'deviations' of the sixties" (Hinnebusch: 112).

⁹ One may argue that the outcome of the October 1973 Arab-Israeli War may have given Sadat enough confidence to carry out such a liberalisation plan.

The Open Door Policy, *Infītah*, encouraged capital investments in the country, both foreign and local. It was argued that Egypt's economic problems, further burdened by the cost of yet another war, could only develop by access to capital and technology. The 'socialist' former Soviet Union was no longer deemed to be the source of such capital and technology, but rather, the 'capitalist' West, in addition to funds from the Arab countries. A number of incentives were promoted, such as lenient taxation schemes, "free transfer of capital and remittances,... favourable labour legislation, [and] administrative assistance" (Bayat, 1993: 76). The policy also granted freedom for the press, and the initiation of a multi-party system. Both operated within limits set by the state.

In 1974 law 43/1974 (investment law) was enacted. One of the major items in the law is that it places basically no limitations on the scope of investment activities. The law also guaranteed that any projects/investments will not be nationalised. Besides this guarantee, the law stated that all such investments will remain exempt from taxation for a period of five years. Finally, the law stated that if private capital was invested in public enterprises, then regardless of the legal nature of national capital, these enterprises are considered by this law private enterprises even if the public sector is the major contributor in them (Awadalla: 325). This raises a very important issue, which is the blurring of the distinction between national and private capital in such 'public' enterprises. Law 43/1974 was later replaced by law 32/1977 which stated that the private investments/private sector can operate in any field.

Quite unlike the Nasser era, during the Sadat era importation of goods was legalised, and exportation expanded. Law 118/1975 removed many of the

restrictions on importation and exportation activities. It particularly encouraged the importation of raw materials, and intermediary goods needed for encouraging investments. There were restrictions on a number of goods that are defined as strategic goods, which only government could export. Among the strategic goods (18 items) were essential food products such as flour, and sugar, as well as items used for military production. The law applied to both the private and the public sectors. As a consequence of Law 118/1975, the private sector invested and exported consumer goods, as consumer goods "are easier to deal with than intermediate goods" (Awadalla: 328). The result was negative for the economy as a whole leading to increased consumption without an equal increase in productivity. This, points Awadalla, has led to the increased vulnerability and dependency of the Egyptian economy on the external markets.

The foreign currency law, 97/1976, removed restrictions on dealing with foreign currency. These restrictions had been in effect since 1947. By virtue of the Law individuals and legal entities (excluding government and public sector enterprises) could possess foreign currency from any source (excluding tourism and some exports). One of the consequences of this law is that it encouraged commercial banks to compete with public-sector banks. Other laws were passed which "liberalised" the foreign exchange market.

The ideology adopted by Sadat was unmistakably a move in the direction of a market economy. The role of the state in the economy, however, was not weakened. It was no longer that of 'provider', but rather became that of 'regulator'. This pertained not only to the economy but also to the distribution of resources in society. Thus instead of the direct measures such as nationalisation,

resources would be redistributed in society using methods such as progressive taxation (Hinnebusch: 115).

The open-door policy and the public sector

State policy regarding the public sector was dealt with in the October Paper. It explicitly focused on the significance of the private sector. It was nevertheless recognised that the public sector still had an important role to play. In specific, the public sector would continue in the areas that the private sector could not operate, such as the large infrastructure projects. In addition, some 'core' industries, such as "the major corporations in banking, finance, international trade, transportation, and manufacturing-would not be returned to the private sector." (Baker: 193). Thus while the March 30 Program strove to 'rationalise' the public sector, the October Paper moved it from being the pivot of economic development to a more narrow role as a partner, indeed, as Baker notes, "a means of support" with the private sector in the development of the economy.

Among the significant laws influencing public sector enterprises is Law 111/1975 for the reorganisation of the public sector. The General Institution (Al-mua'sasa al-ama), which acted as a holding company, was cancelled. This institution was responsible for planning and co-ordination of the activities of the affiliated enterprises. According to Law 111/1975, individual public sector and private sector enterprises could carry out trade locally and externally. This, it is argued, made the economy further vulnerable to the changes in the international economy.

Sadat and trade unions

The Open Door policy had a different impact on various sectors in society. Continuing economic problems led to increased class conflict. The open door policy also had a differential impact within the same strata. Such is the case with trade unions, and with the working class. When Sadat came to power he helped settle some of the conflict that had been raging within the trade union organisation, by neutralising the ASU group and reinstating some of the old leftist unionists. This, however, did not prevent the re-emergence of conflict within the trade union movement. Trade unions, particularly those at the topmost and middle levels, benefited. To a great extent this was because of the increase in overt worker protests. The state "tried to control and absorb the demands of labour through the established corporatist-syndicalist structure" (Hinnebusch: 245). This was carried out by increasing the corporatisation of the trade union movement.

Trade Union Laws of 1976 and 1981

The implications for the trade union movement of Sadat's open door or liberalisation policy was its further corporatisation. Trade union Law 35/1976 provides the details of trade union organisations. It applied to workers in the public sector, public authorities, private sector, co-operative sector, and agriculture. The law was in essence and in many details the same as previous trade union laws. According to the law the objectives of the union was the protection of the workers' legal rights, the improvement of work conditions, and increase professional efficiency. The structure of the union organisation remained pyramidal, with ETUF at the peak, the general union in the centre, and the

enterprise union committee at the base. The duration of a union cycle was increased to three years instead of two. All trade unions were to abide by the system of by-laws/statutes of the ETUF.

The new law imposed greater control on unions. Indeed, if a union committee was found in breach of any article of the law, it could be dismantled if after fifteen days of notification no remedial action was taken to address the problem. A court was no longer necessary. Also, the Central Agency for Accounting, the Ministry of Labour/Manpower and the ETUF, by virtue of the new law, had the right to audit unions. Unions had to submit accounts, budgets, and other documents to these organisations (Adly, 1993: 152-4).

The freedom of unions was further limited by law 1/1981, which made some amendments to law 35/1976. The ETUF gained more authority, as most responsibilities and authorities became centred with the ETUF. All this came at the expense of the union committees (enterprise level). The law forbade any union committee meeting without the prior notification and approval of the general union. Also, the duration of the union cycle was further increased to four years instead of three. In a study by Bianchi on Corporatisation in Egypt, he point out that the Sadat regime:

enacted several reforms designed to strengthen the union confederation, to alienate its leaders from the rank and file and to coopt them more effectively as junior members of the authoritarian elite and privileged partners in the new capitalist economic order.

(Bianchi, 1989: 428).

The further corporatisation of the trade union movement enabled the government to exert more influence on the trade union membership, particularly those at the top level of the hierarchy, to ensure pro-government candidates. Furthermore, this group of 'official' unionists were offered positions in the ruling party, and it became an established tradition that the Minister of Labour be appointed from among the senior ETUF personnel, in specific the ETUF president.

From the outset, Sadat's regime alienated itself from the working class, preferring instead the business community¹⁰. However, Sadat courted the labour leadership, primarily to counter balance his lack of popular support. Thus, Sadat attempted to co-opt the labour leadership. Thus, the government "tried to transform the top of the union hierarchy into a self recruiting elite with broad power of consultation in economic policy making" (Bianchi, 1989: 129). The manifestations of these policies on the labour leadership scene were evident in a significant decline in turnover of union leadership in their positions, and the fact that increasingly union leadership at the national level became members or involved in the ruling party, the National Democratic Party (Bayat, 1993: 77).

Some have expressed wonder at the fact that problems did not occur, for example, that membership in unions continued to grow (Bayat, 1993: 77).

¹⁰ It is important to point here to the 'method' Sadat used to neutralise his opponents regarding the open-door policy, mainly by appointing Marxists in positions of power. This was the case with Ismail Sabry Abdalla, whom Sadat appointed as Minister of Planning, and Ahmed Rifae El-Sayed as deputy to the president of the ETUF from 1971 to 1973.

However, one may argue that one does not negate the other. Membership in the unions remained largely an automatic procedure. In addition, there was a separation between workers and trade union leaders. In 1987, the number of unions in the ETUF was 23, with a total membership exceeding three million. In 1964 the proportion of union membership as a percentage of the economically active population was 8.8%, in 1976 it was 20.1%, and in 1982 it was 23.2% (Bianchi, 1989: 133). The increase between 1964 and 1976 was basically a consequence of the extensive nationalisations that took place during the 1960s.

Despite the corporatisation of the topmost levels of the ETUF hierarchy, and often because of it, there was discontent within the trade union movement. The change in the government policy toward the public sector particularly alarmed many unionists. Among the measures proposed for the 'new partnership' between the public sector and private sector, was the selling of a part of some public enterprises to the private sector to form joint venture companies. Many unionists objected to the "removal of parts of the public sector from the provisions of the labour law through establishment of joint ventures.... they opposed,... the hiving off of the best parts of public firms in foreign joint ventures" (Hinnebusch: 245). Ultimately, despite trade union objections, the joint ventures were established. The same situation applied to trade union opposition to the direction of the economy and the consequences for workers, namely, the increase in cost of living with no adequate wage rises, and the proposed subsidy removals. Again, the regime implemented its proposed plans, but in the case of removal of subsidies, it turned out to be an explosive situation as the 'food riots' of January 1977 demonstrated.

It became increasingly difficult for dissenting unionists to rise in the ranks of the trade union organisation. But, dissident unionists found a platform for voicing their discontent via alternative channels, in particular opposition parties. Among the latter the Tagamuu party attracted a considerable number of unionists. The party had a leftist ideology and its social base was "concentrated among the ranks of industrial workers, intellectuals and small government employees" (Hinnebusch: 197). Sometimes the significance of the Left for the labour movement is overestimated. One of the most frequent criticisms made by activist workers is that the leftist parties are dominated by the intellectuals, often bourgeois intellectuals. Workers, though they may constitute a considerable proportion of the membership of such organisations, often find themselves marginalised or patronised by the intellectuals (Serafy, 1992: 204). As a result, dissenting unionists find themselves marginalised at both the formal trade union organisation and in the other alternative channels.

The alternative channels through which dissenting unionists operate provide opportunities to voice discontent, are not channels for collective agreements. Channels for collective agreements are corporatised into the state bureaucracy. Trade unions have limited access to this channel, basically through the ETUF. The centralised collective agreement system, as undemocratic and authoritarian as it is, made trade unions the only formal channels through which workers can make their industrial relations demands. For this reason, it was possible to 'contain' the labour movement, despite frequent protests by workers.

Workers and liberalisation

The combined costs of war and the restructuring of the economy in the seventies resulted in a deterioration in the standard of living of workers. Prices soared, and inflation increased, particularly after the 1973 war. In addition, immediately after the war forced savings were increased to a full day's wage per month instead of 3/4 of a day's wage (Posusney, 1991: 221). As the standard of living deteriorated, some minimal changes were made. For example, in 1974 public sector workers had their minimum wage raised from LE 9/month to LE 12/month. In addition, a similar raise was enacted for private sector workers, via law 64/1974. This highlights two issues. First, although there had been some trade union attempts to raise the issue of wages in the People's Assembly a few months earlier, their efforts at parliament did not meet with much success. The change in minimum wages came about as a direct intervention from the President, Sadat. It implies that collective agreements are very limited. Second, the fact that a law was issued on minimum wages for the private sector workers was an indication of the rising significance of that sector with liberalisation.

The measures taken were not sufficient to cope with the problems of the deteriorating standard of living. Thus in September 1974 a strike wave started, revolving around economic demands for workers¹¹. This wave of strikes continued until 1977, which coincided with the continually deteriorating

¹¹ It is important to mention again that strikes were, and remain illegal in Egypt. A new proposed labour law is now in the final stages of approval which legalises strikes, but under restrictive conditions.

economic situation. Though primarily of an economic nature, worker's strikes also had a political dimension. At one level it became difficult for workers to accept 'making sacrifices for the battle' at a time when there was a discussion about diplomatic channels to resolve the problems with Israel. It has also been suggested that the criticisms of Nasser during Sadat's rule may have helped spark some of the labour strikes (Posusney, 1991: 222). I believe that the political dimension of the workers' struggle had an important economic underpinning. The negative portrayal of Nasser and his achievements, including the public sector, was an indirect attack on workers' 'gains' under Nasser. This view is supported by the attitude of government officials toward workers in the era of liberalisation. For example, in parliament, before minimum wage increases in 1974, demands for improved wages were regarded by government officials as unjustified, as when the deputy Prime Minister Abd el Aziz Hegazi objected to wage increases because "a wide range of services and subsidies provided by the government, whose cost was also increasing, should be considered as part of workers' salaries" (Posusney, 1991: 221). When the economic situation improved, from 1977 to 1984, there were no recorded cases of strikes for that period. These were years of the oil boom. So, with the decline in the oil boom, the cost of living increased, with a fall in real wages, prompting another wave of strikes (Shafei, 1993: 35).

The strikes of the mid-seventies and marches to parliament were directed against liberalisation of the economy. Specifically, the strikes revolved around wage-related matters (Hinnebusch: 245). Other issues, such as increasing workers' contribution to pension funds, and equitable treatment of public sector employees

with other state employees, were also made. The strikes emanated from individual enterprises, with the important exception of the January 1, 1975 strike. The January 1975 strike was carried out by workers in a number of enterprises located in Helwan, at the behest of a 'local official' who personally contacted others in other enterprises in Helwan. The striking workers were joined by railway workers. The strikers objected to the regime's anti-labour policies (Posusney, 1991: 224).

The most significant of the 1970s strikes was the January 1977 riots. Based on agreement with the IMF in 1976, the government removed subsidies on a number of food items in January 1977, notably bread. The backlash was immediate. On January 18 and 19, 1977 rioting broke out in the streets of Cairo and other governorates on a level that was unprecedented since the revolution of 1952. The riots resulted in 79 deaths and 1200 arrests by the government. Workers and other groups in society rioted. Trade union leaders, particularly in the face of the January 1977 strike, were compelled to support the workers "under heavy pressure from below" (Bayat, 1993: 78).

The role trade unions played in the strikes was not significant. Union involvement came after the strikes took place, if at all, and even then it was basically the enterprise based unions. One area where there was a considerable involvement of trade unions in voicing workers' demands was in the People's Assembly. The largely leftist union members of parliament were elected from workers' districts. The general unions and the ETUF were not involved in the workers' protests, and it was at these two levels that the government sought to negotiate workers' rights (Posusney, 1991: 227-8). Within the ranks of the trade

union organisation, a leftist group of unionists tried to push for an independent workers' representation, and changes favourable to workers. This group had limited successes.

The strike wave starting 1974 and extending to 1977 resulted in some concessions to workers. The government issued wage adjustments and cost of living increases to both public and private sector workers (Posusney, 1991: 229). But, at around the same period, starting 1976, there were government moves to further corporatise the trade union movement. On the one hand, the power of the leftists was curbed. On the other hand, trade union legislation (Law 35/1976) was issued which made the organisation more centralised and authoritarian, as discussed in a previous section.

The open door policy was not a negative experience for all workers. The impact of liberalisation was both the free movement of capital and of people. Prior to 1971 migration of Egyptian was a difficult process. On the one hand, issuing passports and obtaining permits to travel abroad was a very complicated process. On the other hand, regulations relating to job placement and obligatory civic service after graduation from university or technical schools basically made migration untenable. The constitution of 1971 allowed "the right of every citizen to migrate, regardless of whether the migration is permanent or temporary for work" (ETUF, 1992: 197). The dual impact of the liberalisation of the economy and the sharp increase in the price of oil in the aftermath of the October 1973 Arab-Israeli war, opened up two labour markets: the oil-rich Arab states, and the private sector in Egypt. One group that particularly benefited from

liberalisation was skilled labour¹². The liberalisation policies adopted by Sadat led to “the greater facility with which skilled manpower on all levels has left Egypt to participate in the boom economies of the oil-rich Arab states” (Baker: 194). The higher wages available in the oil-rich countries led to a very considerable migration of skilled workers, estimated in some studies at 450 thousand (Baker: 148). Besides the skilled labour, a large number of unskilled and semiskilled workers who used to work in agriculture also migrated to the oil-rich states in search of high wages (LaTowsky: 12).

The boom in oil prices led to the adoption in the oil rich states of huge infrastructure development projects, financed mainly from the oil revenues. These countries had a serious shortage of labour at all levels. Egypt, on the other hand, had a problem of surplus labour and the oil rich states was an opportunity both to relieve the labour problem, and to utilise the remittances sent by migrant labour. Among the countries other than the Gulf states that attracted large numbers of Egyptians were Iraq, Jordan, Yemen, and Libya.

By the mid 1970s, the ETUF began to discuss the ‘problem’ of migrant labour. In a general assembly meeting held in February 1977, the ETUF pointed out that there is a need to regulate the migration of labour. In 1978 a committee was formed at the Ministry of Labour with members from the ETUF to discuss the migration of Egyptian labour. Based on the recommendations of the committee, it was agreed that the Ministry of Labour would help those registered with

¹² In 1969, a union of skilled workers was established (niqabat al-mihan al-tatbikeya).

obtaining licences to work abroad, and that trade unions could set up 'employment offices' the aim of which was to help workers find work abroad (ETUF, 1992: 198). In effect this meant that trade unions were operating as labour sub-contractors.

YEAR	Number of Migrants
1974	500,000
1976	600,000
1980	875,000
1985	1,924,000
1986	3,000,000

Compiled from: (ETUF, 1992: 199-200)

The bulk of the migrants were in the oil-rich Arab countries. For example, of the three million in 1986, about 2.5 million were in Arab countries (ETUF, 1992: 200).

In examining the implication of extensive migration for the trade union movement, one finds that it was a blessing in disguise for the trade unions. Migrant workers had to register as union members in order to obtain a licence to travel, which increased the membership of the trade union organisation, even though many workers did not even know they were registered as trade union members¹³. Also, the ETUF considers among the benefits of labour migration that

¹³ This information was given to me by unionists at Tagamuu.

it relieves the problem of un-and under-employment in Egypt, leading to increased labour productivity (ETUF, 1992: 204-5).

While the migrant labour market absorbed workers of varying skill levels, the private sector in Egypt attracted to it skilled labour from the public sector at all levels, from management to blue-collar workers (Baker: 194-5). Often workers thus employed would take long-term leave of absence from their public sector work, attracted to the higher wages of the private sector, but reluctant to give up the benefits of the public sector, such as the pension scheme, insurance, and health care. Needless to say, the private sector employed a considerable number of workers who were solely private sector workers. Unionisation of workers in the private sector enterprises is not consistent. Some enterprises do not allow their workers to unionise, though they have the required number of workers. Workers in such enterprises report breaches of wages¹⁴, and working conditions. Despite reported complaints to the ETUF against this situation, no redressive action was taken by the ETUF.

The situation of working women did not improve during liberalisation. Women workers were concentrated in some industries. Often women workers' wages were calculated on a daily, not a monthly rate. The ETUF arranged the first congress on working women in 1975, organised by the ETUF Secretariat for Eradication of Illiteracy, Family Planning, and Working Women's Affairs, which was founded in 1973. The Secretariat aimed at providing training programs for

¹⁴ For example, wages are calculated on a daily rate rather than on a monthly rate, which means a cut in wages of about 30%.

working women to teach them sewing and knitting and to organise sessions on family planning and first aid, as well as provide illiteracy classes. The Secretariat encouraged the establishment of subsidised food stores in the place of work, and child nurseries for children of working mothers. The First Congress made a number of recommendations relating to social security, and the necessity of dealing with the problems of working women (ETUF, 1992: 458). Nevertheless, the recommendations of the ETUF were not enforced.

In assessing the impact of liberalisation on workers, it is possible to say that it had a differential impact on the working class. Public sector workers were negatively impacted by the adjustment of the economy, and increasingly they voiced their discontent over the increase in the cost of living. Some groups of workers, namely the skilled labour and migrant labour at various skill levels benefited from liberalisation policies. Unionised workers, of whom a large majority was public sector workers, did not receive much support from the unions, and ultimately the government conceded to some of their demands. Yet, "public sector workers knew that their wages were several times those of private sector workers and that a huge reserve army of unemployed coveted their jobs" (Hinnebusch: 245). In trying to understand the reason behind the move of public sector workers to the private sector despite the higher average wages of the former, one may argue that skilled labour is highly rewarded financially in the private sector. Skilled labour is relatively scarce, and many public sector workers, through their experience, acquire skills rewarded by the market. Nonetheless, trade union organisations came under criticism from the workers. This became particularly clear in the January 1977 riots.

In the next part of this chapter, the discussion of structural adjustment will examine the extent to which SAP was imposed by the International Financial Institutions and the extent to which it was a choice by the government. Globalisation entailed international trade, export-led growth, and the opening of markets for imported goods. Reforming the economy to reflect these requirements was not a matter of choice, it was not possible to engage in the global market without carrying out these reforms. The implication for workers was that public sector enterprises became one of the core elements of reform.

Part II: The Era of Globalisation and Structural Adjustment

The buzz-word in development circles during the 1980s and well into the 1990s was "structural adjustment". The adjustment programmes sponsored by the World Bank and IMF have been implemented or are in the process of being implemented in numerous developing countries and in Eastern European and CIS countries. The interesting aspects about "structural adjustment" are its almost universal application, and more interesting its presentation as THE viable solution for sustainable economic development. The absence of working alternatives is remarkable. Ghana tried to resist the implementation of the World Bank/IMF programme for ten years, but in the end had to succumb to the programme at the brink of collapse.

The '80s decade was one of decline in much of the third world. After years of 'development' Third World countries managed to improve many of their 'development indicators' such as decreased levels of infant mortality, and increases in literacy rates. The '80s decade witnessed a setback. Development policies adopted failed to achieve the desired goals. Indeed, "instead of a self-

sustained growth ..., many developing countries are up to their ears in debt” (Schuurman: 9). Quite to the contrary, some of the measures of structural adjustment such as user charges for health services are feared to contribute to an eradication of some of the gains of the past.

The rise of neo-liberal theories of development

The impasse in development theory that occurred in the 1980s was mainly in the Marxist and neo-Marxist development theories. Neo-liberal theories, proponents of the open market, gained from the crisis. Indeed, "what started in the 1970s as a neo-monetarist vision on the problem of hyperinflation in many third world countries, grew into a new development ideology” (Schuurman: 11). With the decline of the Keynesian model, a change in the role of the state was envisaged. Accordingly, state intervention in the market mechanism was considered ineffective and counterproductive. As a development ideology, neo-liberalism most resembles the well known modernisation paradigm, but in fact it has less to offer because the role of the state has been minimised. ... the neo-liberal trajectory denies the third world states the policy tools to intercede actively in favour of those without jobs, houses, health care, schooling and food. (Schuurman: 12). It is possible to observe how structural adjustment policies resonate this philosophy. By minimising the role of the state, and support for international market liberalisation, neo-liberal theories in effect promoted the rationale of adjustment policies of the World Bank/IMF.

The international crisis of the '70s and '80s

The 1970s and 1980s were decades of decline in growth at the international level. In both industrialised and developing countries the trend of growth of the preceding period was reversed. Two major developments have contributed to the decline, the move away from Keynesian economics, and the internationalisation of the world economy. Of particular relevance to the developing countries was the latter phenomenon. The impact of the two developments have been particularly strong on employment.

Keynesian 'demand-management policies' were utilised from the post-war period in the formulation of economic policies. By virtue of that system, governments could attain growth and, most important, full employment. An examination of the growth rates of most industrialised countries as well as third world countries attests to the success of that claim. For many years annual growth rates of 5% or more were achieved (Pursey: 230). This was an era of achievements for trade unions as well. Due to the healthy growth in the economy, wages and conditions of work improved. In general, "full employment was widely accepted as a fundamental goal of economic policy" (Pursey: 230). This situation, however, was altered.

The reasons for the reversal of the growth that occurred in the post-war period¹⁵ remain disputed. There is an indication that the "ending of the Bretton Woods system of fixed exchange rates based on a dollar standard in 1971 and the shift to

¹⁵ After independence for developing countries.

floating exchange rates contributed to increased instability and a slowdown in investment” (Pursey: 230). The public sector, which had been an engine of growth in many economies, and which absorbed labour was cut back. In the attempt to curb inflation particularly in response to the sharp increases in oil prices in 1973/4 and 1979/80 industrialised countries adopted deflationary measures, so that eventually the concern for controlling inflation began to outweigh concerns for controlling increases in unemployment. Thus, the concern over inflation has led many governments to maintain that any economy must have a ‘natural’ rate of unemployment so inflation would not increase. This ‘new’ philosophy seemed to ignore the fact that in an earlier period, the post-war period, unemployment rates were lower and yet the economies attained growth. Thus in theory, by cutting inflation, growth would be stimulated and consequently unemployment would fall. In fact, however, “while profits have in many cases increased and inflation fears receded, growth remains low and the level of unemployment high” (Pursey: 231).

Since the post-war period the economies of the world have been interlinked closely, it has become 'internationalised', so that the status of 'international economic relations' has a direct bearing on the social and economic conditions in the different countries, particularly employment. Trade unions increasingly find themselves in a position of having to accept what is feasible. What is feasible is increasingly defined at international levels and thus beyond the sphere of influence of individual countries. The impact of internationalisation has been, however, more severely felt in the developing countries.

The decline in growth in the industrialised countries has had a negative impact on developing countries. The demand for the exports of the latter, primarily raw materials has fallen. The economies of the developing countries have been further burdened by the increase in interest rates, making their debts unserviceable. As a result developing countries have witnessed "falling wages, devaluation, underemployment and an expansion of the informal sector, as well as budgetary austerity resulting in public sector retrenchment and cuts in social services" (Pursey: 235). This begins to point to a possibility that internationalisation or globalisation of the world economy has left little room for governments to formulate alternative strategies, that in fact countries are in a relatively no-choice situation, with only alternatives being how best to counteract the negative impact or the social costs on the most vulnerable sectors in the population. Development strategy is increasingly leaning towards semi-alternatives.

Countries adjust either to avoid a crisis or after the occurrence of a crisis. The crisis is defined as "budget deficits and current account deficits" (Bourguignon: 18). This condition was widespread in the beginning of the 1980s. Many developing countries during the 1970s postponed the payment of interests on foreign debt, resulting in the accumulation of interest which eventually became unmanageable. Foreign loans were used to finance public investments, "which sometimes proved not very productive" (Bourguignon: 11). In order for the indebted countries to have access to additional loans, they were required to adjust their economies. In addition to the internal factors, two international developments contributed to the crisis of many countries during the 1980s, a rise

in interest rates/scarcity of international credit, and a deterioration of the terms of trade (Bourguignon: 19).

The World Bank/IMF are often associated with adjustment policies, but some countries carry out their own adjustment programs independent of the World Bank/IMF after a crisis. Structural adjustment aims at restructuring the economy so it can become more efficient, and "structurally" less prone to crisis. Structural adjustment consists of two types of measures, stabilisation, and adjustment measures. Following is a review of each.

Stabilisation and adjustment measures

The process of structural adjustment is often a lengthy one. Some measures are deemed to be more urgent than others. Henceforth, structural adjustment programmes include short-term stabilisation measures, and longer term adjustment measures. Stabilisation measures are the domain of the IMF, whereas the World Bank is responsible for the longer term adjustment measures. The distinction between the short-term stabilisation policies and the longer term adjustment policies should, however, be minimised, since the two are practically conducted concurrently.

Stabilisation measures address the demand side of the economy, while adjustment measures are related to the supply side. The WB/IMF structural adjustment program is introduced in countries with serious financial imbalance. Specifically these problems include, "large balance of payments and fiscal deficits accompanied often by high inflation" (Weissman: 1622). The external deficit is the consequence of the cycle of loans and repayments on interest rates on debts incurred. Internally, the financial deficit is the result of policies of investments,

STABILISATION

*Measures that directly address financial crisis (reduce demand to decrease exterior deficit)

*Reduction in public investments

*Cuts in current expenditures (includes wages)

*Decelerate growth of money supply

*Devalue local currency

ADJUSTMENT

*Liberalisation of both foreign and domestic trade to increase efficiency of economy

*Rationalisation of state enterprise either by privatisation or by management reform so that subjected to market forces.

Privatisation not an end in itself

*Promote domestic liberalisation, so that agricultural prices would increase and terminate agriculture monopolies

*Reduce customs tariffs as it results in the restructuring of entire economy, especially industry.

Considered most important of adjustment measures.

Material compiled from Bourguignon.

often heavily subsidised, in non-productive sectors. To redress such 'short-comings', and to instigate growth, a number of measures are to be undertaken under the structural adjustment program. The above table summarises the different stabilisation and adjustment measures.

Stabilisation measures are applied almost as a prescription for the different countries. The 'standard program' to establish macro-economic balance ignores the specificity of each country's problems. Often associated with the implementation of stabilisation is the cut back on some public investments, which comes at social cost. Governments should opt for least social cost, but because of budgetary constraints "these countries are not able to finance compensatory transfers" (Bourguignon: 9).

The long-term adjustment measures require major changes in the "pre-existing patterns of resource allocation" (Roe: 3). The policies adopted in many developing countries during the 1960s and 1970s resulted in patterns of resource allocation that were often unsustainable because they were largely based on subsidies, directly or indirectly. The situation further deteriorated during the 1970s and early 1980s because of "violent shifts in international circumstances which had confounded the price and/or demand assumptions upon which major public and private sector investment decisions had been based" (Roe: 4).

It is generally recognised that structural adjustment programs have adverse effects on "employment, wages and government spending for education and health" (Bourguignon: 9). In most of the countries where structural adjustment has been implemented the per capita expenditure on education and health declined. The toll of adjustment falls most heavily on the poor, particularly the urban poor. The social cost involved in one of the adjustment measures is particularly high, namely the "rationalisation" of public sector enterprises. The measure involves retrenchment of employees, and "when implemented during a stabilisation programme, it could create explosive conditions in the cities. Compensation

programmes to aid the unemployed...are therefore indispensable" (Bourguignon: 15).

There is some indication that rural or agricultural areas stand to gain from adjustment measures. The liberalisation policies, particularly customs tariffs, have a negative impact on the "owners of overprotected and inefficient businesses, as well as their workers who have middle and high incomes" (Bourguignon: 14). The result is that "this policy lowers prices of manufactured goods relative to prices of agricultural products, which benefits peasants and decreases poverty when this predominates in rural areas" (Bourguignon: 14). Nonetheless, some measures such as the removal of subsidies on fertilisers or diesel fuel may lead to sharp increases in production costs to be borne by cultivators or consumers.

In response to the claims that the structural adjustment program proposed by the World Bank comes at great social cost, the Bank has increasingly taken this point into consideration by adopting a gradualist approach in implementing its projects, and the introduction of funding to support the most vulnerable groups during adjustment, for example funds for education, and employment creation.

Socio-political impact of structural adjustment

As has been previously indicated, structural adjustment does not fall evenly on all groups. The bias of structural adjustment is pro-rural, pro-private sector, and encourages stronger ties with international trade. This disrupts the hegemony that has predominated in most developing countries, consisting primarily of "a

'populist' dominant coalition based on the military¹⁶, the public sector, and urban, white collar interests" (Waterbury in Roe: 56). This coalition has encouraged import substitution industry, and has contributed to the siphoning off of 'wealth' from rural to urban centres.

Political instability is a potential hazard during periods of adjustment, particularly from the 'dispossessed' groups. An example of the threats a changing tide of fortune may bring about is that the aggrieved white collar unions and professional associations in Sudan brought down the regime of Gaafar Nimeiri in March 1985.

Another potential source of unrest is organised labour, particularly in a public sector dominated economy. Labour action may 'paralyse' sectors of the economy. Indeed, "failing to anticipate the grievances of a specific union may sometimes exact a high political price" (Waterbury in Roe: 57). The situation is further complicated in countries where unions are corporatised to the state, whereupon workers' action may take place independent of the unions, and hence less controllable by the unions. This represents the case of Egypt.

In populist regimes the consequences of adjustment are more severe than in other cases for organised labour. When 'rights' are withdrawn, this triggers violence that has as its goal to restore the withdrawn rights. Thus, "protests under a moral economy aim at resurrecting the status quo ante" (Posusney, 1993: 85). In a patron-client relationship, as that between workers and the state in Egypt,

¹⁶ It is to be noted that in most cases, the military would retain its dominant position after adjustment.

workers' protest is directed against the state (Posusney, 1993: 89). This has disruptive and destabilising implications.

Following is a summary table demonstrating the potential threats by different sectors.

SECTOR	ACTION
Organised labour	Strikes
Urban low-income/unorganised	Riots
Private sector, importers	Capital flight
Migrant and skilled labour	Capital flight
Public sector enterprises	Hoarding and unsecured borrowing

Compiled from Waterbury in Roe, p59.

It has been noted that stabilisation and adjustment programs do not per se cause violence, "they may ignite an already explosive situation" (Waterbury in Roe: 58). This may be the case as the causes of violence may be rooted in an unjust distribution of resources and wealth in a society. Nevertheless, whether cause or catalyst for the outbreak of violence, the implementation of structural adjustment measures carries a destabilising effect for the economy. There is a concern that the short-term political effects of structural adjustment have been exaggerated. The 'political sustainability' of structural adjustment "can no longer be confined to the immediate reaction of particular groups to ill-tasting medicine; rather it becomes the willingness of the body politic to accept a lengthy course of treatment" (Weissman: 1623).

Impact of structural adjustment on employment

The impact of structural adjustment policies on employment is evident in two areas, the increase in the informal sector, and the pro-rural/agriculture trend. Adjustment results in a "disequilibrium between labour supply and labour needs of the formal sector" (Bourguignon: 32). Labour that exceeds the need is absorbed in the informal sector activities. Due to increases in unemployment, which seems to be structural unemployment on a world scale, the informal sector is swelling in developing countries.

Informal sector workers are more vulnerable than workers in the 'formal' sector. It serves as a refuge for the unemployed where there are no unemployment benefits (Bourguignon: 12). This is a significant issue because a point of difference between a discussion of unemployment in developing countries and in the developed world is that in the latter, unemployment "is linked in part to a system of unemployment benefits" (Bourguignon: 31). In the context of a developing country, where such benefits, more often than not, do not apply, the unemployed are left basically to cater for themselves.

Employment in rural areas is not drastically influenced by structural adjustment. Instead, there are indicators that there is a revival of rural employment during adjustment periods, largely because of the favourable impact of liberalisation in agriculture. It is important to note, however, that there may have already existed some factors in rural areas that do not allow for the 'take off' supposedly resulting from adjustment policies.

Structural adjustment seems to have an opposite impact on the wages in the public and the private sectors of the economy. Due to cut backs in public

expenditures, one of the measures of stabilisation, wages in government/public sector are reduced (Bourguignon: 35). In cases of adjustment during a crisis, real wages decline in the public and private sectors. If adjustment occurs before a crisis, however, a decline did not occur because only moderate budget cuts were made (Bourguignon: 12).

Given the almost inevitability of increases in unemployment and in poverty, it has been suggested that among the measures governments in developing countries take is the implementation of programs of worker training/retraining, and identification of areas where jobs may be created, as in the agricultural sector. One of the areas identified as one of high potential for employment generation is that of small-scale enterprises, particularly for the vulnerable groups (e.g.. women). While it is desired that "workers' rights are safeguarded and adequate standards of social protection are provided for workers engaged in such enterprises" (Pursey: 239), from an organisational perspective, such workers may remain un-unionised and therefore vulnerable.

Adjustment should, in theory, encourage the participation of workers in decision-making, "but co-operation with employers and governments must be based on the confidence that change will result in improved conditions of work and life. The experience of the 1980s has not created such confidence" (Pursey: 243). The scenario does not seem to be particularly a positive one, after all about 40% of international trade is carried out by transnational corporations, which are a few in number. Governments and trade unions in developing countries have little control over the profits, marketing, or decision-making within such corporations (Pursey: 243).

In concluding the part on structural adjustment, some remarks are due. Based on some experiences of structural adjustment, the overall the programme has helped create an "improved framework for economic growth" (Weissman: 1632). Economic indicators did pick up, "but this is a fragile trend, one that could be disrupted by bad weather, adverse terms of trade, and the vagaries of international assistance" (Weissman: 1632). Economic growth, however, is not sufficient, because often SAP comes at great social cost, despite various poverty alleviation measures. An equally serious concern is that structural adjustment liberalisation policies "seemed to founder on a failure to address the very institutional weaknesses in the private sector that helped produce the need for adjustment" (Weissman: 1632). Thus it is not possible to rely on economic indicators to assess the success of adjustment measures.

Having thus examined the background to adjustment measures, following is a discussion of structural adjustment in the case of Egypt.

The IMF and World Bank in Egypt

In order to finance the development plans of the government, Egypt obtained during the period from 1973-1977 medium- and long-term loans from Arab countries/Arab funds. However, in order to meet the demands of the extensive importation policy, the government resorted to short-term loans. But, the period 1973-1977 indicated that despite the government's policies to encourage foreign capital investments, only a small amount of foreign capital was invested in Egypt during that period. Thus, in order to address the problem of cash solvency, Egypt started negotiations with the IMF and World Bank. This is the background

against which structural adjustment is to be understood. Egypt does not represent a unique case. Many developing countries share similar experiences.

When negotiations began in March/April 1976 with the IMF/World Bank, these agencies saw that Egypt needed a structural reform program, adjustments in economic and fiscal/monetary policies. The basic features of the reform program were stated as follows. The establishment of a foreign exchange market, with a flexible exchange rate mechanism. This was to be carried out jointly by the Central Bank, commercial banks, and the Ministry of Economy. Second, the central bank can intervene in cases of sudden or unexpected changes in the market by selling or buying currency. Third, it was recommended that there be a gradual transformation of exports of public sector enterprises to the commercial market, and that a commercial exchange rate be applied to capital transfers. The exports of private sector enterprises are not to be restricted. Finally, the exchange rates of the different currencies were to be fixed against the US dollar (Awadalla: 337).

The Egyptian government was reluctant to adopt these policies because there was a risk of exacerbating inflation, and affecting subsidies. Thus, the Egyptian government turned to Arab countries for loans. The so-called "Gulf Fund for the development of Egypt" was founded, but it agreed to provide Egypt with the loans only if the Egyptian government signed the agreement with the IMF. The government of Egypt was forced in 1977, to comply with IMF terms and conditions and started the implementation of IMF recommendations by reducing subsidies on some basic commodities. The consequence came in the form of the food riots of January 18 - 19, 1977, whereupon the government backed out of

implementation. During that brief period the “Gulf Fund” was used for the repayment of short-term debts, however, this source of funds was terminated with Sadat's visit to Jerusalem in 1977. In March 1977 Egypt signed the Letter of Intentions with the IMF.

Role of the IMF

The IMF sets the terms and conditions to address economic imbalances in developing countries burdened with debts. The government of Egypt signed several Letters of Intention with the IMF. As mentioned above, Egypt signed a Letter of Intentions in 1977, and once again in 1978 whereupon Egypt received a three year loan of US\$ 720 million. The loan was to be used for the balance of payments deficit, and some reform in the fiscal/monetary policies. In May 1987, Egypt signed a new letter of Intention with the IMF, by virtue of which Egypt received a loan of US\$ 327 million over 18 months for the reforms in the fiscal and economic policies.

The IMF views that the basic problem in the Egyptian economy is the imbalance between supply and demand, which results in balance of payments deficit, a deficit in the budget of the government in order to address this problem. The IMF recommends that the interest rates for loans be increased, as well as placing credit ceilings to the government and the public sector. Another measure encouraged by the IMF is the reduction of the external value of the Egyptian Pound, and fixing its pricing, which would reduce the price of exports and hence increase demands for their exportation. On the other hand, reducing the value of the Egyptian Pound would increase the price of non-essential consumer goods, thereby reducing the demand for them. Finally, the reduction of the deficit in the

balance of payments by increasing revenues, through increasing prices of goods of the government/public sector, a gradual erosion of subsidies, and adjustment of the taxation system.

The World Bank

Since the beginning of the 1980s the World Bank initiated loans for structural adjustment, loans usually given to countries after the signature of the Letter of Intentions with the IMF. Based on the World Bank report on the Egyptian economy (1985), it is pointed out that the Egyptian economy went through problems during 1981/1982 due to the fall in prices of oil world wide, and a decrease in the remittances of Egyptian workers abroad (mainly in the Gulf). The periods of 1983/84 and 1984/85 were of crisis. Foreign currency was largely unavailable, both in the Central Bank and in commercial banks. In response to this shortage, in January 1985, the government of Egypt banned importation without exchange of currency, and imposed limitations on imports, two measures the World Bank strongly criticised.

As for the “prognosis” of the World Bank for the Egyptian economy, it was tackled on a sector-by-sector basis. The World Bank report identified that there are some problems/obstacles in agriculture. The most significant of these are, the scarcity of agricultural land, poor irrigation systems, and poor pricing policies for agricultural products. The report also pointed out that a considerable amount of resources is directed to land reclamation, albeit with dissatisfactory results. In the industrial sector, the value-added ratio decreased significantly in the early 1980s, as a consequence of poor maintenance due to lack of funds, raw materials, and others. Also, the increase in loans has strongly impacted the private sector. The existing

policies encouraged certain types of industry (high expenditure industries) at the expense of other more competitive industries (Awadalla: 412). The energy sector also posed problems because demand for it was very high due to the relatively low prices for its products. Thus, according to the World Bank report, there was a need to increase prices to reduce demand.

The World Bank report pointed out that the major sources of economic growth during the seventies, namely, oil, workers' remittances, Suez Canal revenues, and tourism will decline, and accordingly, a structural adjustment program should generate new/additional resources, and decrease deficit in the budget, by decreasing the demand for imported goods. One of the major concerns of the World Bank is the necessity of increasing prices to reflect adequate levels in all sectors of the economy.

Thus, the major recommendations of the world bank with regard to a program of structural adjustment are the following: the removal of price regulations including subsidies, reforming the relationship between public and private sectors so as to encourage the latter, deregulation of exports and imports, and finally reform of taxation system to encourage foreign and local capital investment.

The bulk of the proposed reforms affected workers more than any other sector in society. Workers in the public sector are particularly affected by the reforms. With structural adjustment, the liberalisation policies adopted by the earlier regimes were being taken to the limit. The benefits of the program were nationalised, but the down-side of SAP for workers was argued to be beyond the control of the government. Furthermore, the government argued (as did the trade unions) that the best deal possible was obtained. The working class as a political

power base decreased in significance to the regime, but the trade union movement was further coopted to control labour.

The Mubarak Years

The bulk of the Mubarak years was similar to the 1970s. The government further integrated the ETUF in the system, and the ETUF also provided the government with support. In 1985 the Workers' University was established. The University is controlled by the ETUF. The University "is a non-degree institution which provides training and education to the trade unionists" (Bayat, 1993: 77). The Workers' University, or as it had been referred to earlier the Workers' Educational Institute, had been a long-standing demand of the ETUF. In 1983 the Workers' Bank was established. The ETUF and other union organisations provided 50% of the capital of the bank (El-Banna, 1995: 533). The bank was also financed by pension and social insurance funds. Thus the ETUF "has been allowed to join in the widening movement of syndical capitalism by using pension funds and state subsidies to establish its own economic enterprises" (Bianchi, 1989: 130). Also, during the Mubarak era, the ETUF increased its involvement at the international level by participation in several organisations, such as the ALO (Arab Labour Organisation), OATUU, and ICATU.

Workers, trade unions, and globalisation

The boom of the late seventies¹⁷ started to slow down by the early 1980s. Starting 1982/83 there began a decline in oil prices, resulting in a slowdown in the undertaking of some major projects and the cutting back in number of foreign workers in the oil-rich countries. There were consequences for the Egyptian economy, which was beginning to go through a crisis. The Egyptian economy was to a large degree a rentier economy. State revenues were derived primarily from the Suez Canal, tourism, the sale of oil, and worker remittances. Thus the decline in oil prices hit the Egyptian economy at two levels: the revenues from the sale of oil, and the reduction in the remittances of Egyptian workers in the oil-rich countries.

Increasingly, the government came under pressure from the international financial institutions to take steps to redress the imbalances in the economy. The decline in the growth of the economy resulted in inflation/price increases. The Mubarak government adopted a gradualistic approach to reform, to avoid the mistake of January 1977. Workers were impacted in a number of ways. Mubarak noted in 1983 that there was no more wage raises. Some subsidies were removed, and in September 1984 a law was issued, backed by the ETUF, doubling the contribution of workers toward health and pension insurance (Bayat, 1993: 78).

¹⁷ Waterbury has aptly described this period as “seven ‘lean’ years of low growth and little investment, 1967-74, ... followed by seven ‘fat’ years, 1974-81” (Owen, 1983: 12).

A new wave of strikes and worker protest started in 1983, stronger than the previous wave of 1974-7. The strikes occurred in all the major industrial centres in Egypt: in Helwan, Shubra Al-Kheima, Mehalla Al-Kubra, and Kafr al-Dawar. The new wave of strikes revolved around issues that were not new demands, rather, for the most part the protests were over "accumulated and recognised rights" (Ezz El-Din, 1987a: 141). The workers' demands in this wave of strikes as well was focused around wages, incentive pay, and insurance, primarily economic issues. For example, in February 1983 the workers at the Nasr Company for Chemicals and Pharmaceuticals demanded increased incentive pay and other compensations. Another example is the case of the worker protests held in August 1983 at the #36 factory in Helwan, wherein workers demanded cost of living increases, and the payment of incentives which had been held (Posusney, 1991: 240).

As indicated, many of the strikes of the mid-1980s started because a legal right of workers had been denied or withheld. An example is the case of ESCO which is a spinning and weaving company in Shubra El-Kheima, where workers went on strike in 1986 to demand they be paid seven days rather than for six days per week¹⁸. Whereas workers had won the case in court, yet, management did not comply with the ruling (Shafei, 1993: 48). Workers received no support from their trade union committee prior to the strike. It was only after the workers went on strike that the trade union committee supported workers. After the strike, which was quelled by the police, the management of the company conceded to

¹⁸ This case was not unique to ESCO.

the seven day per week pay, albeit on a piece-meal basis (Shafei, 1993: 50-1). It was by strike action that workers obtained their demands.

One of the features of the strikes and worker protests was that they were carried out outside, and often against, the trade union organisation. The trade unions did not address the workers' demands, and sometimes when a protest took place, they became involved at a late stage. The worker protests were basically spontaneous, carried out in many cases by informal leadership (Ezz El-Din, 1987a: 143). A case in point is the Railway Drivers League, which is a charitable association, not a union (Ezz El-Din, 1987a: 143). Indeed, the Railway Drivers League played an important role in the train drivers strike in 1986 (Posusney, 1991: 154). Besides the worker leagues, other 'alternative' groups are the leftists¹⁹ who have played an important role in some major strikes (Serafy, 1992: 204).

The support the workers received from the informal groups contrasts sharply with the reaction of their trade unions. At best, workers received lukewarm support from the trade unionists, and at times, the workers were criticised by the trade unions and called 'trouble makers' (Badawi in Abbas: 57). In a study of worker protests from 1988 to 1991, out of a total of 242 protests 156 were carried out outside the trade union committee, 11 against the trade unions, and 38 were carried in enterprises without unions (Badawi in Abbas: 62). The worker protests during 1988 to 1991 were, as earlier, primarily for economic concerns.

¹⁹ Among the most distinguished of the leftist groups is the *Sawt Al-Amel* group, as portrayed in the study by Posusney.

Though most of the worker protests were among public sector workers, since the mid-1980s there was an increase in private sector protests, due to the expansion of the latter during Infitah (Posusney, 1991: 243). Nevertheless, private sector protest was not a big proportion. For example, from the period 1988 to 1991, out of a total of 242 protests, 23 labour protests were in private enterprises, and 40 were in the 'investment' sector (Badawi in Abbas: 72). Economic demands were prominent among the private/investment sector protests, as in the case of the public sector.

However, one of the issues that must be highlighted is the fact that some of the protests in the private sector took place without a union committee. The unionisation of the private sector in industry is problematic. On the one hand, it requires that the number of employees in an enterprise be 50 at least to allow the formation of a trade union committee. On other hand, "in smaller plants, workers desiring to unionise must find other small plants performing similar work, and then band together in a regionally-based local" (Posusney, 1991: 156). Partly as a reflection of the increasing significance of the private sector from a political perspective as well as an economic one, minimum wage legislation similar to that of the public sector was introduced. But, wage increases lagged behind those of the public sector. In 1980, the ETUF negotiated an agreement with both the Federation Of Chambers Of Commerce and the Federation Of Chambers Of Industry to increase wages for private sector workers. Also, Law 137/1981 was passed which, among its provisions, required annual raises in the wages of private sector workers (Posusney, 1991: 238).

A final observation about the outcome of worker protests that took place in the 1980s is in order. The worker protests have been defined in numerous studies as directed against the state. That characterisation is correct in the sense of state as employer. The response of the regime was a combination of partial concession to workers' demands, together with an intolerance of the methods used by workers. Worker protests were addressed and resolved 'from above', not through negotiations between workers, their representatives, and management. This was institutionalised in the industrial relations system in Egypt, as evidenced by the statutes and laws that regulate wages and conditions of work (Ezz El-Din, 1987a: 143). The settlement of industrial disputes through courts was further advanced in the aftermath of the riots of January 1977. Abdel Latif Bulteya, the president of the ETUF and simultaneously the Minister of Labour "issued a number of directives aimed at speeding the settlement of individual and collective workers' complaints, and generally improving industrial relations" (Posusney, 1991: 236). Thus, this system makes collective bargaining meaningless, and instead focuses on the role of trade unions as mediators between workers and management.

Conclusion

Economic liberalisation and globalisation are challenging the trade union movement in Egypt. In one direction there are pressures for state-dependent, corporatised trade unions, and there are equally strong forces pushing in the other direction for an independent pluralist trade union movement. As discussed in this chapter, the impact of the implementation of economic reforms on workers has proven to be potentially politically destabilising. The regime has responded by further increasing the corporatisation of trade unions, particularly at the ETUF

level. One finds that in trade union elections, some trade union committees at the enterprise level, and some trade union boards at the general union level win by default, without going through the process of elections, as documented for the elections of 1979, 1983, 1987, and 1991. Turnover in the committees and boards at senior level was low, and rarely as a response to pressures from below. Indeed, this situation came under much criticism from trade unionists themselves, who argued that the presidency of the ETUF "had become indistinguishable from the state bureaucracy" (Bianchi, 1989: 141).

Increasingly, trade unions became more concerned with their survival as organisations rather than as representatives of the workers. A blatant example involves the talks between Sadat and the ETUF on January 21, 1977. The meeting was held to discuss the riots of a few days earlier and the price hikes that the ETUF objected to. In the meeting with Sadat, the ETUF used the fact that the regime was on the defensive to try to promote the organisational interests of trade unions rather than the interests of workers. Thus, in the meeting the ETUF made a compromise by agreeing to drop pursuing the formation of a workers' party in return for "the demand for regular and structured channels of communication between the ETUF and the government, and for implementation of the provisions of the 1976 labour law which gave the confederation consultative rights on all draft legislation affecting workers" (Posusney, 1991: 134). The ETUF also requested that the general unions be granted the same rights as the ETUF.

Ultimately, two factors reinforce the corporatist tendency in the trade union movement. First, so long as the trade union organisation was a hierarchical structure, with power residing at the top level, it remained under the control of

the ETUF. By co-opting the unionists at the ETUF level, particularly the senior level which became a 'self-perpetuating elite', the government ensured a 'tame' trade union organisation. Second, regardless of the problems of trade unions as representatives of workers, trade unions remain, nonetheless the only formal channel through which workers could make their demand. Although there were numerous strikes, sit-ins, and other forms of worker protests, these remain illegal. Thus, the government was able to control the workers, and "as long as workers made their demands through the controlled unions, they were diverted from overt anti-system activity" (Hinnebusch: 245).

The corporatist tendency within the trade union movement, however, was challenged. First, among the rank and file unions began to lose their credibility. Unionised workers sought alternatives to the trade unionists, due to the failure of the latter to adequately address their demands. The alternatives, such as the informal worker leagues, however, have limitations because they are 'informal' and uninstitutionalised. The pressures also came from within the trade union organisation itself, from among unionists. On the one hand, there are those opposed ideologically to the direction of the trade union organisation, most prominent of whom are the leftists. The locus of their dispute is the issue of the fate of the public sector under liberalisation. The leftist unionists are distraught by the adoption and support given by the ETUF to pro-market, pro-business policies (Bianchi, 1989: 143-4). The 'leftist' group is becoming increasingly vocal in its criticism of the 'official' trade unions, particularly the ETUF, as privatisation plans proceed as will be discussed in the following chapters.

Another factor that works against the unitary, corporatist tendency in the trade union organisation is that divisions within the working class could no longer be addressed through one hierarchical organisation. There are differences among the various industries "in size and heterogeneity; in industrial, white-collar, or agricultural membership; and in public, private, or foreign employers" (Bianchi, 1989: 142). The classification and re-classification of industries into general unions/federations rarely reflects such differences. Although ETUF officials argue that "a single peak association ended the historical fragmentation of the labour movement, there are growing doubts within many affiliates that the interests of all workers can be served any longer by one association" (Bianchi, 1989: 142).

The end of the era of import-substituting-industrialisation as the motor of (industrial) development, combined with economic liberalisation, and globalisation, resulted in some sectoral changes within industry. Some industries benefited more from liberalisation than others, for example textiles, and furniture. Simply stated, some industries are more competitive than others, and some workers are more skilled than others. In the relatively 'open' labour market, skill differentials are rewarded in the form of increased wages, and competitive industries could demand better wages and working conditions. The trade union organisation, as it exists, however, does not operate along this line. It rewards years of experience or seniority rather than skill²⁰ (Goldberg, 1992: 158-9). Many workers in Egypt seek additional employment in the private sector. This is

²⁰ However, in some cases skill is acquired with years on the job.

basically because the wages received from their (public sector) job are not adequate to meet the cost of living. This system works particularly well for skilled workers. Their skills are rewarded but without resorting to the trade union organisation. The trade union thus is irrelevant to them.

In the final analysis, the resolution of the dilemma trade unions are in will depend on a number of factors. However, perhaps the most detrimental factor in understanding the future course of events is the overlap in time between the liberalisation of the Egyptian economy and the globalisation of the world economy. Phrased rather crudely, liberalisation came to Egypt rather late. Had liberalisation taken place earlier, the conditions for the development of an independent trade union movement may have taken root. The experience of privatisation is further challenging trade unions, and as is discussed in the following chapters, it is reinforcing the corporatist tendencies.

Chapter Four: Public Enterprise Reform Between the World Bank and the Egyptian Government

In response to the re-emergence of the crisis in the Egyptian economy by the mid-1980s, the International Financial Institutions (IFIs), the World Bank and the IMF, proposed a number of stabilisation and adjustment measures deemed necessary to address the crisis. The government of Egypt adhered to the reform measures. The GOE, however, had some manoeuvrability in the implementation of the reforms, dictated to some degree by concerns for internal stability. The reform measures proposed by the World Bank and those adopted by the GOE clearly point to the primacy of economic considerations, often at the expense of 'social' ones. The reforms of public sector enterprises are a case in point.

The following discussion examines the implementation of SAP measures by the GOE, with a focus on measures to privatise public sector enterprises. The previous chapter discussed the basic features of the reform program recommended by the World Bank and IMF in addressing the problems confronted by the Egyptian government. However, in order to examine the response of the Egyptian Government to proposed reforms, it is first important to shed light on the precise reform measures suggested by the IFIs.

Economic Reform and Structural Adjustment Program (ERSAP)

Policies proposed by the IFIs for Egypt are divided into growth-oriented adjustment measures and stabilisation measures. While the reforms recommended are deemed to be necessary for the attainment of equilibrium and sustainable

growth, the World Bank recognises that some segments of the population will be negatively effected by the reform measures in the short-run (World Bank, 1990: 24). Without reforms, the World Bank argues, the social costs “would be even higher” (World Bank, 1990: 24). As stated in the World Bank report, the reform measures do not constitute “a major departure from the reform policies already pursued by the Government but rather foresee their broadening, strengthening and speeding up” (World Bank, 1990: 52).

The scope of the reform program is comprehensive. It is divided into four major policy areas. First, a number of *growth-oriented adjustment policies* were outlined by the World Bank that aim to ‘rationalise’ and prioritise public expenditures, as well as encourage private sector involvement¹. The key to adjustments proposed was increased efficiency in the utilisation of resources. The shift signalled a focus on quality rather than quantity, so that “the kind of growth that Egypt can expect to achieve will not be, as in the past, based on increases in resources” (World Bank, 1990: 25). Adjustment measures were proposed for the agricultural, industrial, and services sectors.

Other areas of adjustment were also deemed important to promote growth, such as exchange rate liberalisation, changes in tariff laws, reforms in pricing policies, and public enterprise reforms. The World Bank recommended that further steps should be taken toward adjusting the Egyptian currency in relation to foreign currencies in a manner that would reflect a truly competitive rate. A competitive exchange rate

¹ Indeed, the encouragement of the private sector is considerably emphasised in the World Bank report.

would “[stimulate] exports and is vital to both growth and stabilisation” (World Bank, 1990: 31). As in the case of exchange rate liberalisation, the Egyptian government had already adopted some measures to liberalise external trade. However, more steps were needed to liberalise foreign trade, such as the removal of protective tariffs. From the perspective of production, measures to reform pricing policies were deemed essential to enhance growth (World Bank, 1990: 32). According to the World Bank, the impact of ‘price distortions’ are greater for industry than for agriculture, as the latter has fewer ‘distortions’ than the former. The World Bank promoted reforms to energy prices, and the (gradual) removal of subsidies on raw materials and intermediate products, which are considerably subsidised (World Bank, 1990: 32-4).

Public enterprise reforms are of particular importance for the current research. By taking into consideration the size of public enterprises (PEs), in terms of employment and output, it becomes understandable why it came under particular focus by the World Bank. There are in Egypt 370 public sector enterprises distributed over 18 Ministries. The PEs constitute the bulk of the industrial sector, where the PEs “represent 60 percent of the sector’s value-added, 82 percent of the capital stock, [and] 54 percent of employment” (World Bank, 1990: 34). According to the World Bank report, the PEs have been performing inefficiently due to a number of reasons. The report highlights that these enterprises aimed to “efficiently produce goods or services plus serve various social objectives (e.g., provide subsidised staples to consumers and increase employment)” (World Bank, 1990: 34). Added to this are other reasons that hamper growth already discussed earlier, such as low energy prices and subsidised raw materials.

In order to redress the problem of PEs, the World Bank recommended a number of areas of reform to meet the objectives of increasing the efficiency and finances of PEs. Institutional reforms were recommended by virtue of which the autonomy of management would be increased. Thus, by making management more autonomous and accountable, it was hoped would lead to more efficient performance by making PEs more competitive and less bureaucratic (World Bank, 1990: 34-5). The report also advises that public investments be more selective, and it gives a bigger role to Public Sector Corporations in project review and selection. Another area of reform in PEs is that of employment. PEs are deemed to suffer from “overstaffing, an inadequate skills mix, and rigid labour laws concerning hiring and dismissals” (World Bank, 1990: 35). In this system, level of education and seniority determine wages and promotions. This results in a situation where there is a lack of motivation on the part of workers, and a lack of skills that may improve performance (World Bank, 1990: 35). Financial reforms were also proposed for PEs. Management in enterprises would play a role in determining the allocation of surplus, and in making PEs abide by the ‘laws of the market’ (World Bank, 1990: 36). Perhaps it is important to highlight that the World Bank report does not specify that PEs must be privatised, rather it envisages that reform might improve their competitiveness with the private sector (World Bank, 1990: 34). Indeed, the World Bank report states that ownership is not as important as efficient management, and that public ownership and efficient management are not mutually exclusive (World Bank, 1990: 36).

The second area of reforms under ERSAP is stabilisation measures. Stabilisation measures address macro-economic problems, and are necessary for the success of

the growth-oriented adjustment measures outlined above. Reforms in fiscal and monetary policies, as well as wages and the exchange rate were proposed. The budget deficit was one of the focal points of reform. In order to reduce inflation the government had to reduce both external and internal borrowing. The latter had a particularly negative impact on private sector development. Also, the report recommended the government that it reduce issuing money, in order to curb inflation (World Bank, 1990: 38-9). Among the most important monetary reforms were the increase of interest rates, and limiting credit ceilings. The report also points out that there is a need to reform the wage policies, and that such a change would result in the short term in wage reductions. The report, however, indicates that the longer-term gains of such reform would be positive, such as stimulation of job creation (World Bank, 1990: 45).

Third, the ERSAP measures to reform the performance of the Egyptian economy emphasises the necessity of resource mobilisation. Revenue generating measures are as important as expenditure reducing ones. The World Bank thus states that measures such as increasing energy and electricity prices, reducing the subsidies on raw material and intermediate products, as well as non essential food are necessary. In addition, the report points out that the taxation laws in Egypt need to be revised, in such a manner that would collect revenue and be progressive (World Bank, 1990: 41-2). Other measures include the introduction of user charges for education and health services. Resource mobilisation measures are perceived as indispensable to the growth-oriented and stabilisation reforms.

Finally, the report of the World Bank acknowledges that reforms will come at some social cost. In this regard, the World Bank proposes that there is a need to

develop tools to better target the sectors in society that are negatively impacted by the reforms. Such measures include selective provision of subsidies so that it reaches the most needy, and equally important to refine the methods and criteria for identifying the poor (World Bank, 1990: 47-8). In order to address this concern, as well as to 'contain' the 'new' development of Egyptian returnee workers from Iraq after the Gulf War², a Social Fund For Development was established (World Bank, 1991: 11). The Social Fund was partly financed by the IDA, and aimed to provide "a short-term safety net to vulnerable groups" (World Bank, 1991: 32).

The Social Fund for Development (SFD), launched in 1991, was officially created to cushion the economic impact of structural adjustment on those 'most adversely affected' by ERSAP. The SFD mission statement is to provide a "comprehensive package" of assistance to the aforementioned target group. It includes community development, public works, enterprise development, and labour mobility programs. The bulk of the funding for the SFD is from the World Bank and a number of international and bi-lateral donors, but the government of Egypt is also involved. In fact, there is a strong case to argue that the SFD was created to cushion the political impact of adjustment as much as, if not more than, the economic impact. The SFD has received much propaganda as a 'government' project in national newspapers, and more recently a weekly program on television where the small enterprises established through the SFD, complete with interviews

² It is important to note that the participation of Egypt in the Gulf War paid off, in the form of some debt relief approved by the Paris Club.

with the 'beneficiaries' (mainly unemployed youth), is aired on one of the national channels. Thus, what the government takes with hand, it gives back to "the people" with the other hand.

The reform and adjustment measures proposed by the IFIs address what are beyond a doubt serious problems facing the Egyptian economy. The reforms, however, apply a primarily economic standard, sidelining social considerations from development strategy. By so doing, the inequalities in society increase. The selective social targeting proposed by the World Bank may provide some assistance in the period of transition to some people, but it is not sufficient. While the selective targeting is geared at the poorest of the poor, many who are not among the poorest do suffer from a considerable decline in their standard of living. Among the groups who are negatively impacted by structural adjustment measures are workers. Following, in the current chapter and after, there is a focus on how public enterprise reforms are implemented in Egypt, their implications for workers, and how trade unions respond to the situation.

The Thousand Days Program

As discussed in the previous chapter, the GOE started the implementation of some measures to reform the economy in the 1970s, in particular stabilisation measures. However, it was not until the 1990s that the government took major steps to implement the structural reform program. Previous negotiations with the IMF had floundered in 1987, but they resumed in 1991 (Wahba: 58). According to the IFIs, Egypt was not carrying out the reforms quickly enough. At the same time, the Egyptian government insisted on gradual reforms, in great measure in fear of a repeat of the January 1977 riots.

What may be considered the 'manifesto' of the government concerning structural adjustment was the *Thousand Days Program*. The thousand days program does not have the same significance as the March 30 Program or the October Working Paper, but it nonetheless does provide an orientation of the government concerning reform of the economy. It does not signal the initiation of structural reforms, rather, the Thousand Days Program was a 'justification' to carry out the reforms. At the behest of Mubarak, The People's Assembly was requested to prepare the program to finalise the liberalisation of the Egyptian economy in one thousand days. Various committees at the People's Assembly discussed the program in 1991, after which the Thousand Days Program was voted and received the unanimous approval of the People's Assembly (ARE, 1991: 2). The structural adjustment program was thus 'nationalised'.

In outlining the objectives of reform, the Program states that liberalisation of the economy is not an end in itself, rather, it is "a means to achieve the real aims of [the] program" (ARE, 1991: 3). The objectives of the program are five: the attainment of growth in order that the economy may 'take-off'; the abolition of unemployment on a gradual basis by creating about half a million jobs annually; balancing savings and investments on the one hand, and consumption and production on the other; cutting back on government expenditure; and limiting foreign indebtedness by mobilising Egyptian resources (ARE, 1991: 4). The Program gives an important role to the 'business' or private sector in achieving the objectives of reform. It is defined as the "drive and incentive to economic revival and to achieve economic and social development in Egypt" (ARE, 1991: 5). Toward that end, the Program recommends that institutional and legislative

obstacles to the promotion of the business sector be reviewed. One thus finds that the stated objectives of the Thousand Days Program reiterate the recommendations of the IFIs for Egypt.

The Program is comprehensive, addressing reform at the political, economic, legislative, and institutional levels. Since the Thousand Days Program is in the first instance a public relations measure, it is not necessary to provide the details of the various elements of the program. The general orientation of the Program is toward redefining the role of the state under liberalisation. The role of government would increasingly be a supervisory and consultative role. The Program states clearly that the role of the government would remain a very important one (ARE, 1991: 10). The state would have an increasingly regulatory role, by the "provision of legislation, management and legal frameworks that permit the undertaking of economic activity in a way that guarantees sound competition, continuity and efficiency" (ARE, 1991: 10). The state would also intervene to correct the 'failures' of the market, such as "limiting monopoly and manipulation of prices" (ARE, 1991: 11). In addition, the state would provide basic social services such as education and technical training to promote increased productivity. Another issue dealt with in the Program is adoption and encouragement of policies that would enhance competitiveness in the market, decentralisation of decision-making, and increasing accountability, legally and administratively.

Concerning public sector reforms, the Program indicates that liberalisation does not imply the dissolution of all public sector enterprises. Rather, liberalisation implies reducing bureaucratic constraints, and entails the application of sound economic criteria on the performance of enterprises, thereby separating

management from ownership (ARE, 1991: 17-8). In the discussion of privatisation it is pointed out that transferring enterprises to the private sector has rendered them more 'efficient'. The Program proposed the possibility of privatisation for enterprises that "do not produce nor sell strategic goods" (ARE, 1991: 19). It is to be noted, however, that there is no mention of what constitutes a 'strategic' good.

Following is an examination of the process of implementation of structural adjustment to public sector enterprises in Egypt. The study is based on interviews in two public sector enterprises, a tobacco company and a glass manufacturing plant. Interviews were carried out primarily with management personnel and workers' representatives in the trade union committees. In addition, some interviews were carried out with trade unionists who are politically active in opposition parties.

State and Management of Public Enterprises

In the case of Egypt, the creation of public sector enterprises has played an important economic role in the government's attempts to promote a social and economic development program. The "route" to fulfilling that development program emerged over time, partly as a response to the failure of earlier attempts of the government to involve the private sector in the government's industrialisation plan. However, despite the extensive nationalisations particularly of 1961-63, the government did not have absolute hegemony over the economy. A private sector persisted in both the manufacturing and agricultural sectors, albeit a small one. The government enforced its ownership and control over the productive sectors through a web of administrative/legal regulations. This took the form of setting production targets, price controls, and perhaps more significantly the

distribution of goods. It is indicated that the distributive role of the public sector exceeded in significance its productive role (Waterbury, 1993:2).

It became increasingly apparent that the public sector would not be able to attain the development objectives set out by the government. The public sector, particularly manufacturing was increasingly burdened with debts. It was against this background that in 1974 Sadat introduced the Infitah or Open Door policies. This Infitah stage of economic liberalisation tried to encourage investments from local and foreign capital. Incentives to invest in the economy took the form of exemptions from taxes, relaxing the rules on sources of income, and the introduction of laws that, in theory, gave more autonomy to management in public enterprises. The ultimate result of Infitah was, however, to inject life to the private sector, with minimal changes to the structure and function of public enterprises. As Henley and Ereisha point out, the result of Infitah was "the restoration of dynamism to an already existing parallel private economy rather than reform the public sector" (Henley and Ereisha, 1989: 70). In retrospect the Infitah policies of economic liberalisation did not strengthen the productive private sector, rather it resulted in a mushrooming of import and export businesses, with the emphasis on the former. Thus, the market became flooded with imported goods that competed with the goods produced by the public sector enterprises.

The disillusionment with the private sector as it developed since the Infitah period is reflected by a former Chairman of the Board of Directors of a public sector company, he said:

Management in the private sector does not exist, and where it does exist it is taken from the public sector. There is no economic vision, no planning

for production. There is only speedy production. <AZEI-Din, RACITA, 17/8/1994>

The extent of regulations that exist, even with regard to the private sector led many to doubt whether it is possible to refer to the existence of a private sector in the true sense of the word <OAbu-Ismail, Maragel, 20/8/1994>.

The open door policies did not alter the condition of public sector enterprises significantly. They remained institutions under the management and regulation of the state. For example a labour law was issued (Law 48/1978) entitled Public Sector Employees Law. The law covers various aspects of employment, such as wages, incentives, promotions, performance evaluation, social security, among others. The law replaced previous legislation concerned with public sector employees. Though the law did not alter previous laws significantly, it nonetheless gave management in public sector enterprises a degree of flexibility (Waterbury, 1993:241). The public sector, however, remained a financial burden. Politically, public sector enterprises were not allowed to go into bankruptcy, despite the serious financial problems confronted by them, mainly a result of the combination of subsidised prices of goods, and decreasing productivity. Public sector enterprises were allowed to borrow from state banks in order not to go into total bankruptcy. In an interview with a previous Chairman of a Public sector company he said that, "Credit for the public sector is unlimited, it is open. The size of the debts of the public sector to banks is written off," <AZEI-Din, RACITA, 17/8/1994>.

With structural adjustment the government is promoting policies towards a market economy. Economic liberalisation as per the World Bank formula has meant that

public sector enterprises would have to function as viable economic units. The government opted for privatisation as the inevitable solution. Yet an examination of the role government is playing in managing the transition of public sector enterprises to the private sector highlights the political significance of the public sector. The process contains many contradictions.

It is important to note that prior to SAP, there have been attempts on the part of the GOE to reform public sector enterprises. For example, in 1982 the National Specialised Council proposed that PEs be granted rights similar to those of the joint venture enterprises, and that managers may have more autonomy (Waterbury, 1993:141).

Since Sadat the government has introduced legislation that benefited the business community. However, the legacy of the Nasser regime with regard to the working class remained. The same trend continued with Mubarak, where the government has been actively supporting the private business community, while at the same time maintaining the more obvious vestiges of Nasser's socialist system. With structural adjustment many of the artificial props carried out by the government are being eroded, in the name of "economic liberalisation", and the consequent rationalisation and efficiency of enterprises.

Process of Transition to Privatisation

Problem of the public sector

For a considerable time in Egypt it has not been possible to discuss public sector enterprises without talking about the problems of these organisations. As already mentioned, state-owned enterprises have not been economically efficient, and

numerous mechanisms have been adopted to prevent their collapse. The nature of the problem has been defined by many of the interviewees as one of too much legal and administrative interference in the management of the enterprises. During the Nasser era production subscribed to a national development plan, thereby quantity was controlled, and more significantly prices were set by the Ministry of Industry. The situation did not improve under Sadat. Management in public sector enterprises had limited powers in determining the amount of production, and almost no power in pricing. The Chairman of the tobacco company said, "Economics and politics, the two are inseparable. Our mistake is that we separated politics and economics and gave priority to politics," <MSadek,Giza,23/8/1994>.

In defining the problem of public sector enterprises, one of the debates is whether it is a management or an ownership problem. This view is voiced by a previous chairman of a public sector company:

The problem of the public sector is not an ownership problem, it is a management problem. It is a political problem, and a problem of political and managerial interference.<AZEI-Din,RACITA,17/8/1994>

One may argue that such a debate is adopted as a compromise, it does not condemn the government as owner, but rather allows for government ownership, provided it loosens the ties that bind public enterprises administratively to it. This attitude is adopted as a means to maintain 'workers' gains'. It is the failure of management, be it via corruption, or adhering to some uneconomic policies that is the problem with the public sector. In an interview with the head of the labour secretariat in the leftist Tagamuu party he said:

The public sector has not failed, the accusations of its failure are unjust. It made losses, although in some companies it was successful, because it was subjected to government policies resulting in redundancy among workers, corruption was ignored, and fixed prices. ...The public sector is independent of ideologies, for example, it is found in big capitalist countries like Italy. It is a mechanism for society to develop....It provides safety in times of crisis....Management in the public sector is inefficient and corrupt. Workers' representatives in the BODs and in the unions report about 90% of the corruption. Ownership has nothing to do with failure or success of enterprises. Now is the age of big companies that are run by professional managers. The decline in productivity and the quality of the products is partly the responsibility of the government.

<AHSheikh,1/10/94>

Perhaps one may argue that in such cases 'ownership' is used in the sense of ownership by the people, and divesting public sector enterprises is interpreted as taking ownership away from 'the people' and putting it in the hands of self-serving, profit-seeking 'individuals'. This debate separates the political role of the government/state from its role in the economy.

In practice, however, the brunt of government control or regulation does not apply equally to all public sector companies. Enterprises that are making profit can ignore the directions of the relevant authority. In an interview with a previous chairman of a public sector company, he informed me that when he was chairman, the enterprise set its own production goals and achieved them. Since the enterprise was productive, it continued to set its own goals. He told me that "So long as a

company is successful, no one interferes in its management," <AZEI-Din,RACITA,17/8/1994>. However, industries that are defined as 'strategic' industries, including monopoly industries, are strongly regulated, even when they are profitable. In an interview with the Chairman of the tobacco company³ he told me:

... the company cannot price cigarettes because it is a monopoly industry and only the government has the right to price it. As for water pipe tobacco (me'assel), we can price it because it is a competitive commodity, the private sector produces it. The reason why the price of cigarettes is set by the government is that cigarettes are not a flexible commodity, and a monopoly producer may increase the price, but that will not have an impact on demand for cigarettes, thus the producer may abuse this situation. <MSadek,Giza,23/8/1994>.

Even if an enterprise is making losses, there are loopholes that are used to sell products at market prices. For example, it is not uncommon for management in such enterprises to define perfectly manufactured goods as sub-standard or faulty and thereby sell it to middle-persons for whatever price such commodities would get in the market. The reason for this is that it is the prerogative of management to

³ The tobacco company is considered a strategic industry because it is a monopoly.

"dispose" of faulty goods or outdated equipment. Sometimes, however, such profits are not fed back into the enterprise⁴.

Views on structural adjustment

Structural adjustment is an issue of heated debate in Egypt. With respect to the implementation of the program on public sector enterprises opinions range from SAP being the remedy for the ailing enterprises, to those who believe it entails the destruction of Egypt's economic wealth, with few opinions in between. Economic liberalisation per se is not new to Egypt, as the previous discussion of Sadat's Infitah policy pointed out, thus it is not this aspect of structural adjustment that has come under fire. The concerns raised about SAP with regard to the public sector are with the consequences of the tariff policies and privatisation. During a visit to the glass manufacturing plant I met the head of the projects department in the Shubra El-Kheima factories who voiced his misgivings about structural adjustment:

There are two factors to consider, quality and price, we cannot compete with both. External technology saves on cost, for me labour costs a lot as it is not only wages, it includes meals, medicine, etc... The international system has changed, there is no longer Russia which we used to hide behind. GATT policies, removing restrictions on the importation of goods and the reduction in tariffs have a negative impact on us. Now there are

⁴ Information based on earlier research I carried out in 1989 at a textile factory in Shubra El-Kheima.

cheap imports of good quality. The situation before this in the company was that clients lined up for our products despite the poor quality of the glass sheets, and the drinking glasses were green and we used to wrap them in newspaper. <unions,shubra kheima, 26/9/94>

Problematic it may be, but, there is little doubt about the implementation of structural adjustment policies. The position of the government is that SAP is beyond the control of the government, a series of policies dictated, with little flexibility, by the World Bank and IMF. Since 1990, the government has carried out negotiations with the World Bank and IMF, and has partially succeeded in the postponement of the implementation schedule so it may be more adequate for the situation in Egypt. There is a noticeable lack of alternative proposals by the government to the measures of the World Bank. It is also observable that the exact terms of the negotiations between the government and WB/IMF are restricted. This has attracted much criticism. One of the interviewees said:

The People's Assembly does not know the exact terms of the agreement between the World Bank and the Government....What will happen if we do not implement the reform conditions? Nothing, as in the case of Brazil, but this is government corruption. <AZEI-Din, RACITA,17/8/1994>

There has also been criticism that the government is utilising the negotiations as a ploy to enhance its image. The director of a research centre in Egypt observed that "Structural adjustment is government propaganda so that it would give the impression that there is reform, reform is a value judgement," <ISAbdalla,Third World Forum,28/9/1994>. There are strong indications that the implementation of structural adjustment in Egypt is a choice by the government. As in the case of the

earlier Infitah policy, it promotes liberalisation of the economy, providing support to the private sector, and encouraging investments in the economy. Unlike earlier economic liberalisation programs, the current government aims at transforming Egypt to a private sector led economy, and thus the remains of Nasser's socialist policies and institutions are deemed to be obstacles to such a development goal, to be terminated not tolerated. In an interview with the head of the labour secretariat at Tagamuu, he stated such a concern:

The beginning was 1974, they wanted to reach this situation in about five years, but it was delayed, it was the objective from 1974. During this period there were some steps that were taken, for example the policy of participation of private capital in the public sector. Sadat wanted to make in Egypt an economic miracle, but the project was aborted. Sadat used to support this policy,...The death of Sadat and the change in authority has slowed down the process. Law 43 [investments] has conditions that do not exist elsewhere in the world, among which are exemptions from taxes for 10 years, and legalising the transfer of money outside the country. The seed of structural adjustment had started. <AHSheikh,1/10/94>

Few can deny that public sector enterprises need reform. Production is carried out in many enterprises with machinery that was installed in the 1940s, or in better situations since the 1960s. The impact on productivity and the quality of goods produced is inevitably affected. Many enterprises have deteriorated considerably, due to negligence and lack of new investments. There is a recognition that public sector enterprises will collapse without further investments. There have been various attempts at 'privatisation' of PEs. At one level, there was a legal channel,

thus by virtue of law 43/1974 any project that obtained private investments became a joint venture company. In this manner, a number of PEs became 'privatised' (Dessouki in Handoussa & Potter:262). Complete sell-offs of PEs were discussed in the 1980s but not undertaken. However, a 'compromise' was made in 1990, when it became possible to sell public sector shares in joint venture companies to the private sector (Dessouki in Handoussa & Potter:267). A "backdoor" to privatisation was used particularly in the tourism sector, namely by leasing the PEs to the private sector, but without changing the legal status of the enterprises as 'public sector (Dessouki in Handoussa & Potter:267). The three measures outlined are still used.

The financial status of the enterprises, in addition to lack of big investments in Egypt due to political instability has made the search for investments in enterprises an unappealing prospect. Measures have been adopted that have led many to claim that these enterprises are being wasted. The following remark is representative of that point of view:

In most companies, it is necessary to reform the financial structure in them so that the company may be sold, and this is squandering of Egypt's resources. There are investment since the time of Ismail Sidqi (before Abdel-Nasser). Since nationalisation, there have been increases in machinery and expansions in most companies worth billions. There are assets accumulating before nationalisation and after nationalisations.<AZEI-Din,RACITA,17/8/1994>

Besides the financial and political considerations, there still remains the problem of legislation. In an interview with the chairman of a public enterprise, he said:

Concerning the companies that have been sold [Coca-Cola], the buyer made a condition that the money he paid to purchase the enterprise be kept in a deposit in his name for five years until liberalisation becomes institutionalised. The problem is that laws say one thing but there is no institutional support for it, in fact, laws may say one thing but practice may bring about exactly the opposite. <OAbu-Ismail,Maragel, 20/8/1994>.

Among the issues that have also raised concern is that some of the public enterprises are increasingly being perceived as profitable as real estate. Thus for example, warehouses or other buildings belonging to public enterprises in cities are considered for renting, in one case as a shopping mall. Although many enterprises were originally outside city boundaries, rapid urbanisation of the past decades has stretched the city limits.

Actual Measures of Privatisation

Privatisation of public sector enterprises in Egypt has been primarily justified due to the economic inefficiencies of the enterprises partly as a consequence to the government's recruitment policies, and for increased competitiveness of enterprises locally and internationally. The debate was how best to privatise and manage the process of privatisation, not on options whether or not to privatise.

The current 'transitional' phase of privatisation reveals much caution on the part of the government in implementation of the plan. As it was originally drawn out by the Public Enterprise Office (PEO), the schedule of implementation was spread out into three tranches, from 1991 to 1994, with a total of 85 enterprises (PEO:59-64). However, the process of privatisation was expected to continue until 1997

(PEO:10). It is to be observed that in the USAID privatisation project document, it is stated that, "seventeen Holding Companies (HCs) are charged with managing and selling their properties over the next five to ten years" (USAID, 1993:iii). In addition, the USAID proposed that about 73 privatisations would take place. Until the end of 1994, only two enterprises had been privatised, the Pepsi-Cola and the Coca-Cola companies. This has been partly as a result of lack of buyers, and partly for political reasons.

In the following section, the discussion will centre on two main aspects of the transition to privatisation of the public sector: the institutional set-up for privatisation, and the process of evaluation of the public sector enterprises. Throughout the discussion, there will be an attempt to highlight how workers in such enterprises are impacted by such changes.

Institutional set-up for privatisation

A number of significant steps were taken to "prepare" public sector enterprises for privatisation. The ground work for privatisation started by the early 1990s, organisationally and legally. The Minister of Public Enterprise, and the technical office, PEO, are charged with co-ordinating the process of reforming and privatisation of PEs. The PEO was established in November 1991. Laws were passed that had a direct role in the process of privatisation, namely laws 203/1991 and 95/1992. Whereas law 203/1991, Public Enterprise Law, dealt primarily with the restructuring of PEs including the formation of holding companies, law 95/1992 known as the Capital Markets Law, dealt with the reformation of the Stock Exchange and the Capital Market Authority. Furthermore, in January 1996 a

Ministerial Committee For Privatisation was formed⁵. For the purposes of this research, the focus will be on the PEO and Law 203.

Public Enterprise Office (PEO)

Before proceeding, it is interesting just to observe the names or nomenclature that surround the privatisation of public enterprises in Egypt. The organisation whose function it is to manage the process of transition to the private sector is named the "public business sector office" [maktab kita'a al-amal al-am]. Second, 'privatisation' of public enterprises is referred to by the PEO and often the official publications as 'expansion of the ownership base of the private sector'. At the level of language, there is a reluctance to do away with the term 'public', and thus it is integrated into the new lingo.

The PEO is a technical office the functions of which are to provide assistance in the process of privatisation, and to provide co-ordination. The PEO operates as a technical secretariat to the Minister of Public Enterprise to implement Law 203 (PEO: 15). The objectives undertaken by the PEO are: increasing the utilisation of resources in PEs, limiting the drainage of financial resources of PEs, attracting investments and new technologies, increasing the share of the private sector, increasing job opportunities, restructuring PEs and paying off debts to banks as well as using the surplus to increase the revenue of the state budget, and finally to stimulate the capital market (PEO:6). The PEO issued guidelines covering

⁵ The process of privatisation received a boost since January 1996 with the coming to power of Kamal El-Ganzouri as Prime Minister in a cabinet re-shuffle.

procedures of restructuring for enterprises, as well as some measures to enhance performance of the companies. Enterprises to which the privatisation program applies are public sector enterprises organised by law 203/1991, and enterprises that have a public sector share such as Law 159/1981 enterprises⁶, and Law 230/1989 enterprises⁷ (PEO:12-13).

Holding companies

Holding companies were introduced in 1991 through Law 203/1991, basically as an attempt to adjust the financial status of public enterprises. It was one of the first steps towards privatisation. Previously, enterprises were affiliated to General Organisations (hai'a a'ma). Enterprises from the same industry were grouped together, under the general organisation for that industry. Holding companies replaced general organisations⁸. Though holding companies also represent industries, not all the enterprises affiliated to a holding company belong to the same industry. Financial considerations are paramount in holding companies. The basic aim of holding companies is the restructuring of the financial status of enterprises, in preparation for the sale of the shares. Thus, at present in Egypt enterprises pertaining to the same industry can be dispersed over several holding companies representing differing industries. The rationale for such a regrouping of industries is provided by the president of the holding company for thermic and

⁶ Corporate Company Law.

⁷ Companies operating under Investment Law.

⁸ There are seventeen holding companies, to which are affiliated 314 enterprises.

metallurgic industries, to which are affiliated the two companies in which I conducted my fieldwork, the glass manufacturing, and tobacco enterprises:

The main reason is that holding companies operate as investment trusts (mahafez maleyya), it is a balance between companies that are successful and those that are losing. <MAAbdel-Kerim,HoldingCo,22/8/1994>

The classification of enterprises in the holding companies by type of industry sometimes conflicts with the general union affiliation of the enterprise. This gives weight to the argument that the holding company is primarily of financial considerations. Such an observation was made during a visit to the tobacco company in a meeting with members of the union committee:

Some of the classifications have changed. We used to be affiliated to the general organisation of Food Industries, but now to Metallurgy. Union-wise we are affiliated to the General union for Food Industries, there is a General union for Mining, Quarrying, and Metallurgy, but we are not affiliated to it. The classifications were made on an economic basis only, for example, the beer company is affiliated to the holding company for cinema and theatres, for the reason that it supports the holding company. The goal was to make the weight of the holding companies equal. There are some enterprises that have a stable and strong position, they always make profit, the holding company says that the enterprise [i.e. El-Sharkia] is the hen that lays the gold egg. <GRShafik, Giza,18/10/1994>

In the case of the tobacco company, there is in fact a sense of pride that the company is profitable, so much so that one of the interviewees told me, "the company [El-Sharkia] provides the government with a revenue of LE 2 billion per

year, it comes after Suez canal," <FAIbrahim,Giza,15/10/1994>. Here one of the recurrent themes of the privatisation debate in Egypt emerges, the distinction between profitable or successful enterprises, and the loosing ones. As will emerge in different sections, this distinction is used to subside fears among employees about sale of enterprises and redundancy of the workforce.

Legislation

Three sets of legislation are related to the privatisation of enterprises in Egypt: Law 203, the new labour law, and the new trade union law. The last of these laws will be dealt with in the chapter on trade unions and reform. The new labour law and law 203 are complementary in a way, as the former is concerned with labour relations and conditions of work at the macro level, while the latter refers to the individual 'public sector' enterprises. Also, while law 203 is intended as temporary or transitional, the new labour law is not.

Law 203

The core of the transitional phase is Law 203. The law replaces the earlier law 97/1983. By virtue of the law holding companies are established with the aim of financial restructuring of companies. The law provides the basic outlines of the areas in which the enterprises can formulate its individual by-laws. However, it is better to discuss the various features of the law separately.

The law defines the framework for the establishment of holding companies, their functions, the composition of their BODs and General Assemblies, as well as the financial and accounting systems of both. The law specifies in article 16 that Law 203 applies to any company that has at least 51% of its capital owned by a holding

company. Among the most significant aspect of Law 203 is the changes it initiated to the management of public sector enterprises. These include changes in the board of directors, and the general assembly, particularly the functions of these bodies. For example, the law gives the enterprise the right to price its goods, an important move away from the central price setting of the past. Law 203 allows PEs to set their own administrative and financial by-laws. This is to be done in conjunction with the general union to which an enterprise is affiliated, as per article 42. Needless to say, this undermines the enterprise-based trade union committee.

Though law 203 introduces some significant changes, some of the union members I interviewed dismiss it as basically a reformulation of a previous law, namely law 48. The following comment was made by unionists at the tobacco company:

It is a reformulation of law 48, but keeping into consideration what is suitable for the financial structure of the company. <FAIbrahim, Giza, 15/10/1994>

This comment seems an understatement, given that the law makes changes. Such a situation does have an explanation. First, although Law 203 was issued in 1991, many of the provisions of the law, particularly administrative and financial by-laws, remain ineffective until they are approved by the PEO. Until the by-laws are approved, law 48/1978 pertaining to public sector employees applies. Second, some articles in Law 203 refer to Law 48 for their application (article 44). The reason is that laws 203/1991 and 48/1978 are in some respects complimentary.

Perceptions of law 203 are varied. By some it is deemed to mark the transition to privatisation. It paves the way for the development of an entrepreneurial culture.

This is reflected in the comment of the chairman of the tobacco company:

By virtue of Law 203, change is beginning. There is a disparity in understanding the philosophy of the 'business sector'. The ministry of finance by constantly increasing the sales tax, is overvaluing prices.

<MSadek, Giza, 23/8/1994>

A different point of view is voiced by the trade unionists I met. To them, law 203 represents the undoing of the public sector, and the benefits of workers⁹.

Law 203 ties public sector companies to attaining economic success, which is at the expense of workers and some of the recreational programs, such as clubs and summer resorts. ...Saving on production costs will create a big problem, which is excess labour, but in fact, there is no excess labour. In the private sector there is no security for workers. All workers' gains are in the public sector, everyone knows their rights and their responsibilities. Due to Law 203, it will be possible to get rid of workers easily. <Abdel Menem El-Gamal, 5/10/94>

It is interesting to note that while the interviewees recognise that the public sector is making losses, they seem to believe it is acceptable, because of the benefits

⁹ This point of view is found in the leftist opposition press. For example, see Al-Ahali dated 9 November 1994, an article entitled "Workers' Rights Are Lost By Law".

workers derive from it. The enterprise becomes a service entity rather than a productive, economic one.

Law 203 is a disaster for the situation in Egypt, because the public sector is a support/subsidy (da'am) to the country. Most public sector enterprises make losses for the sake of the people. Public sector enterprises play a very important social role.<Abdel Menem El-Gamal,5/10/94>

Another unionist gave a similar response. His response concerns the timing of reforms. He said:

Law 203 came at a bad timing. The public sector has become indebted to the government due to government lending policies. The public sector has been losing since a long time.<Abdel Menem El-Gamal,5/10/94>

The law has in general received negative responses. These have been basically in the areas of distribution of profit and the board of directors. Due to the financial arrangements made by the law with regard to the distribution of profit of individual enterprises, it has been often criticised as a law benefiting unprofitable companies, while harming successful ones, via allocations and mostly due to the formation of holding companies. This is clearly stated in the following comment:

Law 203 limited the percentage of profit. The total that may be distributed is calculated after the allocations, and putting aside a credit reserve for the company. Included in allocations are a strong financial situation for the company, and services. Then after this, 10% of the remaining profit, with a maximum limit of 12 months salary, goes to workers. In the beginning [i.e. old system] all the profit went to the Ministry of Industry, and the Ministry would distribute it to all the companies, so the share of

the individual was about LE 100 in all cases, in companies that are successful and companies that are unsuccessful. The present system, 203, stated that it is the right of the successful companies to take 10% of the total that remains/surplus for distribution. About LE 90 million go to the holding company, the mother company, the investment trust. This is the disadvantage of this system, instead of the Ministry now there is the Holding company. <GRShafik, Giza,18/10/1994>

This is the case in the Law. Article 33 in Law 203 does set a minimum limit of 10% of profit for employees, provided it does not exceed the annual basic salary of employees. Excess profit that exceed this limit is channelled back into enterprises to services that would benefit workers. Furthermore, article 34 of the law allocated a maximum of 5% of the profits to the BOD.

The provisions of the BOD of enterprises under law 203 came under criticism. From the administrative point of view, the law allows the chairman of the company to act as a designated member as well (article 22). The latter position is supposed to be independent in order to "audit" the company. In an interview with a previous chairman of a public sector company, he said:

The proper management system is that no one should supervise/audit themselves. In fact, this is not the case. In almost all companies, the President of the Board of Directors is the designated (muntadab) member to the BOD [holds two positions in the same BOD]. In most cases financial supervision/auditing is internal. <AZEI-Din, RACITA, 17/8/1994>

Another cause of resentment produced by the law is that it is financially very generous to the members of the BOD. By examining the remarks, one feels that it is resentment brought about by a sense of injustice.

...by virtue of the law there is a bonus of LE 500 for (a'baa' murureia) [for attending a BOD meeting], even if this 'murur' means going from one office to the next. Also, the salary of the BOD member increased from LE 300 to LE 1200. The new management is the same persons. It is like a game of chess, move them from here to there, there are no new ideas. There is one member of the BOD in our company who occupies 7 positions in one time, he cannot work well in all of them, but he earns from all seven. Members in management from one company are transferred to another.<Abdel Menem El-Gamal,5/10/94>

One may argue that this indicates that the senior management of public sector enterprises are doing well with adjustment, it is the middle management that is negatively affected. The following remark high-lights this point. The head of projects in the glass manufacturing company told me:

There are problems with 203, the BOD system is not good. Five percent (5%) of the annual profit of the company is distributed among 9 people [members of the BOD], while 10% is distributed to the workers in the company. Also, the salary of the members of the BOD has increased. In the BOD, they have removed technicians and in their place came so called experts who say theoretical things but do not have practical knowledge of the problems of the company. It is people who are involved in the day-to-day work operations who know what the work is all about and what are

the needs and the problems, but they get experts for compliments, for example, in the company the expert is from beer company. We know the theoretical work too but we also know the practical. The head of the automated factory was a member of the BOD previously but he was removed and the one from the beer company came in his place, how does he feel after having given so much to company and an outsider comes and takes his place and at such a salary? How can he be satisfied at work now? Since the new BOD was formed we have not seen them and we do not even know what they discuss. We should know as managers of the company, but the opinion of technical experts in the company is not taken. Salaries of new staff increased, even workers' representatives now take about LE 200 per month for BOD meetings and before it was LE 25.<unions,shubra kheima, 26/9/94>

A similar view is given by trade unionists in the same company:

It is a reformulation of previous laws, Law 48, which applies to holding companies, and law 137 which applies to affiliated companies. The law has financial burdens, 5% of profit to the board of directors, which consists of 9 members, and 10% of profit to be distributed to workers. Workers' gains will be affected. Article 25 of law 203 states there should be 2 workers' representatives, instead of 4. It reduces the role of workers' representatives. The law gives a lot of power to the BOD, and increases expenditures. <unions,shubra kheima, 26/9/94>

Despite the furious debate about the benefits and harms of Law 203, much of the provisions of the law are neutralised. Without the approval of the by-laws by the

PEO, the law can only be partly applied. In an interview with the Director General of Organisation and Administration at El-Nasr Glass, he informed me that:

The basics have not been implemented, the structures, the financial and administrative bylaws. It has not been implemented to date. Until there is implementation, the company will follow law 48.<Mahmoud Abu Bakr,28/8/94>

Thus, it is perceived that "there isn't yet complete implementation because it is tied to the passing/issuing of the bylaws, and they have not been passed yet," <RH Ibrahim, Giza, 24/9/1994>. In the meantime, it seems that management in enterprises has accommodated itself to operating on the basis of two laws, 203 and 48, wherever each is applicable.

Beyond the imperfection of the implementation of Law 203, from the perspective of senior management, Law 203 is a step forward for enterprises. The head of the legal affairs department at the tobacco believes that the law has advantages:

*It is a transformation economically, which is in accordance with the nature of human communities, as much as you produce you benefit.
<RH Ibrahim, Giza, 24/9/1994>*

By virtue of the law each company is responsible for designing the internal by-laws of the enterprise:

... The advantages of Law 48 will be transferred to the new law, but also it may be that there will be new benefits. Each company will implement its bylaws so they would be suitable to the nature of its work and circumstances. There will be liberalisation in production, there will not be

inspection agencies, but there is the Central Agency for Accounting. The inspection agencies place limitations, a lot of questions asked. The intention is always to be beneficial, but sometimes other than that happens. Inspection produces fear. <Mahmoud Abu Bakr,28/8/94>

Within an enterprise it is the board of directors that has the responsibility for formulation of the by-laws. Indeed, the law gave much power to the BOD of enterprises. Yet, there are some problems. When asked about Law 203, the head of the legal affairs department said:

It is a legislative attempt after socialism, the bylaws have not been passed yet. There are several obstacles that began to emerge. The objective of the law is complete freedom for the enterprises to manage their affairs, but in the law there is what contradicts this....The partial implementation of 203 has proved there are obstacles, the finite that governs the infinite. It is a difficult equation, complete freedom, losing companies will not reach the existing ceilings (rawabit). External agencies will interfere in direct or indirect ways, all this is according to 203. <RH Ibrahim, Giza, 24/9/1994>

The law has its critics in senior management. In an interview with the deputy manager of Operations sector at the tobacco company, he said:

Law 203 has no noticeable advantages, it did not differ too much from 48, and it has not been implemented yet. <AH Mahmoud, Giza, 27/9/1994>

Yet, despite these considerations, law 203 remains basically an ineffective law, because the changes proposed by it, the company by-laws, have not been put into motion because the relevant authority has not yet approved them.

Problems with the law would seem to indicate that the government has taken the measures necessary for reform - as per the World Bank and the government position - but that implementation is gradual, perhaps to soften its impact politically.

Labour Law

The new labour law, officially called the 'Unified Labour Law' replaces law 137/1981. The 'unified' in the new law refers to the scope covered by the legislation, pertaining to both the public and private sectors. It will combine all labour legislation. The law governs the relations and terms of employment between employees and their employers in enterprises. There is an assumption that such relations operate in a system of free movement of workers and capital. The law is controversial, and has been treated with utmost "discretion", so that it was by accident that a draft of the new law was leaked to members of opposition parties. There are numerous articles in opposition papers and leftist magazines that indicate that the drafting of the new law was carried out in secrecy (Badawi, 1/94:24). This accusation was denied by government officials (Al-Wafd, September 4, 1994).

The drafting and revision committee was established in October 1991. It included lawyers, members from the Ministry of Labour, the ETUF, and businessmen's associations (Posusney, 1995:9). Based on interviews, the draft of the law was not made accessible, until members from the Tagamuu party managed to get a copy through informal means, though the ETUF was involved in the drafting of the law. The Tagamuu party mobilised a campaign against the law. Strong objections were made to some of the articles in the law on the grounds that they are not compatible

with ILO conventions. A copy of the law was sent to the ILO headquarters for revision and the ILO upheld the objections made by Tagamuu. This version of events is very significant, however, elsewhere it is pointed out that the President of the ETUF, Ahmed Al-Amawy¹⁰, who was a member of the drafting committee, insisted on involving the ILO in the drafting of the new law "to ensure that the new law did not contradict Egypt's participation in international agreements" (Posusney, 1995:10). It was the case that access to the drafts of the new law were restricted and that even within the trade union organisation the general unions and enterprise-based union committees did not have access to make their opinions about the law known (Al-Shaab, 8 January, 1994).

The new draft law represents a significant departure from the earlier labour law, 137/1981, as the new one puts to an end the security of tenure of employees. Previous laws, such as law 48/1978 did provide some flexibility to management to hire workers, but the new law gives management the right to fire workers as well, as in articles 105-132 in the draft law. The new law allows for collective bargaining. The areas for collective bargaining as stated in article 149 are : improvement of conditions of work and employment, dispute settlement between workers and employers, and co-operation between labour and employers to achieve the economic and social goals of the enterprise. Collective bargaining can take place at the level of the enterprise¹¹, industry, regionally, and nationally

¹⁰ He is currently the Minister of Labour.

¹¹ Those employing 50 or more workers.

(article 150). The law makes it difficult for either party in 'negotiations' to exert 'pressure' on the other while negotiations are on-going.

The issue that raised the greatest problems was that of the right to strike. In interviews I carried out it was pointed out that in the original formulation of the law, there were no provisions for strikes. Tagamuu objected on the grounds that in return for the right of employers to fire employees, the latter through their representatives must have the right to strike. The new law does allow for strikes, which are recognised in article 196 as a legitimate right of workers, to defend their occupational, economic and social interests. However, the conditions for a "legal" strike are restrictive, and undermine the enterprise-based union committee. Thus, the enterprise-based union committee can strike only after the approval of the general union by a majority of two-thirds of its members (article 197). Furthermore, the employers must be notified beforehand in written form at least 15 days before the intended strike. This point is clearly accentuated in the following remark by a unionist at the Nasserite Party, where he said:

The new law reduced workers' rights to vacations, and the right to strike, which was given under conditions that make it impossible to happen. All the world gives the right to strike in return for the right of closure for the employer. For example, the general union has to approve the strike, this is nonsense. In the past 20 years there was a big number of strikes in the presence of a law that incriminates strikes, the strike of 1986 was a turning point. The union movement, all its leaders belong to the government. A strike needs funding and there is no strike fund, and in the new law in case of a strike the wages of workers are stopped. The social

insurance fund, the right to invest it and placing a percentage of it in a strike insurance fund. <Fathy Mahmoud,22/10/94>

A similar remark was made by another unionist, from Tagamuu:

The system is incomplete liberalisation, only the economic side, without political liberty. Unions do not have the right to strike, they do not have weapons. On the other side, Government makes its men infiltrate the union movement, and thus the government is surprised by the spontaneous uprisings. <Sayed Rady,25/10/94>

There were other points of dispute concerning the labour law. In general the law was perceived by many, particularly of the unionists, to renege on workers' rights (Al-Ahrar, 18 September, 1994; Al-Ahali, 9 February, 1994). In an interview with a unionist at Tagamuu, he said:

It is a blunt aggression against workers' rights, for example arbitrary dismissals are allowed. There were committees formed in all the worker districts in Egypt, but the modified law is being done in utter secrecy. It is not in the interest of anybody to prepare a law that is a social law with economic and social effects on more than 10 million workers in a secret manner. In order for it to be legitimate it has to be discussed at the widest level. For this law to be done in a short time will have very dangerous consequences. Following this there is also the trade union law, which is also being prepared in secrecy, even behind the backs of trade union committees that are part of the structure of the trade union movement. This goes against reason, it has to be discussed in public, and presented to the

union committees to take their opinion about it before it is discussed in the People's Assembly.<AHSheikh,1/10/94>

Perhaps it is interesting to observe that Al-Shaab paper, which is Islamic, declared the new labour law as contrary to Islamic Shari'a as it is "unjust, and creates a state of insecurity and instability psychologically, and socially to the workers, and their families" (Al-Shaab, 30 August, 1994).

While on the one hand the politically active unionists played a significant role in the drafting of the law, it came as a surprise to me that some of the branch-level unionists I met did not know much about the law, and only talked about it in general terms, though this is a confirmation of the views expressed by the Tagamuu member quoted above. In a meeting with a group of unionists at the glass manufacturing enterprise, I asked about the new labour law:

It is a draft, and has not been passed yet. It has some points against workers, for example, firing without compensation. Capital is the domineering force. The new law wants to tie wages not only with production, but also with distribution. Thus, a working paper from the general unions and the federation was done. <unions,shubra kheima, 26/9/94>

Indeed in one interview at the tobacco company, both unionists I was interviewing knew nothing about the new labour law, "it was not discussed in the trade union committee, maybe it was discussed in the general union or in the federation," <FAIbrahim, Giza,15/10/1994>. One of the interviews said that he only knew that the new law will be discussed in the people's assembly <FAIbrahim,

Giza,15/10/1994>. Again, such an opinion confirms the rift between enterprise unions on the one hand, and the general unions and the ETUF on the other.

The law has also been perceived as an excuse to justify labour redundancy. A unionist at the Nasserite party said:

The law gives the right to closure and reducing workers, it dropped all the conditions that exist in the present law, so that workers may be reduced for economic reasons that the employer sees are needed. The employer/employer only has to inform them....The new law has set the minimum wage to LE 75. It leaves wages to collective negotiations, and allows joint worker contracts as in Lebanon, Morocco, and Tunisia. The union organisation is lacking in experience and the ministry of labour has lost its experience since a long time. These are the mechanisms of the government for dealing with the situation. It gave the right to the employer to reduce labour.<Fathy Mahmoud,22/10/94>

From the point of view of management the new labour law has benefits. In a meeting with the deputy manager of the Operations sector at the tobacco company, he told me that the new labour law gives freedom to the enterprise <AHMahmoud, Giza,27/9/1994>. While it was recognised that the law may result in labour redundancy, it was justified on the grounds of the interest of the company. The head of the legal affairs department in the tobacco company makes the following comment:

*As for dismissal, there are specified cases in the labour law, and they are sufficient for the needs of the enterprise in managing its affairs.
<RH Ibrahim, Giza,24/9/1994>*

One lone voice among the managerial staff interviewed noted that the *pace of implementation* of the labour law is problematic. In a meeting with the manager of Industrial Relations at the glass manufacturing company he recognised that:

Transition needs temporary laws to deal with the negative impacts. This should be over a period of 10 years, then make a permanent law. There are constraints on workers, I cannot stand by the gate and tell workers who can come in and who cannot in one day, it needs a transitional labour law. <Fawzi Nawar, 29/8/94>

The above comment again highlights that there is a general attitude among management staff and policy makers that a change in the laws/structure will bring about with it a new "entrepreneurial culture".

There seem to be some major problems with the new labour law. Recognising that the labour law is intended as a permanent law, and that law 203 is meant as a transitional law, the simultaneous application of the two laws is incongruous. The following comment by the head of the legal affairs department at the tobacco enterprise sheds light on the problem:

Collective dismissals, this is the phenomenon that will appear in implementation of new labour law, though it is illegal since law 203 stated that workers' rights should not be tampered with, but practical implementation will force it upon us. We saw it implemented in enterprises that were completely privatised, like Coca-Cola and Pepsi. A new organisational structure was made and workers either accepted the new position or gave up work in return for the wage. <RH Ibrahim, Giza, 24/9/1994>

To conclude this section on the institutional measures of PE reform, it is evident that it is geared at reforming the financial status of enterprises. It also highlights that reform does not have the same impact on all public sector enterprises. For example, companies that are successful or profitable are forced to give up a larger share of their profits to the holding company. Also, within enterprises, some groups benefit more than others from reform. Probably the biggest beneficiaries are senior management who gain greater autonomy and benefit financially. The section on evaluation of PEs points to some of the 'losers'.

Evaluation process

The evaluation or valuation of enterprises is carried out by Bechtel, Coopers and Lybrand, and Arthur Andersen, in conjunction with USAID¹². The evaluation of enterprises is carried out through consultancy to the PEO, principally through the USAID-funded 'Partnership In Development Project' (USAID:3). It is interesting to note that government agencies play a secondary role in the process of evaluation. The holding company to which an enterprise is affiliated gives feedback on the valuation submitted by Bechtel. The process involved is concisely outlined by the chairman of the glass manufacturing company:

There are several stages to privatisation. The first stage is evaluation of the enterprise which is carried out by Bechtel, then the evaluation is presented to the Holding company so it may give its feedback in the evaluation of the assets of the affiliated company. Once the holding

¹² USAID is providing technical assistance to the PEO for privatisation.

company approves the evaluation, the General Assembly for the company meets to decide on sales procedures. <Adel Kamel,24/8/94>

Concerning the criteria used for valuation of enterprises, the interviewee continued:

There are four basis for evaluation of enterprises: the book value of the assets; the adjusted book value or exchange value of the assets; cash flow; and profitability. Each approach has its advantages and benefits. The evaluation report lists the different approaches, and these are examined and one is chosen. <Adel Kamel,24/8/94>

The valuation of the enterprises has attracted criticism, but none in the course of the fieldwork related to government involvement.

Two special issues must be highlighted with regard to the evaluation of enterprises, the financial restructuring of enterprises, and the use of labour as a cost of production. In order to improve the financial situation of enterprises, management has resorted to a variety of measures that would allow the enterprise to engage in profitable activity. It is to be noted that since Law 203 has been issued, it gave the BOD of enterprises the authority to carry out such activities. As the overwhelming concern is with improvement of the financial status of enterprises, management has in many instances expanded the activity of the enterprises into non-production/manufacturing areas. An example of this is given by the Chairman of the tobacco company:

...Utilisation of the land economically, for example the company has storage facilities in Giza which can be used as a shopping mall, and the returns from such a project can be utilised to finance the new operation in

6 October. It is also possible to rent offices and to use the transport facilities. As an example, there are trucks that carry goods from the factories here for distribution in Aswan [in Upper Egypt]. After the goods have been delivered the truck comes back to Cairo empty. The President of the sugar company in Aswan suggested to me, that he could use my vehicles to load sugar to Cairo for a fee, and I think it is a very good idea. Transportation is expensive. <MSadek, Giza, 23/8/1994>

The sale or lease of real-estate owned by the enterprise is one of the methods resorted to in the attempt to adjust the financial status of enterprises (Butter, 9/1995:3). Indeed, advertisements are placed in daily newspapers for the sale of land owned by PEs, such as the one by ESCO company that announced the "sale of land and property owned by the company no longer required and readily available" (Al-Ahram, 26 August, 1994:6).

In the specific case of the tobacco company, since it is a monopoly industry, the company cannot set the price of the goods. The prices of cigarettes are set by the government. The issue is clarified by the following comment of one of the trade unionists in the company:

We have a problem of disguised losses because of the subsidy of the government. In the past the name of the company was El-Sharkia for Tobacco and Cigarettes, now only El-Sharkia so that it would give the company the ability to enter in other areas/fields like commerce and agriculture. <GRShafik, Giza, 18/10/1994>

With due consideration to the case of monopoly industries, the expansion of economic activity of enterprises is happening at a time when due to Law 203,

management in enterprises can price its own products. It is plausible to argue that the government has withdrawn the mechanisms for supporting public sector enterprises, be they subsidies or banking facilities, and as a result the boards of directors of enterprises have taken over the role of making the enterprises viable economically, and sustainable. The expansion into profitable activities that are far from the main productive activities of enterprises is a recognition by the BODs of such enterprises of the desperate situation the companies are in.

A rather extreme example of this I have encountered at work in Egypt. It relates to a phosphate mining/extraction company located at the Red Sea. The Chairman of the company pointed out that it is no longer possible to carry out phosphate extraction as there had not been any phosphate to extract for some time. He was seeking funding to help the company expand into new activities. Among his proposals were fishing boats so that the company can make use of its location by the Red sea to fish and distribute fish to the near-by governorates. The second proposal was to grow mushrooms in the mines and sell the mushrooms to hotels/restaurants and other similar places. Desperate measures as these are taken to try to avoid total bankruptcy, and consequently liquidation of the enterprises, because even if the company were to be liquidated, there is an obligation to pay compensation to the employees. Such is the state of some enterprises that they cannot pay this, and the responsibility is taken over by the holding company the enterprise is affiliated to. During the interview with the chairman of the holding company for Thermic Industries and Metallurgy he told me about one of the enterprises that was affiliated to the holding company:

Faraskour company was liquidated, and workers received a compensation of 72 months on total salary (basic salary and incentives or 140 months on basic salary). The company was making losses of about LE 6 million per year, so I paid LE 5.5 million in compensations just in one time, this has saved much money. <MAAbdel-Kerim, HoldingCo,22/8/1994>

There is little doubt in the minds of those who are involved in the day-to-day affairs of public enterprises that they face serious financial problems, but the involvement of the holding company is deemed by some, particularly the unionists to be problematic. These issues are high-lighted by the following remark by a unionist I met at Tagamuu:

Who would think of buying a losing company, in our company they are selling the equipment to pay the salaries, but, we are opposed to selling the company. The new law [203] placed all the companies in one basket. ...This is a part of the losses. The holding companies are helpless in the face of the problems that are confronting the affiliated companies, and have not contributed to solving these problems. For example, the procedures for the sale of obsolete equipment requires committees. But for the sale of land is done as a compliment. <Abdel Menem El-Gamal,5/10/94>

There is little doubt that many public sector enterprises are uncompetitive in a market economy. The primary concern of the BOD, however, is that by boosting the financial status of the enterprises the value of the company shares would increase in the stock market. The aim of improvement of the share value is, apparently, its sale. The chairman of the Glass manufacturing company told me:

One of the points to consider...is that the investor is only interested in how much a share costs and how much it will yield, this is the critical factor for an investor. It is important not to exaggerate in the evaluation (not to over-evaluate) or there will not be investors. From here, it is important to ask for whom are we selling. If I aim at selling to Egyptians then it is one thing, and selling to foreigners is another. It is a very complicated operation and thus it is critical to be transparent. <Adel Kamel,24/8/94>

In addition to expansion of activities, enterprises have adopted other measures such as contracting out some of the secondary operations. This however, depends on the industry. When I met the chairman of the holding company for thermic industry and metallurgy I asked him about the feasibility of selling off parts of the operations and he said:

It is possible in some cases, for example packaging. But in the metallurgical industry it is otherwise difficult. <MAAbdel-Kerim,HoldingCo,22/8/1994>

The second issue of concern with regard to evaluation of enterprises is labour as a cost of production. Before dealing with the issue of labour, however, it is important to mention that enterprises are resorting to a number of areas where costs can be cut, for example energy¹³. This move to increased 'efficiency' is if anything an unpleasant verdict on the previous state of affairs of the public enterprises, where there was much waste.

¹³ An example of this is cited in Al-Wafd, 30 August, 1994:4.

We have started to cut down on costs, by reducing residuals or waste. We have adopted a rationalisation policy and reducing costs. For example, by controlling energy. Through automation, fuel is saved, for example by filling the furnaces so they operate at full capacity [i.e. not half full furnaces], and by making sure that the material adheres accurately to specifications. <MAAbdel-Kerim,HoldingCo,22/8/1994>

Labour redundancy

Among the factors of production evaluated by Bechtel in its assessment of enterprises is the size of the labour force. Not surprisingly, it was reported that there is redundant labour. The issue of redundancy is a sensitive one, and through the years enterprises have developed strategies to try to deal with it. Enterprises were obliged to employ every year an allocated amount of employees, with different qualifications, as a result of the guaranteed employment scheme adopted by the government. Serious problems began to develop by the late 1970s and graduates of universities, secondary schools, and technical schooling had to wait for their 'guaranteed' jobs for a very long period. Often a 'government job' appointment was offered several years after graduation. The director general of the organisation and administration at El-Nasr Glass told me:

In all companies, there was recruitment for political reasons. <Mahmoud Abu Bakr,28/8/94>

For many years public sector enterprises were no longer obliged to accept employment appointments. As pointed out earlier, enterprises adopted measures to cope with redundancy. Among these was the so-called "natural attrition", which refers to a policy of not substituting for workers who retire, and if their job needs

to be filled, recruitment was carried out internally, but no new employees were recruited. In a meeting with the head of the administration division at the tobacco company I asked about the extent to which reform policies could result in redundancies among labour:

Redundant labour is due to replacement of the old machinery with new ones. There is training and vocational training....The average of ages is old, the number of people who leave the company because they have reached retirement age is high....We are still continuing with the recruitment policy, but it is limited, only in cases where there are no transfers from inside the company. <MMahmoud, Giza,20/9/1994>

In an interview with the chairman of the glass manufacturing company I asked him if the size of the labour force in the enterprise was evaluated in the report by Becketl, to which he replied in the affirmative. He said:

About one-third of the labour force is excessive or redundant. It is found in all sectors, in the administrative as well as the productive sectors. If I were to take into consideration only economic factors, I would fire one-third of the work force, but there are political and social considerations that would not allow me to do so. <Adel Kamel,24/8/94>

The problem of redundancy is basically universal among public sector enterprises. In the tobacco company, the elected workers' representative at the BOD repeated this view:

...The recruitment of labour constitutes a burden on the company. The company has stopped recruitment since 1990, and this has helped the

company stand on its feet. About 150 retired and they saved the company half a million pounds. <unions,shubra kheima, 26/9/94>

Such a comment from a workers' representative in the BOD clearly indicates that he is primarily interested with financial considerations. Contrary to this remark, one of the unionists I met at Tagamuu told me:

They blame the public sector that it absorbs excess labour, in reality it was labour qualified to be transferred to other factories. The public sector is a school that the private sector and Arab countries depend on. Absorbing excess labour is a needed social objective. Companies that are called losing are in fact made to lose, for example due to franchising (tawkilat).<Sayed Rady,25/10/94>

While redundancy exists in both the administrative and production sectors, often it is dealt with as a problem among the latter. Although it is not possible for enterprises to dismiss labour, there are indications that it does happen. For example, indirect methods are used to force workers to resign or be dismissed for failure to carry out their responsibilities, such as the case of 'Gropi', a public sector pastry shop which transferred 30 employees to the Red Sea (Al-Ahali, 8 December, 1993). Cases of worker dismissals are reported mainly in the opposition press.

Nonetheless, as a result of the evaluation carried out on enterprises and the identification of redundancy, it has been stated that no new buyers would want to inherit the labour redundancy problem. Some measures were devised to deal with this situation, including early retirement schemes, and availing grants to employees, mainly referring to the blue-collar workers, to start small enterprises.

These measures, it is always assured, are entirely voluntary. Accounts of the case of Coca-Cola indicate that this is not entirely the case. In order to diffuse some of the anger over declarations that a 'solution' must be found to labour redundancy, another provision was made. It is explained below, in the words of the chairman of the glass manufacturing enterprise:

One of the measures that are being adopted as a compromise to the problem of redundancy is that whoever buys the enterprise keeps the workforce as it is for three years, after which time, the new owners/shareholders can do what they want with the workers. This, he said, is not a solution to the problem, it is postponing the problem for three years. Instead, why not encourage early retirement so that workers would get a recompensation and leave. <Adel Kamel,24/8/94>

The redundant workforce has thus been largely made a problem of the employer. According to the chairman of the glass company this should not be the case, the 'responsibility' for redundant labour should be borne by several agencies. When I asked what are the plans for the redundant work force, he replied by saying:

The Ministry of Social Affairs and Securities has to play its role and carry out its responsibilities. The Ministry is probably the richest ministry in Egypt because it takes money from people but does not give securities, notably unemployment security. Also, the Ministry of Health and medical insurance has to play its role by providing health care for those who need it. All government agencies have to play their role because redundant workers are not the problem of the enterprises only. Redundancy is not due to the policies of the enterprises, rather it is due to government policies,

thus the different agencies of the government must bear in the responsibility. This is management of change, it has to start in the government. I have a worker in this enterprise who has kidney failure, such a worker does not work, if I fire him he will surely die because the enterprise pays for his treatment, he cannot afford it. So, I pay about LE 20,000 a year for the kidney machine. I should not be paying this, the Ministry of Health and Medical Insurance should pay it. <Adel Kamel,24/8/94>

One of the features of the debate on redundancy is that it invariably refers to 'excess workers' and the problem of redundancy without clearly distinguishing where the problem is concentrated. In fact, the bulk of the problem lies in administrative staff, rather than among blue-collar workers. This is succinctly stated by the chairman of the tobacco company:

The problem of redundancy is mainly in the administration. As for production workers, there is a very high turnover, it is also easier to re-absorb redundant production workers. But redundancy among production workers is harmful, as it leads to problems. Redundant workers have time to spare, which they spend chatting. <MSadek,Giza,23/8/1994>

Though there is a recognition of where the bulk of redundancy lies, production workers bear the brunt of the blame for it. It is at this point that one should mention that in engaging about debates of redundancy and threat of redundancy, there is talk of 'good' workers who should be kept at the enterprises, and 'bad' or 'troublesome' workers whose services are to be terminated.

There must be a plan for keeping good workers. There used to be an apprenticeship scheme in the company, and it is these workers that the company is working with. Here this is a casting industry, it needs extensive experience, it is a school. There used to be a training centre, affiliated to a production efficiency institute. The skilled workforce is taken by the private sector because it will not spend any money on training. The wage per day here is about LE 5 or 6, in the private sector it is about LE 20. ...Workers do not leave the company before they reach retirement, it is a matter of increasing income. They work in the private sector but they do not resign from the company. Most of the workers who benefit from this are the young workers. <unions,shubra kheima, 26/9/94>

In the above quotation by the elected workers' representative at the BOD, there emerges the theme of the private sector. It seems to fit into the overall context of workers in the public sector. Often workers, because their wage is poor, resort to employment in the private sector either as a second job or take long leaves from their work in the public sector. The public sector job is, however, maintained because of the 'security' it provides, particularly in terms of pension schemes. For workers, the private sector pays off in financial terms. The following observation reflects a similar view:

...It is a good law [law 203] for the man who is working and who is not bad [meaning not troublesome]. There are some people whom the public sector has treated unjustly because there was lack of discipline (tassaiub). It is not possible to apply the law at once, it is imperative to educate workers. ...There are educational courses in the workers' institute in

Sheriffein street. If people knew the law and its advantages there would have been accomplishments in a sick and old factory. There is competition with the monster of the private sector and importation. <unions, shubra kheima, 26/9/94>

Beyond redundancy, one issue that does not emerge much is that not infrequently, public enterprises recruit workers, production workers in particular, on a contractual basis. This allows the enterprise to benefit from their labour, while at the same time the enterprise is not bound legislatively to provide employment benefits. As a result many of these 'temporary' workers fill gaps in production while at the same time they are 'insecure' and underpaid. Under-age individuals are thus recruited, and in the past once they reached the legal working age, they became recruited as regular enterprise employees. This method is mostly used in industries that are labour intensive, such as the food processing industry, and where there is high labour turnover. It is important to note also that a considerable number of young women are thus recruited.

Employee Shareholders' Associations (ESAs)

After valuation, shares of the enterprise are sold in the stock market. However, not all the shares of the enterprise are sold this way. By law, in public enterprises 39% of company shares are thus sold, while 51% remains with the Holding company, and 10% to employees. In all enterprises 10% of the shares of the enterprise are sold to employees of the enterprise at the nominal value of the share, as an employee shareholders' association. This division raises several important questions about the status of public sector enterprises. Among these is what role will the holding company continue to play in these enterprises in the future, and

the extent to which laws like 203, which are "transitional", will cease to be implemented, and finally how different will the new companies be from law 159 companies.

During the interviews such issues were not raised concerning enterprise shares. For example in meetings with unionists I was constantly told about the 10% share for employees. It is presented as a benefit to employees, as becomes apparent from the comments of the chairman of the holding company:

There is a nominal value for the share, and this is what workers take, after that the remaining shares are placed in the stock market. This means that the share-owners federation in the enterprise is given an advantage.

<MAAbdel-Kerim,HoldingCo,22/8/1994>

Participation in the scheme is voluntary, where employees can purchase shares after these have been valuated. The benefits of the ESA are that shares are subsidised. The issue however, seems to be surrounded by confusion. In one of the interviews with trade unionists at the glass manufacturing company the following conversation took place in which one of the unionists and the elected workers' representative at the BOD were involved. The elected BOD member said:

The federation has a board of directors composed of unions, elected members, and managers. Subscription is voluntary, payment is over three years, with a 20% subsidy. No shares are owned before payment is completed. A unionist said: No, first the company is evaluated, then 10% of the shares are set aside for the employees to be paid over a period of 10 years. <unions, shubra kheima, 26/9/94>

There is also confusion about the appropriation of shares by employees. During a meeting with a union member at the glass company I asked what happens if for any reason the worker is no longer engaged in the company, such as if a worker has gone on pension, or if a worker no longer wants to pay for the shares:

In the case of pension, workers continue to pay, and if the worker wants to discontinue, he can sell his share to someone else. ...There are about 35 managers in the share holding scheme. <NasrUnions, Musturud, 25/9/94>

It is to be noted that when asked this question, the chairman of the holding company gave the following response:

...The project is still new and some problems may emerge, but only with practice will solutions to the problems be possible. <MAAbdel-Kerim, HoldingCo, 22/8/1994>

The issue of the fellowship fund seems to be an idea promoted to absorb the anxiety over privatisation of public sector enterprises. On the one hand, it is open to all employees at the enterprise thus it is less likely that the bulk of the shares will be purchased by the production workers as they have limited budgets. Second, membership is pending on full payment for the shares to be paid over a period of three years, which again gives the impression of working against workers. Politically, it may be perceived as a tool of appeasement because it gives the impression that share-holders are owners and also that owners cannot be dismissed. It is a vague symbol of 'security'. In reality, the three year payment period cannot be regarded as coincidence with the three year period during which the new owners of enterprises are required to keep the workers. Even if disaster strikes after the three year period, problems are no longer to be defined as

government problems, the problem will be with the then owners. The same is happening in the cases of Coca-Cola and Pepsi, where all the blame is laid at the feet of the new owners, and occasionally used as a testimony against 'immature' or 'greedy' Egyptian capitalism.

However, as the process of privatization increased in pace in 1996, many of the issues that were surrounded by confusion in 1994 began to become clear. The 10% share allocated to the ESA is in fact a way of going around the issue of the share allocated to employees as a share of the profits of the enterprises. Thus, according to the new capital markets law, an ESA is formed in enterprises with a maximum ceiling of 10% of shares of the company. The distribution of the annual profits of the enterprises is from their 10% ESA (Khattab: 18). Furthermore, there are criteria for the establishment of ESAs, including that the enterprise should have at least 50 employees and that the capital of the enterprise should not be less than LE 1 million (Khattab: 18). This in fact is a method of 'rationalising' the benefits workers obtain in an enterprise. One may argue that ESAs are designed in a way where there are no handouts: what workers get, they must buy first, although at a nominal price.

The views of the trade union members on the share-holders federation is interesting. In an interview with union members at the tobacco company, a unionist from another company who was visiting said:

Now it is public ownership through the stock exchange, they will not repeat the situation of selling to the private sector because the experience of Coca-Cola and Pepsi was bad. In Pepsi they tied production and salaries with distribution. In the case of Coca-Cola, the entire company

was sold for LE 250 million. There are 14 factories in Coca-Cola, anyone will know that the value of the land alone is much more than that amount.

<GRShafik, Giza, 18/10/1994>

The above view is not shared by the chairman of the glass company:

Already the decision has been taken to form a share-holders' federation for 10% of the shares. This measure is not one of the true objectives of privatisation. The objective of privatisation is the transfer of ownership to the private sector, and to reduce bureaucratic measures. Privatisation means liberalisation of management in its decisions, so that the performance of management may improve. Instead of borrowing from banks and paying interest on loans, enterprises should encourage investment. It is thus very important at this stage to make people understand the concepts involved. It is important to make people understand what a 'share' means, and how investing in a share differs from depositing money in a bank. It is also important to make people understand what are the relevant indicators in the budget of an enterprise. <Adel Kamel, 24/8/94>

To conclude this section, the process of evaluation of enterprises has not proceeded smoothly. Problems interlock, on the one hand the position of the government of taking one step forward and then stopping, arising from political considerations, and on the other hand the conflicts between different institutions and problems of an over bureaucratised system emerge. While Law 203 in theory enables the general assembly of enterprises to proceed with decision-making, conflicts with institutions such as the Ministry of Finance, which are as

authoritative as they are bureaucratic, limit the autonomy of the enterprise decision-making bodies. Thus, what emerges is that there is a political will on the part of the state to change and to deregulate, but an inability to implement rapidly. Underlying the situation, one may argue, is a conflict within the various agencies of state. Deregulation of the economy entails the reduction of power of several organisations that are considerably powerful. Indeed, the government by not pursuing radical changes “tried to build public consensus for reform” (Hinnebusch, 1993:168).

From the passing of law 203 to January 1996, only a few enterprises were privatised. Since that date, however, the pace of reform changed dramatically, after a Cabinet reshuffle and the appointment of a new Prime Minister, Kamal El-Ganzouri, known as a technocrat¹⁴. Thus a Ministerial Committee for Privatisation was formed in January 1996. In May 1996 three Initial Public Offerings (IPOs) took place, of which two enterprises sold majority shares in the stock market (ARE, 1996:73). By the end of July 1996, “28 companies have been majority privatised (including 10 companies under liquidation), ...[and] another 17 companies have been minority privatised” (ARE, 1996:73). The sale of the enterprises included both law 203 and law 159 companies. In addition to the stock floatations and private sales, a number of enterprises sold a majority of shares (95% of shares) to Employees Stockholders Associations (ESAs). All ESAs are only in the agriculture and construction sectors (ARE, 1996:74). The number of

¹⁴ Ironically, he was also known for his conservative views on privatisation when he was Minister of Planning.

enterprises sold to ESAs are ten. There are criteria for the sale of 100% or 95% of shares to ESAs. The most important of these is that the enterprise being thus sold should be in an activity that relies almost completely on labour as a factor of production (Khattab: 18). The enterprises thus privatised must also be small companies. One may argue that the significance of this step is in fact political, so that it would appear that there are different options for labour, including ownership. However, these “advantages” for labour, as they are referred to, are primarily for political appeasement.

Conclusion

The reform of PEs has been deemed one of the most important features of ERSAP, as envisioned both by the IFIs and the GOE. While it was recognised that reforms would come at a social cost in the short term, the failure to do so was perceived to be more harmful in the long run as “the stagnant public sector can no longer absorb job seekers and unemployment is climbing” (Hinnebusch, 1993: 164). Reform has negative consequences for workers, and the measures developed to placate the emerging dissatisfaction and fears among workers have not been satisfactory. As the crux of reform of PEs has been financial restructuring, the ‘social’ role of enterprises was not taken into account. Labour was assessed primarily as a ‘cost of production’. In great measure this policy was adopted in order to attract private sector investments. Indeed, this is reflected in a number of measures the government has taken. For example, one of the measures to promote an adequate ‘investment climate’ was “the mere 2% capital gains tax the government is proposing in the new draft tax law” (Hinnebusch, 1993: 165). Thus, the burdens of PE reform fall on workers.

The process of reforming public sector enterprises provides a good indication of the political choices made by the government in the course of economic development. The price of reform is being paid by workers. The discourse the government has used in calling for public sector reform has allocated the blame for the problems of that sector in large measure to the workers. Workers bore a large responsibility for the failure of enterprises because of their numbers. One of the keys to solving the problems of the enterprises became reducing excess workers. Although the government did share a part of the responsibility by recognising that it was government policies that led to the development of the situation, there are no workable measures that address the problems created by the laying off of workers. Some measures were developed which would have just postponed the problem. Increasingly the government is moving toward a system of financial settlement such as early retirement schemes.

By examining the proposals developed to try to deal with the problem of the public sector, one finds that they are not very encouraging. For example, it became clear from the interviews that the new management teams that were to take the public sector through the transition period are the old managers but reshuffled among the enterprises. Thus the argument the government used to separate management and ownership is not workable. The role of the new management teams seems to be basically to try to stop the collapse of the enterprises, until they are privatised. The clearest indication of this is that the holding companies are often referred to as investment trusts, combining industries that bear little relation to each other. The goal is financial gain, not restructuring.

The process of reform highlighted problems with the trade union organisations in their relations with workers. On the one hand, there was concurrence at the topmost levels of the organisation, ETUF and the general unions, with the government in the formulation of the policies to restructure enterprises and in the design of the labour law that is meant to be investor-friendly, and which does not reciprocate with equal rights for workers. On the other hand, the trade union organisations at the enterprise level were not involved in policy formulation. Indeed, some instances revealed an almost complete lack of communication between the different levels of the organisation. At that level of the organisation, unions did not seem to be able to help workers, at best. The one group of unionists who seemed to try to represent workers and their concerns, the unionists in political parties, were defending the public sector. But in their defence, they are not presenting viable alternatives. This leaves workers, particularly public sector workers, in a situation where their rights are withdrawn but they cannot defend themselves through the existing formal channels. This issue is examined in greater detail in the next chapter on the impact of restructuring on workers.

Chapter Five: The Impact of Restructuring on Workers

In Egypt, as elsewhere, structural adjustment comes with unavoidable social costs. These costs “are both concentrated and dispersed” (Waterbury, 1993: 203). Some measures of the restructuring program negatively impact the bulk of the population, while other measures have a more specific or located impact. Workers, particularly public sector workers, are among the groups most adversely affected by reforms, both through the reform measures within PEs, and the more extensive/comprehensive measures of SAP, such as the removal of subsidies and trade liberalisation. The workers thus impacted constitute a large segment of the unionised workforce¹. Nevertheless, trade unions have not been able to reduce the costs borne by workers. In part, this asserts the powerlessness of trade unions because of their corporatisation. While there is some resistance to the reforms, trade unions are not able to initiate substantial changes. Indeed, unions often have to justify to workers the reforms and subdue workers’ misgivings.

Following is an examination of the impact of restructuring on workers.

¹ About 75% of the 3.3 million unionised work force is public/governmental sector (ETUF, 1992: 113). However, the number includes a considerable proportion of white-collar workers, in central and local government, as well as in the public sector authorities.

Reform Measures within Enterprises

Most of the reforms in the public sector have their foundation in Law 203. Along with the establishment of holding companies, and the reform in the role and composition of the boards of directors of enterprises, law 203 allows individual enterprises to formulate their by-laws. Allowing for small differences in the by-laws of enterprises, the reforms have concentrated on the area of personnel management, and regulation of wages and incentives. The rationale for the reforms has been primarily to pave the way for the privatisation of enterprises, and making them more attractive for investors by promoting the productive efficiency of the enterprises, by addressing the failures of enterprises to attain efficiency due to past policies. The enterprise is redefined as a profit-making institution (PEO, 1993: 51). Thus, the new by-laws directly or indirectly feed into the goal of profitability of the enterprise.

The by-laws of enterprises are drawn from Law 203/1991, Law 48/1978, and the proposed Unified Labour Law². Article 42 of Law 203 states that the enterprise and the general union draft the by-laws of the enterprise regulating the personnel system (nizam al 'ameleen). These cover wages and incentives, and holidays (article 42, law 203/1991). The by-laws in many instances are based on the terms stated in Law 48/1978, the Public Sector Employees Law, such as dismissal of employees, and annual leave/holidays. Each of these are dealt with separately.

² Article 5 of Law 203 states that once the by-laws have been ratified and thus implemented, it is no longer possible to operate by law 48.

The formulation of the by-laws is basically carried out by the board of management (BOM) of the enterprise with inputs from the relevant departments, based on 'model' by-laws provided to enterprises by the PEO, as is clearly stated by the head of the legal affairs' department at the tobacco company: "There are model by-laws, which are in fact just an outline" <RH Ibrahim, Giza, 24/9/1994>. According to the law, as mentioned above, the general union is supposed to be involved in the drafting of the by-laws. Based on the research conducted, the situation is somewhat different. After the by-laws have been drafted at the enterprise, they are given to the general union for review and approval.

It is important to emphasise that it is the general union, and not the branch-level union committee that is involved in the drafting and approval of the by-laws, although the union committee may be involved by presence of some of its members in the BOM, as indicated by one of the unionists at the tobacco company:

It was in the BOM, it was formulated with us, 15 members from the union committee, and three from management. I do not say 4 from management because one of them is Ashour, we say he has two souls as he is considered both management [BOM] and union³. <GR Shafik, Giza, 18/10/1994>

Once drafted, the by-laws are sent for ratification by the Minister concerned (article 42, Law 203/1991). At the time the research was conducted, in 1994, although it was several months since the by-laws had been drafted in both the glass

³ It is not an unfamiliar practice for unionists to combine more than one position in an enterprise.

manufacturing and tobacco companies, they had not been ratified. The situation thus was that the enterprises were Law 203 enterprises, but the stipulations of the Law could not be fully implemented until the by-laws were ratified.

Following is a description of the reforms formulated by the new by-laws in the two enterprises in which fieldwork was conducted.

a. Performance evaluation, and incentives

Performance evaluation is carried out on an annual basis in most enterprises. In both enterprises where research was carried out the same changes were initiated, as they were based on the model by-laws. The change introduced is expanding the scale by one level and setting percentages for each scale, as outlined below by the head of administration at the tobacco company:

For each group of positions there is a model for performance evaluation.

Under the old system there were four scales⁴: weak, average, good, and excellent. In the new system, as suggested in the by-laws, the scale is: weak, average, good, very good, and excellent. The percentage of excellent [per department] should not exceed 15% of the employees in the department, while the very good should not exceed 25%. ...In order to achieve objectivity, there are three supervisory levels that carry out the evaluation:

⁴ It is worth noting that according to article 24 of Law 48/1978 there are three levels: excellent, average (efficient), and weak. This system of evaluation is not applicable to senior management.

the director of the department, the director general, and the head of the sector. <MMahmoud, Giza, 20/9/1994>

The significance of performance evaluation is that it is directly linked to a financial incentive⁵. A bonus is provided depending on performance. The placing of ceilings for levels of performance is an attempt at enhancing competitiveness, but it is also a method of placing ceilings on bonus payments. This issue seems to be disregarded by the union committee members interviewed. In an interview with a unionist at the tobacco company he detailed the scales for performance evaluation and the corresponding bonuses:

In the new bylaws there is a performance efficiency bonus. The annual reports, were -excellent, good, average, weak- in the new system it is -excellent, very good, good, average, and weak. In the old system only 10% of employees could get excellent, in the new system, 15% excellent, and 25% very good. In addition to the periodic allowances, the 'excellent' is given 100% of the performance efficiency bonus, while the 'very good' gets 80% of it, in addition to the periodic allowances. <FAIbrahim, Giza, 15/10/1994>

Unlike the previous system, under the new by-laws only two categories receive the performance efficiency bonus, those graded 'excellent' and 'very good'.

⁵ Other financial incentives include the transformation bonus, which is given once for transferring the company from Public to Business sector law. In addition, a periodic incentive, which is 40% of the salary, is given once a year.

Regardless of the merits of the new system or lack of, it is obvious that the new by-laws place a ceiling on this type of bonus. This is in line with Law 203, which states that incentives and bonuses must be linked to achievement or performance, either in the form of increased output/productivity, or as profit (article 43, Law 203/1991). Thus, a person rated 'weak' does not receive a performance bonus, nor the periodic incentive <GRShafik, Giza, 18/10/1994>.

The implications for workers are clear. While it is difficult to justify the distribution of non-existing profit to employees, as was the case in some public sector enterprises until recently, it is possible to understand how workers can be financially vulnerable under the new rating. This is particularly the case in the absence of the tripartite committees comprised of representatives from workers, the union committee, and the Ministry of Labour. Indeed, as will be highlighted in the section on 'dismissals', performance evaluation can be used to dismiss labour. The new system links productivity, labour, and profit.

b. Dismissal:

Another measure of reform concerns the dismissal procedures of employees. As a result of the new by-laws, procedures for dismissal of employees have become easier than in the previous system. These by-laws are based on the provisions of Law 48/1978. Article 31 of law 48 states that if an employee is rated 'weak' in performance evaluation twice consecutively, s/he should be transferred to another position more suited to her/his abilities. Only in the case where a worker is practically unable to carry out any work is s/he to be dismissed. In case of dismissal, the worker is entitled to pension payment or compensation (article 31, law 48/1978). In practice, however, the situation is somewhat different. There is an

indication that the method of rating employees 'weak' is used to dismiss unneeded labour. An example is cited in Al-Ahali newspaper, the case of a worker who has always 'excellent' rating was given two consecutive 'weak' evaluations "in preparation for firing him" (Al-Ahali, 20/10/93).

Article 100 of law 48 states that a worker is considered to have resigned if the worker is absent without leave/permission for 15 consecutive days/year or 30 non-consecutive days/year. The new by-laws alter this:

In law 48 dismissal happens after 30 interrupted days of absence, or 15 continuous days of absence. After 15 days of interrupted absence, there is a deduction of up to three days' pay. No more than 5 days' fine per month is given, and if there is more, then it is transferred to the following month. The new system recommends 20 interrupted days of absence, or 10 continuous days. <FAIbrahim,Giza,15/10/1994>

Under the provisions of the Unified Labour law, the employer, if necessary can transfer employees from one position to another to suit the 'nature of work' (article 123, Unified labour law). Should the employee refuse, then he/she can terminate the contract. During the research, this point was mentioned on many occasions, particularly in reference to the Pepsi-Cola and Coca-Cola companies, where the new owners used this method to both push wages down, or simply to get rid of redundant labour, with minimum obligations. In an interview with a unionist at the Tagamuu party he said:

The direct consequences are that psychologically, workers' feeling of stability and the feeling of security started to end. From the practical perspective, only Pepsi-Cola changed, the other companies did not change.

One of the goals of the policy is the reduction of workers, recruitment stopped since 1985. <Sayed Rady, 25/10/94>

No feature of employment in public sector enterprises was valued by workers more than the security of employment. Dismissing workers was a very difficult and lengthy process. It is for this reason that this feature of reform is dreaded. Nevertheless, though there may be opposition to the measure, it was approved by the general union and by the branch union committee members in the BOM.

c. Job qualification:

One of the most significant reforms introduced by the by-laws is that on job qualifications. According to the existing system, under law 48, job positions are tied to educational qualifications. Job descriptions state the required educational qualification for the position. The system rewards educational attainment rather than work experience. This policy is referred to as 'pricing of certificates'. As a recruitment policy, it cannot be separated from the policy of universal and free education from the primary level to university. It is also inseparable from the guaranteed employment scheme promoted by the government. Figuratively, it is almost a caste system, with positions particularly in administration, barred from any individual without a university degree. Benefits are tied to seniority, rather than performance. From the organisational perspective, it is a supply-sided system. The new by-laws aim to introduce a demand-oriented system. The interview with the director general of organisation at El-Nasr glass company reveals this:

There will be an organisational structure for positions. The organisational structure is being designed from the top to the bottom, and it is essential to have information about the base. There is a description for every job, a job

description card that includes conditions and goals/objectives of the position. There are some basic or essential positions in the structure. It is a process of linking the needs and the jobs, this is the organisational structure. It is possible to compress positions in order to decrease them.<Mahmoud Abu Bakr,28/8/94>

The interests of the productivity of the enterprise and its profitability become paramount under the new by-laws. The elimination of redundancy, to enhance productivity, is one of the goals in the proposed by-laws. In an interview with the director of industrial relations at the glass manufacturing company, he said in regards to the 'pricing of qualifications':

*I link the position with production, and take account of experience. The new system will eliminate the worst workers, whoever works their income will increase. The ill and troublesome workers will be gone/finished. Of 2400 workers in the factory 200 (8%) have chronic illness and constantly take sick leave. There will not be wasted time, companies will only support skilled workers, thus it will increase production, and consequently prosperity, Mubarak has grown tired of saying increase productivity.
<Fawzi Nawar,29/8/94>*

The by-laws relating to job qualification as well as the changes introduced regarding the employment and dismissal of workers, have far-reaching consequences for the organisation of work. The discussion of basic positions and non-basic ones, signals the introduction of flexibility in the workplace, together with provisions allowing employers to assign and re-assign workers to any positions needed for the 'nature of work', is in reality a discussion of

organisational flexibility in the workplace. The essence of the change can be summarised as follows: what is good for the enterprise, is good for workers. Indeed, in the guidelines for Law 203 companies, the PEO states that independence of (enterprises) "aims at achieving the general interest, that is the interest of the owner of capital" (PEO, 1993: 51). Henceforth, the 'good' worker is the one who is co-operative, and productive.

d. Wages

The consequence of the policy of 'pricing of certificates' is that every level of educational attainment is priced. Such a price is the basic salary of the employee. The wage system is, however, scaled to account for some experience. Thus within each educational 'band' there is a scale of number of years of experience, and accordingly, the basic salary increases by number of years. The basic salary system is universally applied in all public sector employment, including the civil service. By virtue of Law 203, enterprises can design their wage scale, through the enterprise by-laws (article 42, law 203/1991). In an interview with the head of the administration division at the tobacco company he explained how the enterprises proceeded with formulating the by-laws for wages:

There were suggestions from the company. We adopted the principle of pricing the position, rather than pricing of certificates. In the public sector system, every certificate has an employment level, for example, a welder with industrial secondary certificate is fourth level. It is also possible by seniority to move through the levels. All this, however, applies to the basic salary only. As for the additional salary, which is the incentive, it differs, because it is in return for work performed, and

generally, productive work has more incentive than clerical or administrative work.<MMahmoud, Giza, 20/9/1994>

A crucial point to mention here is the significance of the piece rate for production workers. It exceeds the basic salary, particularly if one adds the overtime wage, and is thus very significant for production workers. Indeed, the piece rate is used "to supplement employee income rather than as a reward for increased and improved performance" (Henley and Ereisha, 1989: 71). Yet, the by-laws for the piece rate had not yet been approved by the enterprises <MMahmoud,Giza,20/9/1994>.

e. Holidays and annual leave:

Last, and least of the reforms is that regulating the numbers of days of annual leave for employees. According to the Unified Labour law, a worker is entitled to two-weeks annual leave, of which at least six days must be uninterrupted (article 48, Unified Labour law). In addition, the worker is entitled to six days of casual leave. This is a reduction from law 48, which states in article 65 that a worker is entitled to seven days casual leave per year and a 15 working day annual leave for the first year of employment, 21 for those who worked for up to ten years in the enterprise, 30 days for ten years or more, and 45 days for those aged 50 years or older.

The discussion of the reforms within enterprises indicates that the new by-laws per se do not differ extensively from the old ones. However, by combining the by-laws with the increased autonomy of management in decision-making introduced by Law 203, significant changes will occur in enterprises. The utmost concern of reforms has been how to make enterprises more efficient. This is inevitably related to the issue of worker productivity. The shift from a public sector, state controlled

apparatus to a market-responsive system is a shift from a system that rewarded seniority to one that rewards productivity and output. The rather well-known 'they pretend to pay us, we pretend to work' was the principle in operation in public sector enterprises, according to which workers put in minimum labour, and management provided minimum wage (Waterbury, 1993:126). The fact that management in PEs could not easily dismiss workers allowed the system to continue⁶. The relaxation of the rules on dismissal of workers will change that situation to benefit management. Thus, workers are confronting more insecurity and instability in employment, with little or no backing from trade unions.

An examination of the reaction of unions to the reforms within enterprises indicates that trade unions participated in their formulation and, from some of the remarks made by unionists about the adoption of the by-laws, it seems that branch level unions approve of the reforms. The following remark from a unionist at the tobacco company depicts this:

...The bylaws were formulated and we hope they are implemented.

<GRShafik, Giza, 18/10/1994>

This is recognised by management as well. The 'co-operation' of the unions is reflected in a remark by the head of administration at the same enterprise. I asked him what was the reaction of the BOM committee to the new by-laws, and if there were any objections from the union committee to the by-laws:

⁶ The crisis of productivity is multi-faceted, and it has been discussed in an earlier chapter. The issue of labour-management trade-off is an important aspect of it.

There were no major objections from the union committee, in fact the general union commended the by-laws. ... The president of the union committee cares about the well-being of the workers, and the role of management is to balance between the well-being of workers and work.

<MMahmoud, Giza, 20/9/1994>

One area of concern among unionists, however, was how the unified by-laws would impact the different companies, those that are profitable, and those that are not. Some unionists interviewed were concerned because companies that are losing and those that are making profit are equated <FAIbrahim, Giza, 15/10/1994>. This attitude reflects a wider debate of how the profitable and the losing companies fare under reform. There are those who argue that the bringing together of losing and profitable companies under single holding companies is necessary. This view is partly based on the notion that the losses of some PEs was a factor of corruption at the top⁷, and that the change in the top leadership in losing enterprises leads to recovery of losses (Al-Ahram, 1/10/94). In an interview with the president of the General Union for Engineering Industries, who is also a member of the BOM of

⁷ In 1996 a previous chairman of the BOM of an electrical engineering public sector company came under fire for charges of embezzlement from the company. He was tried and recently found guilty of the charges, and found to have transferred large sums to Swiss bank accounts. The case fuelled the debate of the corruption of some public sector managers, and their role in the failure of public enterprises.

the holding company of the Engineering industries, he pointed out to the financial benefits of combining losing and profitable enterprises in holding companies:

There are 17 engineering companies in the holding company for engineering industries. In 1991 there were 4 profitable companies and 13 losing. In 1995/6 there are 13 companies that are profitable. This was done by paying off some of the debts of the losing companies from the profitable ones. Also, we negotiate with the banks <Niazi Abdel Aziz, ETUF, 25/2/97>.

The concern of unionists was how it would impact “their company” in broad terms. Particularly in the branch unions, this indicates that trade unions are too localised in their concerns. The consequences of this is that it limits their action. Furthermore, it is noticeable that the concern is primarily on the enterprise, and not on the impact of reform on workers. In fact, trade union support was sought and attained for the reforms. As pointed out earlier, it reflects an attitude that the interests of work and the workers coincide. By combining both the interests of work and workers, trade unions ensure their continuity in enterprises. Trade unions thus ‘legitimise’ their continued presence. This issue comes under greater analysis on the chapter on trade unions and SAP.

In the following section is an examination of the wider impact of structural adjustment policies on labour.

Labour and Structural Adjustment

The previous sections focused on the changes affecting public sector enterprises within the context of structural adjustment and reform. The impact of the changes

in public sector enterprises on workers was dealt with as well. It is important to consider the broader issues of structural adjustment and their consequences for workers. The following section examines the impact of trade liberalisation on public sector workers, the impact of the removal or decrease of subsidies and insurance, and finally the impact of reforms on women workers. After examining these three issues, trade union reactions to them are discussed.

Liberalisation, enterprises and the workers

The liberalisation of the economy is translated as the removal of barriers to the free movement of goods in the markets, and thus competitiveness among industries. It is argued that once some 'impediments' to the development of industry, particularly in the manufacturing sector, are removed, Egyptian industry would be able to fulfil its competitive advantage (Handoussa in Handoussa and Potter: 95). The perceived strategy is that of promoting export-led industrialisation. At the same time, the relaxation of constraints on the importation of goods allows the entry of 'foreign' goods in local markets which then compete with local goods. Unfortunately as with all 'struggles', survival is for the fittest, in this case not Egyptian industry.

The problems of Egyptian industrial enterprises, specifically the public sector, extend beyond financial and administrative mismanagement, and too much state intervention. A very important consideration is a dilapidated, or at best humble, industrial base. In many enterprises the machinery is outmoded. As a consequence the goods produced are of an inferior quality in comparison with imported goods, and due to the frequent break downs of such old machinery, more expensive in relative terms. This issue is a concern among managers in public sector enterprises.

In an interview with the operations manager at the Musturud branch of the glass manufacturing company, he said:

The goods imported into Egypt are cheaper than the equivalent Egyptian goods. This is unfair competition because Egyptian industry is not as sophisticated as foreign industry. As a result the demand for Egyptian goods dropped and this led to piling up of products in warehouses in the enterprises. This leads to reducing production <NasrUnions, Musturud, 25/9/94>.

There is a recognition, however, that in an effort to increase productivity, enterprises - particularly in the private sector - utilised sophisticated and labour intensive machinery (Handoussa in Handoussa and Potter: 101-2). In fact, two opposing considerations are at play: enhancing productivity means reduction of employment levels in PEs, and at the same time the decline in labour absorption in the economy and consequently unemployment is a major concern. The labour absorption capacity of both public⁸ and the private sector enterprises remains low, but it is to be noted that private sector labour absorption increased slightly in the early seventies, at the beginning of Infitah. That slight change, however, did not alter the absorption pattern of employment in manufacturing across the different sectors in the Egyptian economy since the mid-1970s, which is approximately 46% in the public sector, 9% in the private sector, and 45% in the small enterprises sector (Hussein in Abbas: 31).

⁸ It is to be noted that the bulk of PEs is in the manufacturing sector.

The problem in public sector enterprises is further complicated by the refusal to provide required spare parts. The result is lack of productivity. In an interview with a tram driver he explained the situation found in the company where he works:

The situation is getting worse, since importation from outside has stopped. Spare parts for the cars [train units] are not available. Local production does not last more than 7 days, while from Japan it lasts a year or two. There is a big number of workers without work, for example, 15 drivers and 30 ticket collectors in every shift are without work. There is no importation of spare parts from the outside, while about LE 362 million was spent to buy 400 motors for the Heliopolis company, but in our company there are 65 tram units in need of motors. The difference is that the Heliopolis company was merged to the General Transportation Agency.

<Kamal Ismail, 25/10/1994>

The halt or decline in productivity in PEs slashes the wages of workers because the piece rate, which constitutes a considerable part of the wages is directly linked to productivity. The relationship between economic performance and workers' pay is depicted in the following remark:

Economic depression has an impact on workers, because it impacts production and services and this directly affects incentives which have come to represent the major part of the workers' pay. For a long time the government has been trying to remedy the problem of wages through incentives, but it is influenced a lot by conditions of the market and the economic situation, income decreases and prices increase. <Fathy Mahmoud, 22/10/94>

These concerns reflect the end of an era when the public sector was perceived to be a place of security for workers. There is apprehension about the future <FAIbrahim, Giza, 15/10/1994>. Yet, some persist with the view that since their company is profitable, no changes will occur. In an interview with a worker at the tobacco company, I asked him about privatisation and its impact on workers, he said:

As for the company, there are no problems, it will not impact us because the company is successful, they will not bring someone else to manage it.
 <MKGad, Giza, 18/10/1994>

In the specific case of the tobacco company the impact of liberalisation perhaps is not as pronounced as it is for other enterprises. First, it is a monopoly industry and thus it may be the case that resources are available for upgrading the industry. In an interview with the same worker he told me that there are new machines in the company <MKGad, Giza, 18/10/1994>. Second, competition with imported cigarettes and other imported tobacco products may not be posing a serious threat because the company is producing some 'foreign' brands under a franchise license. This reflects the differences between and within industries in the post import substitution industrialisation period. Some industries are attaining moderate rates of return, while others are not. The former industries are primarily "activities in areas of comparative advantage" (Handoussa in Handoussa and Potter: 107). It has also been pointed out⁹ that even within the same industry the gap between

⁹ The study by Handoussa focuses mainly on the manufacturing sector.

successful and average enterprises is large (Handoussa in Handoussa and Potter: 108).

While admitting for some differences among enterprises, the situation nevertheless remains negative for most public sector enterprises and the workers in them. The liberalisation of external trade, including lifting protective barriers against imported items does have a considerable impact on goods produced locally. The imported goods are of better quality than their local counterparts, and often cheaper. The consequences are negative for both the private and public sector industries, but the biggest burden is borne by the workers in the public sector (Hussein in Abbas: 27). The following remark by one of the unionists at the glass manufacturing company illustrates the point:

The Graphite pens Company, due to importation, is facing serious problems, goods imported from China are cheaper than the Egyptian products, the Chinese pencils are sold at about 10 piasters, while the Egyptian costs about 11 piasters and is sold at 15. It is an economic game, a flooding operation to destroy industry here. It is a government policy, it should have placed limitations, the right to import should have been given only to public sector companies. <unions, shubra kheima, 26/9/94>

In another interview at the glass manufacturing company, the director of organisation and administration pointed out that liberalisation may be perceived as a stimulus to improve production. However, while he said that production improved, sales did not. By accumulation of goods, the result for workers is the same:

It is necessary to change, there is a development/boom. There are new products, new glasses, we have changed the packaging, new designs. The products had to change to keep up with the products of the investment sector, and imported goods, as much as possible we tried to renovate the equipment. Importation is a problem, the machinery we have is old, and the production of other countries is better, but it is also not that good. Importation has affected sales, not production. The company exports to Arab and African countries. At this stage the marketing operation is the most sensitive stage [in the production process] and this is the problem, it is a problem of marketing. <Mahmoud Abu Bakr, 28/8/94>

The proponents of trade liberalisation argue that an economy can flourish by focusing on developing industries where the country has comparative advantage. It is a recipe based on export-led industrial development. Yet, in practice, the evidence in Egypt suggests that many local industries, regardless of whether they are in the public or private sectors, end up the losers in this system. Workers in particular are among the groups most specifically impacted by trade liberalisation policies. A decline in wages associated with reduced productivity/distribution of goods, or a reduction in numbers of labour utilised are how trade liberalisation policies are affecting workers. Indeed, in the World Trade Organisation conference held in Singapore in 1996, one of the issues debated was the implementation of international standards of labour in developing countries. The debate centred on the extent to which governments in developing countries have the right to deal with low-wage labour as a comparative advantage. In specific, international labour standards include the right of workers to organise in unions, but governments of

developing countries were reluctant because cheap labour was a comparative advantage. Thus 'workers' are treated as 'goods' of comparative advantage.

In the following section another aspect of the impact of the implementation of SAP on public sector workers is examined.

Impact of reforms on services to workers

In addition to the reform measures that had a direct impact on workers specifically through the workplace, other reforms impact a wider strata in society. Workers, particularly public sector workers, are among the groups affected by such reforms. Perhaps equal to the security of employment, the attraction of PEs to workers was in the services or benefits it provided its employees. Such welfare measures have always been of greater significance to workers and other salaried employees than their meagre wages (Harik, 1992:481). With the implementation of SAP, these benefits are under threat.

One of the basic elements of SAP is the removal of subsidies, both on consumer items, and on production inputs¹⁰. It is a policy measure that impacts workers as part of the underprivileged, not distinctly as a working class. The underprivileged is a fast expanding group in Egypt that includes the urban (and rural) poor. Government employees or those with a limited income are also adversely affected by the removal of subsidies. The extent to which subsidies are vital to many Egyptians was depicted by the January 1977 food riots, triggered by the removal of

¹⁰ The impact of production input subsidy cuts was discussed in an earlier chapter.

subsidies on basic consumer items: bread, rice, and sugar. This is reflected in the comment of the head of the labour secretariat at the Nasserite Party:

The economic changes that are taking place and which workers bear the biggest burden of are, for example, the issue of abolishing subsidies and the increase in prices that is not compatible at any rate with the increase in income and wages. <Fathy Mahmoud, 22/10/94>

Another incident that provoked rioting among workers over subsidy cuts was among the textile workers of Kafr El-Dawar in 1984. As in the case of January 1977, the government went back on the cuts (Brumberg in Barkey: 90). However, by May 1990 the government had started implementation of subsidy cuts. In May 1990 a cut of about 35% on rice, flour and pasta was implemented, in addition to subsidy cuts on electricity bills and gasoline (Niblock in Niblock and Murphy: 67). Yet, these cuts and subsequent ones did not go far enough as far as the IMF was concerned. One may argue that a subtle change in the discourse on subsidy cuts took place. Increasingly, it was dealt with as 'an increase in prices of basic goods' rather than a 'subsidy cut' (Al-Wafd, 5/12/94: 1). The latter implies a 'withdrawal' of a 'right'. Other tactics used to get around the issue of subsidy cuts on consumer goods was reducing the amount of the goods and selling them at the same price, for example, bread became smaller.

The debate about removal of subsidies is very sensitive in Egypt. Coupled with inflation, overall rates of poverty have increased. Cost of living studies and household surveys point out that the bulk of household expenditures (55%) goes into food, and thus an increase in the prices of food through subsidy cuts and inflation place a heavy burden on many households (Al-Ahali, 26/5/93). This is

particularly so for the urban population (Richards and Waterbury: 230). Indeed, in a recent study, it was pointed out that about 19 million Egyptians are living under the poverty line (Al-Ahali, 8/5/96: 3). Although ideally subsidies are intended as a form of redistribution of wealth in society, what has happened is that the rich have benefited more from subsidies than have the poor. The reason is the bulk of the subsidies in Egypt "goes to non-food items and is skewed in favour of middle- and high-income groups" (Harik, 1992: 482). As such, subsidies in Egypt though they are necessary for the lower-income strata, do not serve the function of the redistribution of wealth in society. Although there have been attempts to make the subsidy system more effective, the problem of maldistribution persists.

It is recognised by the government that the implementation of the Economic Reform and Structural Adjustment Program (ERSAP) "implies that considerable hardship is now borne by the poor and ultra-poor as a result of the elimination of most subsidies" (Institute of National Planning: 33). The proposals are based on making the existing system more effective, basically by application of methods aimed at better targeting of the 'genuinely' needy. A 'social safety net' was proposed¹¹ that would "target beneficiaries via a screening process based on eligibility criteria, so as to restrict transfers to those groups who are unable to work or have no other source of income" (Institute of National Planning: 33). One point that needs to be highlighted, is that increasingly the government encouraged NGOs/PVOs to 'share' in the responsibility in the provision and delivery of basic services and goods to the poor (Institute of National Planning: 31). In 1992, there

¹¹ This was originally recommended by the World Bank (World Bank, 1990: 47).

were 15,000 such organisations registered with the Ministry of Social Affairs (Zaki: 56). Yet, the PVOs/NGOs are regulated by Law 32/1964, and the law is notorious for the amount of constraints it places on the NGOs¹². Thus these organisations have not been able to go much beyond being “mere agents for the delivery of services subsidised by the government and/or foreign donors” (Zaki: 57). Yet, some charitable organisations are able to deliver much assistance, goods and services, to the poor. Many of these organisations are religious, both Christian and Muslim, as well as secular ones. Among these associations are Islamic charitable organisations.

Islamic charitable organisations are one of the numerous aspects of the wider Islamic ‘revival’ in Egypt¹³, which range from the purely spiritual such as the Sufis, to the militant groups that want to overthrow the government to establish in its place an ‘Islamic’ government. The charitable organisations are widely dispersed and evidence points that they have been able to address the failures of government, particularly toward the poor. There is also evidence that the activities of such organisations are not motivated by purely humanitarian concerns, though there may be an element of that:

¹² It is estimated that about 50% of these organisations are completely ineffective (Zaki: 57).

¹³ It is to be noted that there is a reluctance by some to view the Islamic charitable organisations as an aspect of Islamic revival, since there is a long history in Egypt of the existence of such organisations (Sullivan, 1994: 58).

Food, fuel, clothing and electricity all used to be available for a small fraction of world prices in Egypt, but their prices have risen substantially in the last two years with the slashing of subsidies and lifting of controls. The poor, of course, suffer most from higher prices, and their neighbourhoods tend to receive low priority when it comes to establishing schools and health clinics. The Islamic activists have been able to ease some of the burden with health clinics, Koranic schools and even loans.

(Reed: 99)

Islamic charitable organisations pose a challenge to the government simply because they address “the problem of unmet social needs and/or the need for new services which the state could neither effectively provide nor afford to undertake” (Zaki: 57). The appeal of the Islamic organisations among the poor extends beyond the charitable organisations. It is pointed out that there is a following, particularly among unemployed young men, to the militant organisations, such as Al-Gamaa Al-Islameya (Reed: 99). One point is clear, there is a direct link between adherence or support to Islamic movements and poverty. Furthermore, the Islamic movement, particularly the Muslim Brotherhood, has opted for trying to gain ‘control’ by infiltration into various structures of civil society (Zaki: 119). This, as will be explained in greater detail in the following chapter, is one of the methods used by the Islamists in trying to ‘control’ the labour movement. Thus the quest of the Islamists is social and inevitably political, largely brought about by the policies adopted by the government. Such policies force workers - as part of the underprivileged - to seek alternative channels to address their economic demands.

In addition to subsidies, other changes have a major influence on the working class, such as pension laws and medical insurance. Social insurance is regulated in Egypt by a number of laws, such as for Egyptians working abroad, or for the self-employed, and even temporary workers. For employees in the public, private, and governmental sectors Law 79/1975 applies.¹⁴ Social insurance covers pensions, work-related injuries, and other services and benefits such as employee funds, illness insurance, life insurance, and unemployment insurance (Abdel-Rahman: 10). Both the employees and the employer have to pay a share toward social insurance monthly, except in a few cases such as work injuries and unemployment insurance where only the employer pays. The share of the employer is, by law, larger than that of the employee. Among the criteria for eligibility for social insurance are a minimum age of 18, and a 'regular' working relationship between employees and employer. By the latter is meant that the job of the employee has to be an activity in the employers' field of work, or that the employees have been working for at least six months, regardless of the nature of their work (Abdel-Rahman: 13).

It is not possible to deny that services to workers in the public sector have been affected by economic reform policies. Public sector enterprises provide employees with a number of services including medical insurance, social insurance or pensions, transportation to and from work, in some cases a food co-operative with subsidised products, and some 'emergency relief' services as department funds, and the fellowship fund which is managed by the trade union committee, and

¹⁴ It is interesting to note that Law 79/1975 has replaced 18 laws and decrees.

which provides compensations to employees on retirement. During an interview with one of the unionists at Tagamuu party I asked him about the services the company provides to workers, and he replied:

Medical treatment of workers and employees which the company bears totally, [as well as] transportation, clubs, resorts, and housing. ...There was much resistance from workers whenever possible [to reforms affecting the services], but gradually companies began to abandon that role. Society is threatened by spontaneous movements, it does not need much insight, but trying to blame or affiliate worker movements to political forces has become exposed. <Sayed Rady,25/10/94>

While the law is clear that social insurance is obligatory, in practice many private sector enterprises manage to go around the law. Furthermore, with the implementation of the reform measures, and the issue of law 203/1991 the once secure position of public sector employees regarding social insurance was shaken. In a meeting with the head of the labour secretariat at the Nasserite party, he expressed fears about the price workers would pay for reform:

...Changes in the law of workers' representatives in the BOM, a proposal to change social insurance, a proposal to change the union law. There are six laws that are will be modified in the coming period, they are linked to economic reform. This organises a new labour market that serves the mechanisms of the market and employers/employers. The issue of unemployment is the most dangerous because the supply is much larger than the demand. The volcano will erupt in Egypt from the labour cause.<Fathy Mahmoud,22/10/94>

The concern expressed above is justified. There are modifications to social insurance (includes pensions), and medical insurance. The changes place a bigger burden on workers, although in an interview with the manager of legal affairs at the tobacco company he said “the umbrella of insurance will not be affected” <RHIbrahim,Giza,24/9/1994>. While it is true that insurance will continue, employees will have to pay a bigger share of it. Besides the fact that workers have to pay a bigger share in insurance, and simultaneously employers pay a smaller share, there are numerous methods used by employers, particularly in the private sector to avoid insurance. The problem with private sector evasion of insurance has long been recognised. One of the loopholes in the social insurance law is used by the private sector to avoid payment of insurance to workers, namely that the job of the employee has to be an activity in the employers’ field of work (ETUF, 1992: 187). It is to be noted that although the ETUF knows of this situation, it was unable to implement a change in this practice of private sector employers. The situation in the private sector remains precarious, so that it is not uncommon for workers to be forced by employers not to participate in the social insurance scheme at all (Al-Ahali, 29/5/96: 7). In some cases, the employer makes the worker pay the bulk of the insurance money <Abdel Hamid El-Sheikh,Tagamuu, 5/3/97>. At the same time the ETUF continues to honour the tradition of ‘rewarding’ some unionists by providing an exceptional pension (law 80/1973 and a subsequent Prime Ministerial Decree in 1976 to make the pension transferable) to honour them “for carrying on their shoulders the struggle of the Egyptian labour movement” (ETUF, 1992: 188).

The attitude of the ETUF is indicative that first, it perceives itself as an organisation for public sector workers, and second, it is more effective in pursuing its own institutional interests than those of workers. This point is further illustrated by the attitude of the ETUF toward a proposal in 1984 to double workers' contribution to social insurance. There was an uproar among many workers, and many strikes¹⁵ took place when it became apparent that the new insurance law (law 47/1984) would substantially increase workers' share in social insurance, and that furthermore the ETUF had endorsed the law (Posusney, 1991: 244). The extent of the protest of workers forced the modification of the law, and interestingly the ETUF went back on its original position of endorsing the law and demanded its modification (Posusney, 1991: 244; ETUF, 1992: 189).

Medical insurance is of particular significance to workers in the public sector. It is believed that the medical service is the most valued service provided by the enterprise from workers' point of view. Many enterprises, particularly the big ones, have their own hospital (basically a big multiple clinic), and more frequently a clinic. For years, treatment in the enterprise clinics has been recognised as poor, notorious for giving patients a standard prescription, aspirin or its equivalent, for almost all ailments. The inefficiency of the service is illustrated by the following remark made by a tram driver at one of the transport agencies:

¹⁵ It is very important to emphasise that the strike waves starting 1984 were linked to a great extent to the deterioration of the economic situation in Egypt, and an increase in prices of some items.

We have a hospital at the General Transportation Agency. The doctor writes the treatment, but he may give me half the treatment [medication] or may not. There are no hospital ambulances in the branch. <Kamal Ismail,25/10/1994>

More often than not these clinics provide first aid services for injuries incurred at work. The benefit to employees, however, was that serious conditions, such as operations and prolonged illness, are covered by the insurance, usually at the general hospital in the area where the enterprise is located. Medical insurance covers employee and family. Despite its problems, medical insurance is important to workers. It should be added that medical insurance was and still remains a major item of expenses on company budget. The following remarks demonstrate these points. In an interview with the head of labour secretariat at the Nasserite party, he said:

There is not only the labour law, but also modifications in medical insurance laws and treatment, and it includes dangerous articles. There is an article on increasing the workers' share and this is in contradiction with customs and logic. True, the cost of medical insurance has become very expensive but it is also true that any country has medical insurance....The new law cancelled treatment outside the country, it gave to the prime minister the right to modify [the contributions of the employee and employer] without laws, so as to make the beneficiary bear a third of the price of medicine. In other countries there is medical insurance for foreigners, which is a progressive vision. <Fathy Mahmoud,22/10/94>

The following remark indicates the same concern with the increases in the burden on the employees, and what is more points to a fear that such changes may just be the beginning of more drastic changes, which translate as a bigger burden on employees to bear:

There is also a draft law on medical/health insurance that states that workers are to bear 30%, this is in the general framework of privatisation of everything even insurance. Only three years ago did the Health Insurance begin to have a financial crisis, make losses, among the reasons is the increase in the prices of medication. The budget was affected by the general [public or state] policies. Now there is a committee examining how it can be privatised. The biggest danger is that it may be the entry point to total privatisation....The government has placed the burden of structural adjustment and economic reform [on workers], the government has given up on its responsibilities and wage earners are bearing it. There were some demands to reduce the price of medication, and its exemption from taxes.

<AHSheikh, 1/10/94>

In the draft of the unified labour law articles 220 and 223 discuss medical insurance. These 'oblige' the company to carry out a preliminary medical check on workers/employees to ensure that they have the physical, mental, and psychological aptitude to carry out the work that is to be assigned to them. The adequate levels of 'aptitude' are set by the Minister of Health (article 220). This is in fact a little-disguised measure that gives to the employer the right to not hire anyone who may have a health condition that would require financing by the company, regardless of whether such a condition is an 'impediment' to work or

not¹⁶. Furthermore, article 223 states that it is necessary to carry out a daily check of the place of work to ensure that no health hazards are in existence, and if a worker complains of any ailment, the doctor resident at the enterprise must check if it is work-related or not. A routine check up of all employees is to be conducted to detect any illnesses at the early stages. While it is to be recognised that workers would benefit by any measures to reduce their exposure to health hazards at work, one can also argue that it would be thus possible to get rid of workers who may prove to require medical expenses beyond what a company is willing to pay. Other aspects of medical insurance, such as the contribution of employers and employees, are covered by the insurance law.

If one may speak of a 'real politick' of trade unionism, it is becoming increasingly apparent that trade unions are dealing with many of the changes that are coming about as a result of reforms in the economy as inevitable. Although Al-Ahali, the newspaper of the Tagamuu party in which many trade unionists and labour activists write, has carried out an attack on privatisation and continues to do so, one notices that concerning health insurance, as an example, it seems to argue for 'better' conditions. Specifically, the paper proposes that in three cases, workers with chronic illness, hospitalisation, and workers who abide by the unified labour

¹⁶ During the Nasser era, legislation was introduced that obliged companies to take 5% of their workforce as incapacitated health-wise. It was meant as an egalitarian measure. But, it became the case that the public sector, already burdened with many deficits, was paying much toward the treatment of a number of its employees.

law, all these three should not be made to pay an increased share towards their health insurance (Al-Ahali, 3/4/96). By calling for exemptions, it means Al-Ahali has accepted the rules.

In this section, an attempt was made to illustrate that the services to state employees have been affected by the reform programs of the World Bank and IMF. The impact of the changes is felt by state employees in general, workers included. Such services are important for their beneficiaries, and consequently there has been resentment on their reform. In a manner, the reforms are perceived as a one-sided termination of the social contract on the part of the government. At the same time as workers and other state employees are expected to pay a substantial share for these services, the government has withdrawn its 'responsibility' due to financial difficulties, while not making attempts to address the other inadequacies of the services. On the other hand, there are numerous concessions made to the new 'forces' of development, employers and business people, which measures are deemed to encourage investment, and hence new jobs.

Economic liberalisation has resulted in the marginalisation of large sectors of society (Mostafa in Amin: 160). While people are marginalised economically and politically, they can express their frustration at their marginalisation by asserting their 'cultural' identity. Thus, it is observed that the increase of economic and political marginalisation has been accompanied by a sharp rise in identity politics. In the case of Egypt, it is in the form of the Islamisation of society. It is the case that the re-emergence of Islamism occurred in the mid-1970s, after Infitah policies, which marginalised many. The process continues with the implementation of SAP, and indeed is exacerbated by it. Ironically, it is at this level, the cultural level, that

the state is willing to concede to pressures from below, albeit to the point where such pressures do not threaten the continuity of the government. In a sense, the cultural identity is perceived as the one element of 'integration' of the marginalised. It is in this sense that the Islamists have managed to impose a stronghold on many professional syndicates (for example: lawyers, doctors, pharmacist), basically because these sectors benefited tremendously from the Nasser era, specifically through the educational policies. With liberalisation and globalisation, these groups have become increasingly marginalised, and Islamized. For this reason, there have been attempts to Islamise the workers' movement, but it has not been as successful as the Islamization of professional unions/syndicates. This issue is dealt with in greater detail in the following chapter on trade unions and SAP.

Impact of reform on women workers and employees

Numerous researches have recognised that the burdens of reform and structural adjustment fall harder on women than on men. This is particularly the case for women workers. Some of the areas of concentration of women's employment are negatively impacted by reform. Beginning with the statistics, there are numerous problems with definition of women's work, and with measuring it. Numerically, women accounted for 11% of the labour force in 1993 in Egypt (World Bank, 1995: 218). Even allowing for some different statistics that place the number closer to 14%, it remains a small rate of participation. This rate, however, does not give a correct view of women's work in Egypt. In a different survey, the Labour Force Survey, the economically active rate of women above 15 years of age at 1989 was estimated at 30% (ILO, 1993: 14). Although the years differ, the difference in the

two sets are not the result of a change in the employment of women, they are the result of different measurement methods. There is recognition that there is a problem in measuring women's employment in many third world countries, and in the case of research carried out on Egypt, it was pointed out that problems of method in data collection is the primary cause of the consistent underreporting of women's employment (Anker and Anker in Khoury and Moghadam: 148-9).

Women's work is best understood by examining dichotomies; formal sector versus informal sector, public versus private, and rural versus urban. While it is not possible to give exact numbers for the employment of women in the informal sector, they are considerable. It is estimated that the informal sector accounts for about 11% of women's employment in the non-public sector (Soliman: 35). Yet, it is the case that activities in the informal sector are often underreported (Al-Qudsi, Assad, and Shaban: 5). This is because to a great extent the home is the base of operation. The home is used for producing and selling products, such as food or clothing, but these often pass off as household work. By examining the sectoral distribution of the rates of employment of women, it emerges that services and agriculture are the bulk employers of women¹⁷, with industrial activity the lowest. Perhaps the following table is used as an example to highlight the problem in defining the employment of women. It refers to the urban/rural divide in the employment of women:

¹⁷ It must be pointed out that some data indicate services to be the largest absorber of women's employment, while others indicate it is agriculture.

Survey	Census (1986)	LFS (1988)
Urban	10.6%	18.8%
Rural	3.6%	32.5%
Total	6.6%	26.6%

Not only is there a major difference in overall estimation of participation rates, there is what is more serious, a contradiction between the two in regard to which sector absorbs more women. It is my opinion that the Labour Force Survey (LFS) is more realistic. Again the core of the difference may lie in accounting for some of the activities of women in the informal sector in the LFS.

The objective of the statistical presentation is to point out the extent to which the trade union organisation is NOT representative of women workers. While the trade union organisation represents only about a third of the labour force, this is even less in the case of women workers. The percentage of women employed in the government and public sectors (unionised) is approximately 40% of the total employment of women, in the formal sector one may add (Institute of National Planning: 112). Thus the amount of women workers who have benefited from the labour legislation are a limited percentage of working women in Egypt.

Employment laws in Egypt provide women with benefits and are to a large extent egalitarian. These laws were the product of the Nasser regime. Among the benefits of women employees are generous maternity leaves (article 72, Law 48/1978), provision of child nurseries where more than fifty women are employed, and equal

pay as men for the same job¹⁸. It is believed that such provisions as well as equality between the sexes stated in the constitution were basically geared at the modernisation and nation-building efforts (Hammam: 50).

The guaranteed employment scheme of university graduates opened up opportunities for the employment of women in relatively large numbers in the civil service, as per the provisions of law 14/1964. Recruitment for such positions has been largely gender neutral, and so have promotions within the governmental or civil services sector. Nevertheless, a gender division of labour, even within the theoretically gender neutral civil service, exists. To some extent this is the result of the concentration of women in some areas of study or vocation, and their relative scarcity in others. For example, the department of engineering is dominated by male students, while literature was predominantly a woman's field. Thus within the civil service women are primarily in the clerical and secretarial jobs. In industrial enterprises, there is a large concentration of women in the clerical positions. In addition, women production workers are concentrated in some industries, in particular textiles and food processing, which are considered 'female' industries. The 'ghettoisation' of women's work in specific areas is linked to lower skill levels, and consequently lower wage. Thus, the idea of equality of the sexes in employment is not the case in practice.

Employment legislation for women emerged within the context of state feminism. However, the agenda of state feminism was not comprehensive. Reform was not

¹⁸ It refers to the basic salary. Thus, when piece rate is added the wages of men and women workers differ significantly.

undertaken in needed areas, in particular the personal status laws (Hatem: 232-3). It was not a state feminist ideology because it did not challenge relations in the private sphere. Thus while women became [more] equal with men in the public sphere, the relations between men and women in the private, family sphere were not changed.

The 'progressive' employment legislation has benefited women in the civil service much more than women in the production sector. There are specific legal provisions made concerning the employment of women. For example, the employment of women in jobs defined as harmful to women, health-wise or morally, or in 'hazardous' work such as mining and quarrying is banned. Also, the employment of women between 7 p.m. and 7 am is not permissible, except in some instances specified by the Minister of Labour. In fact, this basically rules out the evening shift in production. The result of this policy in the industrial sector is that though formally there is equal pay for equal work, the wages of women are on average less than those of men because the piece rate pay is less for women simply because they work less.

A study carried out by UNICEF/Egypt indicated that women workers in industrial enterprises were not satisfied with their situation. Concerning the hours of work, although women did not work in the late night shift, in order to get to work at 7 in the morning most had to get up at around 4 in the morning, have a male relative accompany them and wait with them for the bus in order to avoid harassment. Many women bore that situation and the stress of trying to jostle their work and family responsibilities because their salary was indispensable to the family income (Hammam: 60-1). Another area of complaint among the women workers was the

nursery provided by the workplace. Many objected that it was either inconvenient, or simply they did not want to pay money for the nursery for a service that is poor if they could find an alternative, such as a relative, or neighbour (Hammam: 61-2).

What is noticeable is that trade unions do not address these problems of women, and instead are quick to blame women workers for problems at work, and even problems of the public sector, as will be illustrated below.

One of the consequences of the implementation of structural adjustment has been an erosion of some of the rights of women in employment. It is important to note, however, that even before SAP many of these rights were ignored or by-passed. In public sector enterprises, with the reforms, women workers are targeted as redundant labour. While this is not a formal policy, it is a recognised practice. Some argue it is a consequence of the benefits to women ensured by law. Following are some of the issues raised concerning the withdrawal of some of the employment benefits of women. In an interview with the head of the labour secretariat at the Tagamuu party, I asked him to what extent there was a tendency to target women as redundant workers:

Officially this does not exist, even in the administrative sector. Employers are not pleased with the privileges [of women workers], but in some cases they do not implement the rights like the nurseries. The discriminatory item that is felt is that in newspapers some advertisements [job ads] require "Males Only". This is in contradiction to the law. The private sector does not follow the law or adhere to it. Whoever employs does not adhere to the law, but most important is that women themselves are beginning to give secondary importance to work, and to the family the first attention. The

sixties and seventies used to be a very good period [for women]. But the present period is not good, and it is a product of the [political] environment. <AHSheikh, 1/10/94>

While women are blamed for not giving enough attention to work, there is no suggestion that they do carry a double burden, one at home and one at work. Furthermore, the performance of men, which is no different from that of women is not criticised, nor is the fact of male absenteeism¹⁹ because they are moonlighting. The focus is on the 'legal' breach, but no viable alternatives are presented. Another comment reinforces this view. In an interview with Ismail Sabry Abdalla, the director of a research organisation in Cairo, who was a minister of planning during the Sadat era:

There is a trend against women's employment, [this trend] is illegal and goes against two articles in the constitution, article 40 on equality in general, and article 12 concerning providing facilities for women to manage between work and children. <ISAbdalla, Third World Forum, 28/9/1994>

The proposed unified labour law, like the law it will replace, regulates the employment of women. The law reduces the benefits of women workers, so that the woman who gives birth to a child is entitled to maternity leave after spending a longer period of time at work than in the existing law -ten instead of six months-

¹⁹ This is especially the case in administrative work, where it is not uncommon for employees to sign their name and then 'disappear'.

and that a woman is entitled to maternity benefits two times throughout her period of employment, instead of three. The problem is basically that the proposed law allows for dismissal of employees, and hence it makes employment unstable. It is reported that women workers try to hide their pregnancy as long as possible lest they be dismissed (El-Nakash: 55). Yet, some seem to focus on the legal aspects and overlook the actual practices, as indicated by the manger of the legal affairs department at the tobacco company:

The advantages [rights] of women workers are included in the company by-laws, because the by-laws are the law of the relationship. <RH Ibrahim, Giza, 24/9/1994>

During the interviews, when the issue of redundancy among women workers was raised several reasons were given to justify this situation. One of the most prevalent excuses for redundancy in the two enterprises visited was 'nature of work'. In a meeting with the chairman of the holding company to which the two enterprises are affiliated, I asked about the employment of women, and the extent of redundancy among women. He said:

In the metallurgical field the number of women employed is little. There are some women workers in the china company, but the majority of them are in the administrative/clerical jobs. In the glass industry they are concentrated in the engraving operation, design, and packaging. <MA Abdel-Kerim, HoldingCo, 22/8/1994>

The 'nature of work' argument reinforces the sexual division of labour. This is reflected not only among the management staff, but also among the unions. In an interview with unionists at the glass manufacturing company a similar point of

view was repeated, that there are not many women workers in the enterprise, and that those working in the enterprise are mostly in administrative positions. The unionists explained to me that this was the case because it was based on the labour law (conditions of employment of women in hazardous jobs) <unions,shubra kheima, 26/9/94>. It is relevant to note that the wages accorded to 'workers in hazardous jobs' are better than the average of public sector workers because they have a generous 'nature of work' compensation.

Another issue that emerged during the research was that there exists an attitude that the work of women is dispensable. In an interview with the manager of the administration division at the tobacco company there was an attitude that women's presence in such jobs was unnecessary:

Concerning women, in the productive and marketing operations, their percentage is very small. This is because of the nature of the work. There was a proposal to let women work half the time in return for half the wage, but it did not succeed. Frequency of leaves has led some managers to avoid employing women....<MMahmoud,Giza,20/9/1994>

Various approaches to 'encourage' women to leave work are adopted. For example, a proposal was made to let women receive half their salary, and all the benefits of pension and social security in return for leaving work. Such an arrangement would be legally made as a long-term vacation (Al-Ahali, 27/10/93). This proposal was made in Al-Ahleya company for metallurgical industries at the behest of the head of the trade union committee. The scheme, it is emphasised, is entirely voluntary.

In general, redundancy was perceived as a woman's problem. The fact that men sit in offices chatting or reading newspapers was not mentioned by the interviewees. Thus, in an interview with unionists at the glass manufacturing company I asked if women were targeted for redundancy:

We did hear this, but the problem is not in the factories, the problem is in the government where there are offices where there are 5 people, but only 1 is working, you find some people [women] doing their knitting, or you may even find seven people sitting at one desk. Salah Abu Ismail, a member in parliament during Sadat's time, made a proposal that women workers be given half their salary in return that the women leave work. But the proposal did not come up again. In fact, in some areas it is not possible to spare women, like teaching and medicine.

<NasrUnions, Musturud, 25/9/94>

Another proposal made regarding women employees was to reduce the retirement age for women from 60 to 55 years of age. From the interview with the manager of the administration division at the tobacco company it is interesting to observe that he almost implies that it is the duty of women to 'sacrifice' and make room for others. He then goes on to imply, it really is not a 'sacrifice', it is what the women want. The 'sacrifice' argument, however, has a loophole. If the intention is encouraging redundant workers to leave, then no 'new graduate' should be offered the woman's job:

...There is also a proposal to make the retirement age for women 55, but keeping all her rights [social insurance]. In this way she would be giving an opportunity for the new graduates, they are after all our children and

her children too. By the way this is what women themselves say, and you will find this yourself when you meet some of them, but meet some of the older women, not the young ones. The young ones are still enthusiastic about work, and have not yet had the responsibility of children....As for the men, they too want early retirement, but according to the insurance law, their pension would be significantly reduced if they did, because it would deduce the pension for the piece rate, which is a big section of the wage. This leads to their continuation in work because of their financial needs. If the law is changed, this would be considered a solution to the unemployment problem. <MMahmoud, Giza,20/9/1994>

The argument above reinforces the images of men as breadwinners, and thus their income is indispensable, while women are nurturers. Thus the continued employment of men is required while that of women is not. Although it has been indicated in several researches that in fact many women workers would take the opportunity to leave work if they could find suitable compensation, they do not. Women continue to work, in difficult circumstances, because their wage - though little - is indispensable. In some cases, women leave work after they get married, but too often they go back to work because they must (Hammam: 63).

In targeting women for redundancy not only was the 'nature of work' argument used, rather 'nature of woman' was used. In what is an essentialist view, women are deemed as primarily responsible for their families, and that this 'nature of women' conflicts with their employment situation. This argument was given as an excuse for the poor performance of women relative to their male counterparts. The manager of the legal affairs department at the tobacco company told me:

On the issue of reducing women workers, this is based on production measures/rates. This is an injustice to women because men are dedicated to their work, while women have the housework too. <RHIbrahim, Giza,24/9/1994>

Financial considerations were highlighted as reasons for reluctance to employ women in the first place, and now in targeting them for redundancy. It is argued that employment of women is expensive basically because of their legal rights. The director of organisation and administration at the glass manufacturing company, while negating that women were targeted as redundant workers said:

The work/employment of women is a financial burden because she takes leaves, child care, she has responsibilities at home. The private sector has no mercy, it takes a person's meat and throws away the bones. It is better to take her wage and remain at home, raising children is important. <Mahmoud Abu Bakr, 28/8/94>

At the same company the director of personnel in one of the branches told me:

Women take many holidays/leaves especially after they get married, I cannot give a woman an assignment and then find her absent the next day, and I cannot do anything if she says her child is sick, I cannot tell her to leave the child and come to work. I do not give work that needs follow-up to women. <Ali Damallawi,30/8/94>

The same attitude about women is held by the unionists. Concerning the future of women and work and in particular the legal provisions for women workers, one of the unionists at the tobacco company told me:

These advantages began to diminish. The employer is only concerned with regularity at work. Women have conditions, and God has created them like that. <FAIbrahim, Giza, 15/10/1994>

In concluding this section, one observes that the impact of SAP on women is dual, as increased economic hardship and poverty on the women who are part of the underprivileged strata in society²⁰, and in specific toward women workers, leading to their increased marginalisation in the labour market. The combined effects of high and increasing unemployment, and employment legislation that is investment/management-friendly makes the marginalisation of women workers possible. In the case of women workers, it is inescapable to notice that women workers are a marginalised concern in the trade union organisation²¹. Women workers who are unionised represent the relatively privileged women workers. The bulk of women in employment, which is in the informal sector and even in small enterprises that are not unionised, work under very poor and insecure conditions. Yet, this seems to be of no concern for the trade union organisation. Women's problems are treated as 'specific' problems and marginalised at best, or simply ignored at worst.

²⁰ One of the groups of women who are particularly hard-hit by liberalisation and structural adjustment are the women-headed households (Handoussa, 1994: 1).

²¹ As an indication of this it is to be noted that in a 600+ page book by the ETUF that covers all aspects of the trade union organisation in Egypt, there are no statistics on the number of women workers who are union members.

Failure to address the problems of women and the imposition by the state of its own 'gender agenda' that served the needs of the state rather than women, led to the development of solutions from below, among the most successful of which was the Islamists (Hatem: 240-1). Their success among college students was remarkable. For example, the Islamists provided women students with a segregated transportation system, which was demanded by the women students because of the harassment in public transportation. Soon the project became so successful that it became obligatory for students utilising the service to be veiled. Women's [Islamic] societies and associations were established that were either headed by men who claimed that they knew Islam better than women, or by women²² who were guided by a religious/traditional view that objected to a secular view of the role of women (Hatem: 246). More secular women's association exist, but for the most part they are middle to upper class women's associations (Hatem: 247). Although the secular associations have their successes, they do not have grass roots support, and many view their ideology as alien. The Islamic societies, on the other hand, have a wider base of support. The consequences for women, particularly women workers under such circumstances are not encouraging. It points to the marginalisation of women and their work, by emphasising the private and public spheres of women's social existence.

The following section examines workers' reactions to the transition from public to 'business' sector, and how trade unions are responding to workers' concerns.

²² Zainab Al-Ghazali was very prominent in one such group. She was one of the first women trade unionists in the 1940s. She is an ardent Islamist.

Reactions to the Transition

Two factors play an important role in understanding the reactions of workers to the transition of public sector enterprises to the 'business' sector. Confusion and vagueness on the one hand, and the pace of implementation on the other. By examining the term used, 'business' sector, it is vague and does not clearly indicate how much similar or different it is from 'private' sector. Similarly, the term 'privatisation' has been avoided by all except the critics of the process²³. Thus many workers are not sure where they are going. An example to illustrate this point is that during one of my visits to the Musturud branch of the glass manufacturing company, after I finished the interviews of the day, I was offered a lift in one of the trucks that was going to deliver a load of medical ampoules to an area near Heliopolis, where I live. After a while and some chatting with the driver, he asked me what I was doing in the company, and I told him I was doing research. He told me he thought I was there for the sale of the company. He told me that the workers in the company do not know if the company is going to be sold or not and that they are worried. He told me that two years earlier (by my calculations around 1991) the license plates for all company vehicles were changed, from the blue public sector plates to private sector plates. When I told him that this was not enough to indicate that the company will be privatised, he told that all the public sector is being

²³ It is interesting to note that when the debate about privatisation started in the 1980s, the term for privatisation in Arabic now in use, 'khaskhasa', was dealt with as a linguistic innovation. Perhaps underlying that was an impression that like the term, the process was an innovation as well.

liquidated. As another indication he told me that he was once told to bring rice for the kitchen at the enterprise and he said that he and the person accompanying him went to several public sector co-operatives (game'ya) to buy the rice but they found the shelves empty; and they were told by the staff there that the co-operative will not get new stocks since it will shut after they sell the goods they have. When I asked him what do the unionists tell them, he told me they tell them that the company will not be sold.

The above situation reveals both the frustration and anxiety among employees of public sector enterprises due to lack of knowledge about their situation, and that they do not fully trust the unionists. The reason is because the latter are not telling the workers what is happening, in many cases because the unionists themselves do not know. In an interview with unionists at the glass manufacturing company, I asked what they as unionists tell workers if asked what will happen to the company, and how the workers will be affected:

I do not tell them that the company will be sold....Because I am like them, whatever will happen to them will happen to me. How can I tell them, what can I do for them? It makes no difference to the worker whether it is public sector or private sector, all he wants is to 'eat bread' [to make a living]. There are people who go to work outside the company but they return to the company again. The private sector gives the worker, and takes from him. Eight hours of work means eight hours of work, no rest and no time to pray. <NasrUnions, Musturud, 25/9/94>

Since that interview, although the glass manufacturing company was listed among the companies that would sell majority shares to the public, by examining the latest

update from the PEO, this had not yet taken place until beginning of March 1997 (khattab: 9).

The lack of knowledge of the unionists about how they will be impacted by privatisation makes them fall back on the argument about successful and losing companies. In both cases they argue that the company will not be sold. If the company is successful, there is no reason for the government to sell it, and if it is losing, no one will want to buy it. In an interview with a unionist from a construction company held at the Tagamuu party I asked how they as unionists respond to workers' questions on the sale of the company:

In the beginning when [law] 203 was first passed [in 1991], questions concerning privatisation were many, but since about a year ago we no longer get these questions. We used to tell them that this [i.e. privatisation] is for the companies that are making profits, but we are a company that is making losses. Workers feel that we defend them, even if it is for LE 1 we defend them. On 5 April 1992, we had a sit-in in the company, we were demanding work, because all the work had halted. State security (amn al-dawla) took us and there were some transfer orders issued, [i.e. transfer from one location to another]. <Abdel Menem El-Gamal, 5/10/94>

The following remark reveals the opposite situation. The success/profitability of a company, or lack of it, is used equally to convince workers that the company will not be privatised because the situation does not apply to their company. This is an indication that enterprise-based unions do not have a clear view of what is happening from management, but that the unions are used as a go-between, between management and workers to calm the fears of the workers about

privatisation. I asked one of the workers at the tobacco company about privatisation, and its impact on workers. He replied:

As for the company, there are no problems, it will not impact us because the company is successful, they will not bring someone else to manage it.<MKGad,Giza,18/10/1994>

Since that interview, shares of the tobacco company have been sold in the stock market with 5% of the shares sold to an Employee Share-owners Fund, valued at LE 47.5 million (khattab: 20).

What emerges is that in the midst of confusion and lack of knowledge of what is happening, unions are taking the position that they know what is good for workers, either because the workers do not know or understand what is happening, or simply that they do not care what happens. An interview with one of the unionists at the tobacco company concerning workers' reactions to Law 203 reflected that communication channels between workers and unionists do not exist:

Workers do not have an opinion, he only cares about his own good/benefit. He does not know the difference between [laws]48 and 203. <FAIbrahim, Giza, 15/10/1994>

Some remarks by unionists indicate that they are more concerned with the survival of the public sector per se, rather than with the interests of workers. The continuation of the public sector one may add, ensures the continuation of the trade union organisation:

Workers do not care whether it is public sector or private sector, but there is security in the public sector. The public sector has financed wars, and

now the nation [meaning the government] is dispensing with it. The socialist system is returning, the big nations protect their industry. ...The worker is threatened with the sale of the public sector, for example, the three years' issue [in the conditions of the sale of public sector companies the new owner is obliged to keep the workers for three years, after which he/she is no longer required to keep the workers]. The new owners will not fire the workers, they will make them submit their resignation. For example, in Asfour factory [a private sector glass/crystal factory], there are LE 7 million in social insurance, in the form of nutrition, clothing, medical treatment, that workers will not take and transportation for those who live near has been discontinued. <unions,shubra kheima, 26/9/94>

The attitude of some unionists that workers either do not understand or do not care is reflected by management as well. After I finished my interview with the director of personnel at the Yassin branch of the glass manufacturing company he came with me to show me the way out of the factory. On the way out I asked why security was making such a problem about my visit, if there had been a problem. He said there was no problem, but that I must have a permit. I asked him if workers in the company make protests and he said they do not. He said that so long as workers are hungry they do not make problems <Ali Damallawi,30/8/94>.

Yet, the attitude adopted by unionists only exacerbates the confusion among workers. Remarks made by some workers reveal such a concern. In an interview with a worker at the glass manufacturing company, I asked him about the issue of redundancy he said:

When they dismiss, they will dismiss anybody, people are afraid, even those that they will dispense with must have a chance/an alternative. They say the share of government will be 51% to preserve workers' rights. They [workers] must have a position so that they are not a burden on the company. He [the new employer] will save in everything, meals, transportation, and others, and at the same time can take insurance.<HSAbdel-Meguid,Shubra El-Kheima,19/10/1994>

Unionists understand the fear of the workers because the private sector has a reputation of insecurity for workers. When I asked a unionist at the tobacco company what is the reaction of workers to the transition to the private sector, he told me:

Workers were afraid of privatisation because the public sector has been here since 1961. They are afraid because most of them had lived through the private sector [before nationalisation]. <SAAshour, Talbia,16/10/1994>

It has been argued by some that the confusion surrounding the sale of enterprises and what will happen to the workers is close to being a psychological game. It has worn workers out, and since 1996 with the privatisations that took place, workers are now concerned with better conditions for leaving the public sector than to remain <Abdel-Hamid El-Sheikh, Tagamuu, 5/3/97>. This has been the case for some time. Indeed, I was informed that in one case the head of the trade union committee in Damanhour for Carpets rejected a management offer to workers for a package of early retirement to workers, and the reaction of the workers was to withdraw confidence in this unionist <Abdel-Hamid El-Sheikh, Tagamuu, 5/3/97>.

The issue to workers is no longer public sector versus private sector. In both cases workers are losing and thus they are opting for the better of two bad and uncertain situations. By accepting compensation to leave workers at least have gained something.

Conclusion

Structural Adjustment and economic reforms adopted by the government have negatively impacted workers, in a 'dispersed' and 'concentrated' way, to use the phrases in the introduction of the chapter. The price of reforms has been borne by workers as a part of the poor and underprivileged, and as production workers. At the workplace workers are facing more stringent disciplinary codes and a more 'rationalised' incentive and bonus system, but they do not have the mechanisms to enforce that they are not mistreated. Unions at the enterprises had not initiated with management the development of adequate assurances that workers would not be rendered vulnerable with no line of defence. Instead the argument used was that the union should represent both work and workers.

At the broader level, the liberalisation of trade has had a negative impact on public sector enterprises and this has translated for workers into lower wages. Other measures that are of great significance to workers are the removal of subsidies, health and social insurance as well as other benefits obtained from employment in the public sector. These benefits are in fact what compensates for the poor pay at public sector enterprises. Islamist groups have been able to fill in this void by the provision of services to the poor at modest prices. Trade unions, on the other hand, have not been able to challenge these changes, rather they often have to try to

down-play the fears of workers. Again, it is an indication that the trade union organisations are powerless to initiate changes for workers.

The losses of the workers have been the gains of the 'winners' in the adjustment process, the old and new bourgeoisie, local and international. Concessions have been made by the government to the bourgeoisie in the name of attracting investments and promoting growth. This it is argued by the government would in the longer term be of benefit to all, workers included. The government has buttressed itself by integrating the new elite and allowing it to 'share' power in a limited sense. A manifestation of this was an international conference held in Cairo in November 1996, The Cairo Economic Conference, in which the business community and the government were partners in promoting Egypt as an 'emerging market'. A President's Council was established some months earlier that included among its members some of the most prominent figures of the business community, in addition to Gamal Mubarak, one of the sons²⁴ of the President.

Yet, at the same time the government has broken its 'social contract' with its power base among the workers, peasants, and state employees, with minimal obligations. This was carried out without expanding 'popular participation' in government, beyond a few cosmetic measures. The frustrations created by both economic hardship and political stalemate has allowed Islamists to emerge as a grass-roots movement that has economic, political and cultural grievances against the regime. It has been able to gain in strength and has been able to mobilise

²⁴ Both Gamal and 'Alaa Mubarak figured very prominently in the Cairo Economic Conference, particularly Gamal.

support from a wide segment in society, including the workers. However, as will be discussed in the following chapter, the Islamist movement has serious limitations.

The following chapter discusses how trade unions are reacting to the SAP, and the extent to which they are more concerned with their survival as organisations than with workers. The failures of trade unions, have allowed the Islamists to make some headway into the labour movement.

Chapter Six: Trade Unions and Structural Adjustment: Partners in Change?

The trade union organisation in Egypt as it exists was a product of an economic and political system based on central decision-making. Trade unions are involved closely in the process of structural adjustment, both at the policy level, and in the implementation of reform. The ETUF is represented in all committees that formulate policies or legislation concerning labour. This has included the committees to draft the unified labour law, and the trade union law. Furthermore, the general union was involved in the implementation of reform, for example in the formulation of company by-laws. One also finds that trade union committees have been involved in the process, albeit in a limited fashion. The participation of the various levels of the trade union organisation in the process of reform and structural adjustment has been problematic. Trade unions have been acting more out of self-interest, than in the promotion of the interest of workers. Yet, by so doing the conflicts within the trade union organisation have intensified, so that just as there is a strong force within the trade union movement for the continued corporatisation of the movement, there are pressures for reform within the organisation.

Following is a discussion of how the trade union organisation has reacted to reform and structural adjustment.

Reactions of the ETUF and General Unions to Reform and SAP

The public sector constitutes the bulk of union membership, and henceforth the debates about public sector reform and privatisation are of critical significance to the trade union organisation. The issue of workers' rights was inevitably brought to the fore. The ETUF¹ tried to walk a tightrope, on the one hand calling for the necessity of reforms, and on the other hand stating that workers' rights would not be affected by reform. One observes that the position the upper trade union hierarchy adopted regarding structural adjustment and reform was that it was inevitable, but that the government had got the best terms possible. This is reflected in the interview with the President of the general union for engineering industries:

Structural adjustment is in two phases. The first is financial, all the people bore its consequences, it included measures such as fixing the value of the pound against the dollar, and taxes. The impact of these reforms was hardest on the poor segment of society. Second, economic reform and adjustment: the World Bank made a deal with the government that 50% of the debts of Egypt would be written off if Egypt proceeded with the reforms, particularly privatisation. And let me say that despite all the language used, public sector reform means using market mechanisms. After the agreement with the World Bank,

¹ In this section I use ETUF to refer to both the ETUF apparatus as well as the general unions, the headquarters of which are in fact situated in the ETUF building.

World Bank, Law 203 was issued. After all, if I could get the debt reduction it is a benefit <Niazi Abdel Aziz, ETUF, 25/2/97>.

At about 1988 and 1989 as the debate intensified in Egypt about the World Bank, IMF, and privatisation, the ETUF put forward its vision of reform. In December 1989 the ETUF, then headed by Ahmed Al-Amawy, issued a statement on "The vision of the workers of Egypt on reform, support and development of the public sector" (ETUF, 1992: 332). It was based on a study of the problems of the public sector and ways of improving its performance. At the outset the statement emphasised that constitutionally the government of Egypt is a 'Socialist Democratic' system, where there is public ownership of the means of production, and that the public sector has a leading role in fulfilling the development plan (ETUF, 1992: 333).

The statement made a number of recommendations on the pricing policies of the public sector, the utilisation of available resources, the financial structures of the public sector and the labour 'problem'. The measures proposed revolved around making the existing system more efficient and discouraging wasteful practices. For example, it was proposed that products be priced at their economic price, not the subsidised one, to cut back on importation of semi-finished products, reallocation of resources between enterprises, rescheduling of debts of losing PEs, and carrying out accurate feasibility studies for new projects. One of the proposals made was to sell the shares of PEs in the Joint-investment companies and to use the proceeds of the sales in setting up a central fund for PEs to adjust their financial structures (ETUF, 1992: 335). The last measure depicts flexibility on the part of the trade union organisation in that it can propose two very different things.

The statement focuses on the significance of the public sector, but one of the recommendations is the sale of some shares of enterprises that are partially public sector owned.

As for the proposals made regarding labour, they focused on efficiency and productivity. In the statement there was a separate discussion of management and of labour, but the recommendations were similar. The proposals were basically geared at making the system in public enterprises responsive to performance rather than seniority or automatic promotions. Emphasis was placed on the need for training to continually upgrade the skills of workers and employees. There was also a recommendation in the section of workers, but not in the section on management, to revise the wage schedule and to allow for by-laws for the different production sectors, to make wages compatible with the increase in prices (ETUF, 1992: 338). Also, the participation of workers' representatives in the BOMs of enterprises was re-affirmed, but it was pointed out that the criteria for eligibility should be revised so as to ensure best performance (ETUF, 1992: 337). The statement did not indicate what the criteria sought were.

The recommendations made by the December 1989 statement described above seem to confirm the line that the ETUF had taken earlier with the signing of a joint statement with the EBA (Egyptian Businessmen's Association) in May 1989. However, after the outrage that occurred when the joint ETUF-EBA statement became known, the December statement went along the 'need to reform' line but in a watered down approach. The ETUF-EBA joint statement:

...called for a number of reforms in the operation of the public sector, including freeing it from subordination to government

administration, separating its management from the state, enhancing its access to credit, lifting price controls on its products, allowing individual firms to adopt their own regulations, and linking wages and incentive pay to productivity.

(Posusney, 1995: 15)

The joint statement was opposed by unionists at various levels of the hierarchy. In defending the joint statement, Al-Amawy said that it was discussed at the ETUF and by the general unions and was approved unanimously², that the statement was in defence of an increase in productivity and did not come near worker' rights, and furthermore that it was in line with the workplan of the ETUF to develop the public sector. Indeed, Al-Amawy referred to it as "a light in the darkness" (Al-Ahali, 19/5/93). Despite some opposition from both unionists and workers, the policies of the ETUF proceeded in the direction of endorsement of the line of the government. This became increasingly apparent with regard to Law 203/1991.

The ETUF made some objections to law 203, and there was opposition to the law at the different levels of the trade union organisation. The law gave management greater autonomy in the running of enterprises, and this seems to have been an issue of concern to some unionists. However, the greatest concerns was that the law in its draft form was vague on some of the rights of representation of labour in enterprises. The general union for engineering industries was according to its current President, the only general union to oppose the law, and insisted on some

² It has been mentioned elsewhere that some unionists were coerced to sign it (Posusney, 1995: 16).

modifications <Niazi Abdel Aziz,ETUF, 25/2/97>. In an interview with him, he said:

We were the only General Union that objected to the draft of the law, and we were able to push for some changes. For example, we insisted that the trade union organisation and its responsibilities be indicated in the law. We also pushed for the inclusion of the President of the trade union committee as a member of the BOM
 <Niazi Abdel Aziz, ETUF, 25/2/97>.

I told Mr. Niazi that the president of the trade union is not a voting member of the BOM, whereupon he said:

We insisted that this be the case. ... You know that the system of voting of the BOM is by majority vote, thus there is an equal number of appointed and elected members, and the president of the BOM. What would be the situation if the president of the trade union committee was on the side in minority, it would be bad for his position/prestige. Another reason is that he is the legitimate representative of all the employees in the company, how could he be in a position of responsibility if he takes sides? Also, it is within his power to raise a suit against the company. As for the General assembly, we insisted that it should include representatives from the trade union committee. As for article 42 of law 203 on by-laws, we

insisted that the trade union be involved³, and we called for a periodic bonus equivalent to 5% of the basic salary <Niazi Abdel Aziz, ETUF, 25/2/97>.

The reason he gave is completely unconvincing, but it demonstrates that the role of the unionist is perceived as a personnel function, serving all employees. From the issues raised, it becomes clear that the upper levels of the trade union organisation did not question the essence of the law. By examining the minutes of the meeting held on 3/4/91 at the ETUF in which the BOM of the ETUF and the heads of the general unions met with the Ministers of Cabinet Affairs, Industry, Labour, and the President of the Central Agency for Organisation and Administration, it emerges that the ETUF and general unions had basically accepted the Law, but that they called for some changes related to worker rights in representation in the BOMs of the enterprises and in the preservation of the 10% profit to be distributed to workers (ETUF, 1992: 344). The trade union organisation had accepted the law as “representing a reality that must be dealt with” (ETUF, 1992: 359). This represented the tone that the ETUF would adopt henceforth, that basically the economic and political changes that were happening world-wide could not be stopped, and that trade unions had to evolve to deal with the changing world.

The fact that such a high level, ministerial committee met with the ETUF and general union leaders signifies that the government was ‘courting’ the trade union

³ On being asked why the general union and not the local union committee, he replied by saying that the general union is the basis of membership.

organisation. At a time when the changes toward a market economy (and privatisation) seemed inevitable, there was fear on the part of the government of how workers would react, thus trade unions were sought to control the workers. The modifications the trade unions made were included in the law. As for the trade union organisation, the organisation wanted to ensure for itself a continued role to play in the future. This became more clear over the issues of the unified labour law.

The draft of the new labour law was a watershed in the relations between the ETUF and workers. For the first time since Nasser's era, the trade union organisation participated in the formulation of legislation that allowed workers to be fired by the employer. In addition, as it was originally formulated, the law did not allow strike action by workers. As discussed in an earlier chapter, it was pressure from within the trade union organisation and ILO intervention that led to the revision of the issue of the right to strike. The right to strike was conceded, but the conditions for it were very restrictive, including that the general union to which an enterprise is affiliated had to approve of the strike beforehand, and that strikes were not allowed in 'vital' industries. The debate about the law is still ongoing and it has not yet been issued as law, the draft has to be presented to the People's Assembly for discussion in order that it may be issued as a law. This reflects the extent to which the law is significant.

In the face of the opposition to the law both from within the trade union organisation and from the workers, the ETUF has tried to downplay the problems posed by the law. The President of the ETUF, El-Sayed Rashed, insisted that through collective bargaining provisions, the law puts workers' representatives on

an equal footing with the representatives of the owners of capital. In addition, he argued, the law deals with the rights of workers provided in law 137 as the absolute minimum (Al-Hayat, 9/2/96: 12). On the issue of firing of workers, Rashed stated that the law clearly explained on what conditions an employee may be fired, basically for gross negligence (Al-Hayat, 9/2/96: 12). According to the presidents of the general unions for Chemical Industries, and for Electrical Industries, the assurances of Rashed are not justified. The law, they point out, is not very clear and very flexible, so that it allows for arbitrary dismissal of employees, and that it restricts the right of workers to strike (Al-Hayat, 9/2/96: 12). The law has been criticised as being unbalanced, promoting the interest of the employers at the expense of workers (Al-Wafd, 22/2/96: 11).

In the face of such intensive opposition, the ETUF made recourse to the argument that the rights of workers would not be affected by the new law (Posusney, 1995: 33). Nevertheless, the proposal was not altered to respond to the demands for change. By so doing, the senior ETUF leadership managed to present itself as 'responsible' to the government because it endorsed needed reform, and at the same time members insisted that the rights of workers would not be affected. It is noticeable that there is a lack of alternatives that would address some of the demands of workers.

In addition to trying to ensure a place for itself by presenting itself as a partner to the government in reform, the upper levels of the organisation have sought ways to strengthen the institutional basis of the trade union structure. Stemming from a belief in the need to prepare unionists for the coming stage in trade union work, there is a concern by the trade union organisation with the adequate training of

unionists. In the following section is an examination of the AFL-CIO project with the ETUF, and the increasing role of the Workers' University.

A 'Program Of Assistance To The Egyptian Trade Union Federation' has been developed jointly by USAID and AFL-CIO. The program is being implemented in Egypt through the African-American Labor Center (AALC), which is the international institute of the AFL-CIO. The duration of the program is from September 1995 to September 2000, which was preceded by a two year 'transitional' project, estimated at about US\$ 12 million and LE 2 million. The goal of the program is:

To develop within the Egyptian Trade Union Federation and some of its major affiliates a capacity to respond to the changing economic environment and to improve the labor movement's ability to represent the interests of the Egyptian workers through collective bargaining, dispute resolution and public policy advocacy (AALC/AFL-CIO: 9).

The project aims to provide assistance to the ETUF and the general unions "in developing the capacity to build a more representative democratic labour movement capable of representing workers in a more decentralised private sector economy" (AALC/AFL-CIO: 6). The focus of the program is best described as training-of -trainers. The program trains selected unionists in the education of other unionists and the development of training curricula in the skills needed for performance of their role as unionists. The areas of training include "leadership training, building the local union, safety and health, dispute resolution, worker rights, privatisation, issues of working women, and the role of the union in a

changing economy” (AALC/AFL-CIO: 10). The role of the Workers’ University or as it is otherwise known the Workers’ Education Association, figures very prominently in this respect.

As per the project report, the activities of the program in Egypt can be divided into two main areas: internal trade union development, and the promotion of the role of unions in economic and social development. Under trade union development, the focus is on the development of the capacities of the Workers’ University, and trade union professional staff development (AALC/AFL-CIO: 10). As for the second component, promotion of the role of unions in economic and social development, it comprises women’s’ programs, ESOP programs, labour and environment, as well as “the establishment of a Vocational Centre for the building and construction trades” (AALC/AFL-CIO: 11).

The project points out that the existing industrial relations system in Egypt is not suitable for the period of economic liberalisation because the trade union system is centralised, and undemocratic. Although the aim of the project is to enhance the capability of the trade union organisation to deal with a private sector-led economy, the training program is in fact utilising the very centralised and undemocratic structure it criticises. The focus of the training is on the institutional development of one of the agencies controlled by the ETUF, to develop the capabilities of the ETUF and the general unions, and furthermore the benefits of the program in the form of training of unionists is dispensed through the ETUF, through its agency the Workers’ University. Also, by examining the areas of training, although they deal with significant issues, they nonetheless fall short of the concerns of the majority of the working class, most important among which

are unemployment and measures to deal with it, job creation, and extending union rights to non unionised workers. Thus, in a sense the project of the AALC has given the upper trade union hierarchy a new area of channelling its authority and control of the trade union organisation, particularly as training and retraining activities are becoming increasingly significant as job turnover rates increase. One may extend the argument further and say that trade unionism is being presented as a 'science', and that only those who are equipped with the tools of the science are capable of dealing with it. Therefore, instead of promotion of a grass-roots approach, an exclusives, top-to-bottom approach is used.

The experience of the senior levels of the trade union organisation, ETUF and the General Unions, in the process of structural adjustment has been to maintain a balance between workers and the government. In so keeping the balance, the trade union organisation is trying to design a new role for itself that would be of use to the two. Increasingly the trade union organisation is promoting for itself the role of peace-keeper. It works through consent not through conflict. However, it is the case that by keeping the balance between workers and state, the interests of the organisation are served best, since the organisation will continue to be relevant in particular to the government. Thus the institution is aiming at strengthening itself. An indication of this is the focus of the organisation on training activities, taking on the role of 'producing' the 'good' unionist.

The following section examines trade unions at the base level of the trade union hierarchy, and their reactions to structural adjustment. However, prior to that discussion there is an examination of the role of the enterprise based unions. The

discussion helps one understand the reactions of enterprise-based unions to reform.

Role of Enterprise-Based Unions

The role of *trade union committees* in enterprises is limited. Due to the organisation of trade unions in Egypt, there is a grading of responsibilities for the different levels of the union hierarchy. Issues such as employment or wage policies and legislation, such as insurance or Medicare, are determined at the national level, at the ETUF. Industry related concerns are concluded at the level of the general union. The role of unionists at the enterprise level involves 'representation' of workers in a number of sub-committees. The following section examines how management and unionists in the enterprise perceive their role.

Management's perceptions of the role of the enterprise-based union:

Management perceives the union committee as primarily a service aimed at worker welfare and representing the interest of work. This view is indicated by the head of the organisation and administration division at the glass manufacturing company. I asked him about workers' representatives in the union and in the BOM:

The union is a social service for workers, it is service oriented, the members of the BOM work to improve the company, and planning it for the benefit of workers and work. He said that there are also production committees in every factory and a main/central committee, they discuss the mechanisms of production, it provides information annually on equipment, production, sales, what are the obstacles to production. They examine all

conditions of production. The president of the BOM is the president of the central production committee. <Mahmoud Abu Bakr,28/8/94>

In a meeting with the deputy director of the operations sector in the tobacco company, he said the following remark about unions:

Unions are concerned with material and non-material benefits to workers.<AHMahmoud,Giza,27/9/1994>

The comments of managers and also those of unionists about the role of the trade union committee is dominated by vagueness. The role of unionists in enterprises is largely defined in terms of being 'a service to workers', or 'service-oriented'. It can be argued that this vagueness is real. The activities of unionists at the enterprise level are secondary, ironically just as the word 'service' is in the context of a 'production' activity. The following remark by the director of the manual production factory at the Shubra El-Kheima branch of the glass manufacturing company reflects the situation:

In the past there was a worker-based union organisation, it used to be the interest of the worker, and obstacles to production, the improvement and development of workers' rights. Now there is none of that, only summer resorts/beaches and services to workers. <MAShafei, Shubra El-Kheima, 19/10/1994>

Unionists on their role in enterprises:

Most unionists do not have a very different view of their role from that described by management.

Unionists first of all describe their role as representatives of workers. In an interview with a unionist at the tobacco company he listed the various committees in which the union committee members participate:

The role of the union is worker representation. I represent workers in the personnel affairs committee dealing with promotions, and secondment; the committee for petitions/appeals concerning fines or sanctions in which we examine the workers appeals. There are two members from the union committee represented in this committee; Social support (takaful) committee, which investigates the condition of workers when they need financial support, for example, for an operation; Production committee which investigates all the company's production problems; Industrial security committee; Tripartite committee, in the labour office; Medical committee (khumasseya) which determines whether a worker's disability is partial or total, and thus provides the worker with the appropriate compensation <FAIbrahim, Giza, 15/10/1994>

However, the participation of unionists in several committees does not necessarily indicate effective involvement. Some of the sub-committees mentioned are held rarely, such as the tripartite committee, the purpose of which is investigation of major infractions as in union elections. Concerning the production committee, it is of a predominantly technical nature and thus is dominated by the technicians or engineers, and in some enterprises, particularly those that are confronting major financial problems or bankruptcy, it is a defunct sub-committee.

The most visible role of union committees is the resolution of problems that confront workers at work. It is, furthermore, the function which unionists most

associate themselves with. In a meeting with a unionist at the glass manufacturing company I asked him what the responsibilities of the unionist are and he said:

As for the unionist he considers/examines workers' demands, such as, penalties, clothes, and medical treatment. Concerning medical treatment, there are contracts with specialists [meaning not general practitioners], the company spent about LE 2 million on medical treatment this year. The unionist also looks into promotions, in fact our company is the only company that has promotions. <NasrUnions, Musturud, 25/9/94>

A similar remark was made by the president of the trade union committee in the same factory when I asked him what his responsibilities were as a trade unionist:

To avoid problems from occurring, and dealing with problems before they become bigger/increase. Among these problems are: petitions, health treatment, improving the incentive. <NasrUnions, Musturud, 25/9/94>

From the interviews with the unionists some of them indicated that part of their responsibility was balancing between workers' demands on the one hand, and the demands of work on the other. In a meeting with a unionist at the Talbia factory of the tobacco company in discussing his responsibilities as a unionist, he said:

The legitimate defence of workers, which is the main role of unions, and also to uphold/support the company. If an injustice has been placed on a worker, then we defend him. We investigate the injustice first, and if the worker is at fault, we rectify/correct him. As for the company, we protect the company and work. There is a production committee, and a civil

defence committee. We also participate in decision-making'. <SAAshour, Talbia, 16/10/1994>

Occasionally the 'balancing' between workers and work is taken to an extreme, as becomes apparent from the comment of the following unionist:

The union committee participates with management in making all decisions concerning workers (promotions, etc.), as a partner to management. <FAlbrahim, Giza, 15/10/1994>

The functions of the union committee at the branch level, besides the representation of workers in several sub-committees, are the administration of relief funds given to a worker or his/her family in emergencies such as covering funeral or hospital expenses, the management of company transportation for workers, regulation of company clubs and summer resorts for workers, and educational and cultural activities, which includes illiteracy eradication classes. In addition, unionists address the concerns or problems of individual workers. This was pointed out in an interview with a unionist from a construction company I met at the Tagamuu party headquarters:

As for us, we got close to the workers, we knew workers' demands when a particular complaint or demand was repeated by the workers. After examining the complaint or demand we hold a [trade union committee] meeting and try to 'pass' our opinion. <Abdel Menem El-Gamal, 5/10/94>

⁴ SA is both a unionist and an elected workers' representative at the BOM.

The above remark implies that personal contact with the 'aggrieved' is the channel for knowing workers' problems. This 'function' of trade unionists is somewhat difficult because of two important factors. First, few branch-level unionists are full-timers, meaning that the unionists themselves have a position within the enterprise, and hence there is a time constraint on performing this activity. Second, the ratio of unionists to workers is one (1) unionist per one-thousand (1000) workers, thereby making access to unionists difficult. Another issue that must be high-lighted is that trade union committees are factory-based. Thus if an enterprise has several factories in several governorates, each factory has its own trade union committee. The result is the fragmentation of union committees at the enterprise level thereby contributing to the marginalisation of union committees. Workers' grievances remain at the factory level, and are addressed at that level.

Yet, it is arguable that the most important role of branch-level unionists is following up complaints and problems of workers, though the unionists can do so by interceding. It is not a decision-making authority. An example of the marginality of the role of the branch-level trade unions occurred during my interviews at the Musturud branch of the glass manufacturing company, which employs the largest number of women workers in the enterprise, mainly in ampoule production. During the interview with unionists and a BOM elected member, the president of the Musturud branch union committee, Mohamed Sayed Abbas, had to leave for very important business, selection of the material for the uniforms of the women workers. During the interview someone came to see him, after which he told me he had to leave. He said he had to take the samples of the

material to the women workers so they would choose it in order that they would not complain later <NasrUnions, Musturud, 25/9/94>.

Unionists recognise that the performance or carrying out of their role is problematic, in part because of the nature of the problems the workers bring to the unionists. The following comment by a unionist at the tobacco company reveals the limitations of the unionists:

Most of the requests that workers make are regarding annual promotions. There are also the daily problems, problems of work and problems between colleagues because of work. There are also some violations of the work orders, but it is a secondary problem. There are disagreements at work with the supervisors/managers, between the supervisor/managers and the staff. There are problems about the annual reports, and problems with the doctors. There are differences of point of view between the union demands and the point of view of management sometimes. Some departments do not know exactly what the law says and the unionist must handle these things with prudence. <SAAshour, Talbia, 16/10/1994>

Another unionist indicates a similar point of view. In the following remark there is an indication again of the difficulties in dealing with management in enterprises. The interviewee is a unionist who is a member of the Tagamuu party, working in a construction company.

We [union committee] take workers' incentives by force of arm [i.e. we have to struggle for it]. The union committee reports deviations/errors (enherafat)...Management in our company is narrow-minded, there are no attempts to solve problems. <Abdel Menem El-Gamal, 5/10/94>

However, such direct criticisms of management are rarely heard from enterprise level unionists.

The Relationship Between Unions and Workers

A number of constraints exist that render branch-level unions inadequate as workers' representatives. First, the role of branch-level unions as set out by law is limited. Branch-level unions are factory based rather than enterprise based, thereby practically excluding the branch-level unions from dealing with issues beyond the workplace. In the course of the fieldwork I have found this to be the case. In each of the two enterprises I visited, I went to two factories/branches in each, and in each there was a union committee whose members were responsible for the individual branch.

The key element in the relationship between workers and unionists seems to be accessibility of the latter. Workers direct their problems or complaints either to their direct supervisors or to unionists. If a problem involves production often workers go to the supervisor. In cases of payslip problems, often involving fines or less incentives than expected, then workers seek unionists to solve the problem. Problems with services such as medical care, and problems with promotions are also usually directed to unionists in the first instance. Combined, the above mentioned two factors lead to the unavailability of unionists to most workers. It also may contribute to the perceived inefficiency of unionists by workers. Seldom though are the inadequacies attributed to the limitations imposed on branch-level unions. The following section examines the relationship between unionists and workers as observed during the fieldwork in the two enterprises.

'Not available'

One of the most frequent remarks of workers concerning unionists is that they never come to the enterprise. During my interviews in the two enterprises I observed that when I had a meeting with unionists a group of workers would gather wanting to see the unionist concerning a problem. During the meeting with Saleh Ashour in the Talbia branch of the tobacco company I noted the following:

After Ashour came we went to a small room at the end of the corridor. There were a few workers waiting for him in the corridor asking him to finish some business.

One group of workers was accompanying a man who seemed ill, they wanted Saleh Ashour to find a solution to his problem, since he could face dismissal because he has schizophrenia. There were others who were there to meet him with their problems, and one of them told me, "sorry it is not everyday that we see him," <SAAshour, Talbia,16/10/1994>. Even when we finally went to the room, later joined by Hafez M. Hafez, another unionist, there would sometimes be interruptions from workers who came to see Ashour with their problems. Obviously he does not come to the factory frequently <SAAshour, Talbia,16/10/1994>.

Saleh Ashour is a full-time unionist, and vice president of the union committee. He informed me that his job is a wage specialist. Despite being a full-time unionist he apparently did not meet the workers regularly. It was also noticeable during the interview that the workers came to see Ashour and not Hafez. Perhaps that was because Ashour is also an elected BOM member.

In another case, during an interview with a worker in the Giza branch of the tobacco company, I asked him when he met the unionists:

At any time, they usually go around in the company, they are full time, and come in the mornings. <MKGad, Giza, 18/10/1994>

During the same interview I asked the worker about the accessibility of the unionists. I asked if the union has an office where workers can meet the unionists. He said:

The trade union have an office outside the factory, we go there if the union gives/has an invitation, for example, if there problems or new developments.... I then asked: When was the last time you went there? He said: I do not remember, they select some elements (a'naser) from every section. <MKGad, Giza, 18/10/1994>.

During an interview with a worker in the glass manufacturing company, at the Yassin branch, he had a totally different experience from the previous one. I asked the worker when he saw union members,

We do not see them after elections,". I then asked: And if you have a problem to whom do you go to solve it? "If I have a problem I solve it with the factory, with management. In the past there used to be support [from unions], they took stands, today the laws changed. They work [in unions] to get promotions," <HSAbdel-Meguid, Shubra El-Kheima, 19/10/1994>.

From the above remark it emerges that there is a perception that unionists are motivated by self interest.

Poor treatment

Just as the above remark by the worker reflects a negative view of workers towards unionists, the following incident reflects the attitudes of unionist toward

workers. During a visit to the Yassin branch of the glass manufacturing company I was accompanied by unionists to different workshops in the factory. When we left the semi-automated workshop, almost as soon as we got out of the workshop a worker came to one of the unionists, Helmi, a doctor, with a complaint about the medical service. The worker said that after he had paid for some medical treatment the company does not want to refund the money he paid. The worker was very agitated and he wanted the doctor to deal with that problem. The doctor told him that he would deal with this problem after he finished with me. The worker asked me if he can delay me for a while, and I agreed. I moved to another part of the yard, near the administration building. From where I was I could hear that Adel Helmi and the worker were arguing and basically yelling at each other. When Helmi returned he said "they are 'tired' people" [i.e. unsatisfactory] <unions, shubra kheima, 26/9/94>.

Inefficiency of unions

One of the complaints made by workers about unionists is that the unions are inefficient. In an interview with a worker at the Giza branch of the tobacco company I asked him: How effective are the unionists?

There are some things he cannot do, he does not have the authority to compel. For example, if I have a problem with the head of the section/department, the unionist may be able to solve it once, twice not, in general about 80% of the time he is not able to do anything...I then asked, What are the obstacles to unionists performing their functions? He said: There are rules/laws that govern/control, he cannot change anything in it and he knows that. He is just an image [i.e. useless]...They [unionists] are

interested/concerned with material/financial matters, money for the workers, that is all in general. <MKGad, Giza, 18/10/1994>

The above remark indicates that there is a recognition of the limitations of the role of the branch unionists as set by law. However, it is to be noted that such an awareness of the legal limitations may not be the perception of most workers. Indeed, as the following remark indicates some workers perceive that the inefficiency of the unionists is the problem of individual unionists.

Corruption of unionists

The distinction between the inefficiency of unionists and their corruption is often vague. The common result, however, is that workers distrust unionists. In some situations it is a case of limited authority, but in others as the following case illustrates it is corruption. During an interview with branch unionists at a contracting company whom I met at Tagamuu I brought up this issue with them.

One of the unionists, Abdel Menem, said:

Sometimes the workers do not trust committee members because of the actions of committee members. For example, concerning the durable goods issue some union committee members take a commission. [In most public sector enterprises the workers through the union committees have an arrangement to buy from the public sector distribution centres e.g. Sednau or Omar Effendy, some durable goods such as refrigerators, ovens, etc..]. This is because the unionist is concerned with looking for money. Of course some unions do this operation in a good way, and they place all profits in the fund. <Abdel Menem El-Gamal, 5/10/94>

Another form of corruption is described by a tram driver who resents clique formation among the unionists in the company in which he works:

I took five days' penalty because I was meeting with workers. I am reserve for the trade union committee, but I have not entered it because they are comrades/come from the same towns. One of the committee retired and I am the one following in votes. Article 28 of law 35, states that when there is a vacancy in the committee, there should be a general assembly meeting to nominate/select those following them in votes. Nothing happens because one year remains for the union [before the next union elections]. <Kamal Ismail, 25/10/1994>

A similar comment was made by unionists at a contracting company, however referring to the general union rather than the branch-level:

In the general assembly of the general union one member died and another retired but they have not been replaced/substituted because the union is a closed group. <AHSheikh, 1/10/94>

The views of workers on unionists indicates that the unionists are perceived as a group concerned with their self interest. In great part this is because of the inefficiency of unions in meeting the demands of workers. The following sections examines the extent to which trade unions at the enterprise level have dealt with structural adjustment, and the extent to which they have represented workers' interests in the process.

Reactions of the Enterprise-Based Unions to Reform and SAP

An examination of unionists' reactions to structural adjustment and to Law 203 accentuates some of the divisions that exist between unionists. At that level of the trade union organisation, it emerges that there is a high degree of 'co-operation' with management. To a great measure this is the result of interference by the higher levels of the trade union organisation. To illustrate this point, the cases of trade union elections and the conditions in the trade union law are examined.

Before the discussion of the reactions and perceptions of unionists regarding structural adjustment, the reaction of management to unionists' understanding of the issues of structural adjustment will be highlighted.

Management perceptions

It is not incorrect to say that management feels unions are incompetent. Although management may utilise unions to pacify workers, management nonetheless views the unionists as being as "ignorant" as the workers. The following remark made by the Chairperson of the BOM of the glass manufacturing company indicates that management dismisses the concern of unionists as due to ignorance or misunderstanding. I asked him how unions are responding to the changes resulting from SAP:

The unionists do not understand what is happening, but they also are not qualified educationally. They do not understand their role, basically because privatisation is an economic issue and they understand nothing. Also, the general unions do not play their role in making people understand. It is essential for the general unions to have

educational/awareness courses. The problem emerges when people either do not understand, or if they believe that they will be harmed. These two things are what make people object to an issue. Unfortunately, these two things exist at present. This is partly because of misunderstanding of information or being misinformed. A worker does not care who owns an enterprise, all a worker is concerned with is to keep his job. The major problem, that partly leads to fear and to objections to what is happening is that there is no trust/confidence in the government. That is the major problem and which leads one to ask how can the government become credible to the people <Adel Kamel, 24/8/94>

The attitude reflected in the above quotation is that unions, at the different levels, are wrongly apprehensive about the situation. The focus on the need to 'educate' unionists is, as indicated earlier, what the trade union organisation is promoting at the moment. In both these cases, meaning management's perception of unionists, and in the case of the higher levels of the union organisation, the training or education of unionists is perceived to be a 'need' to prepare unionists to carry out their role and responsibilities in the new era. The underlying expectation is that unions should be more 'supportive'. In this respect, unions are perceived as intermediaries between management and workers.

The following remark further illustrates the attitude of management to unionists' reactions to structural adjustment. During a meeting with the director of legal affairs at the tobacco company, I asked him how the union at the enterprise reacted to the changes resulting from SAP:

Trade unions had the same reaction as workers. There was fear from 203, but due to the complete slowing down of implementation these feelings ended, it represented the transitional period <RH Ibrahim, Giza, 24/9/1994>

Since then, the pace of reform and privatisation changed, especially after January 1996. Nevertheless, the above comment indicates that there has been concern among unionists about the implementation of SAP. Partly, this has been the result of the limited involvement of enterprise-based unions in the process of reform. At another level, unionists have not been kept in touch with the developments either by the general unions or by management. An example of this situation is that the General Assembly of the ETUF has occasionally not held its annual meeting, even though it is illegal (Al-Wafd, 12/12/94: 1). The ETUF president came under much attack for this, but it indicates that it is possible to cut off channels of communication and information from unionists. Management in enterprises involves unionists when there is a need to do so, basically to allow unions to carry out their functions. However, as will be further illustrated, among the enterprise based unionists there are some who are more involved in the process of change than others.

The following section examines how unionists themselves view the changes connected with structural adjustment, and the extent to which the view of management corresponds to the situation of the unionists.

Unionists' perceptions: business unionism

The study of the involvement of enterprise-level unionists in the process of reform exposes some discrepancies among unionists. The reforms in the direction of

privatisation have not left only the workers feeling insecure, it has affected unionists in a similar fashion. In the public sector, unionists had a recognised position, regardless of the problems. At present, unionists feel under threat of being marginalised. The threat is the same to all unionists, but reactions to it are different, which may explain the friction among unionists. The feeling of insecurity among unionists is illustrated by the following remark by a unionist at the tobacco company. He has been a unionist in the company since 1975, and was the vice president of the trade union committee⁵ in the 1991-1996 round. During a meeting with him, I asked what are the major problems facing unionists:

As a daily role, in trying to carry out its responsibility it is the disconnection between the committee, the general union, and the federation. The unionist does not feel safe/secure. In Pepsi the president of the company has fined a trade unionist. According to law only the minister concerned [Minister of Labour] has the authority to fine a unionist. There is total disconnection. The organisation is bad. The pyramidal organisation form does not have communication. It is only with personal effort that things can get done, you will not find anyone to help. What we hope for is fast communication, and meetings even if monthly....The laws are not implemented....There is no trust and no protection, only our votes. It is a poor chain <SAAshour, Talbia, 16/10/1994>

One of the trends that emerged, particularly after the trade union elections of 1991 which have produced unionists focused on privatisation, is that of trade unionists

⁵ He was also an elected workers' representative at the BOM of the enterprise.

trying to accommodate the changes and reforms introduced as a result of structural adjustment. The underlying concern of many enterprise-based unionists is that they are trying to establish trade unions as partners with management. The following remark by a unionist at the tobacco company who was first elected as a unionist in the 1991 elections, reveals that unionists are trying to pass the reforms initiated by management while at the same time appeasing workers. The unionist was commenting on how they dealt with some of the reform measures undertaken in the company:

We have not cancelled all advances, the school advance has remained. We have allocated/cut off a portion of profit [for it]. The idea was successful and it worked. The Egyptian does not like to save, it is better to make it a grant....Leadership [unions] has to have a degree of awareness. Under the present economic circumstances a crisis would have happened. Another case, there was a decree from the General Agency for Governmental Services, that stipulated that the minimum [employees should pay] for transportation is LE 3. In the company it was about LE 1.5, and had it not been for an enlightened union leadership there would have been a crisis. The institutional bylaws of the company state that the company is in a central area so there is transportation available. The union graded the charge/fare, so that the maximum is LE 7 to places like El-Ayat. I check to see how much it costs by government transport, how much does a route cost, so that the company bears 50% of the cost and the worker bears 50%. From here, people began to accept the idea, in return we requested from the company that they provide a comfortable method of

transportation for everybody in return for the increase. Now it is a debating or argumentation operation/process <GRShafik, Giza, 18/10/1994>

Thus, unionists perceive that they must 'evolve' to meet the new challenges. The unionist quoted above introduced himself as an engineer in the Chemistry laboratory, where he is the head of research in the cleaning substances unit. There is an increase in the number of "white-collar" unionists. To some extent, their attitudes to the relationship between management and unions, that of accommodating change, is similar to the stand of the old, "professional" unionists. During an interview at the tobacco company with a unionist who had been at the time of the interview in the committee for the past seven years, I asked him what role did the unionist play in the process of transition:

The trade union committee met with the management of the company in order to do the company bylaws for the administrative and financial organisation, as per law 203, like promotions, annual reports, bylaws for fines, and personnel affairs. It is the method of operation after 203 between workers and management <FAIbrahim, Giza, 15/10/1994>

One of the concerns of unionists is with the economic performance of enterprises. Improved economic efficiency is regarded as important, and it would also benefit the workforce:

We make profit to the maximum, we have made profit of 102%, more than the rate designated to us <GRShafik, Giza, 18/10/1994>

The argument that the interests of work and workers coincide, and that the productivity of the enterprise is of direct benefit to workers is not new in Egyptian

enterprises, as has been indicated in an earlier chapter. The welfare of the workers is defined in economic terms, which is the essence of business unionism. It is the type of unionism that is developing clearly in Egypt. For the trade union establishment business unionism ensures unions a continued role in enterprises, since it promotes the interests of work which makes unions useful for management.

Oppositional unionism?

Another group of unionists who have voiced their viewpoints on privatisation clearly is that group which is totally opposed to reform and has adopted an aggressive stance toward management and the government. The Islamists fall into this group, but the group is not exclusively comprised of Islamists. Some of the unionists who are involved in opposition parties are also opposed to reform, as is exemplified by the following remark of a unionist at a contracting company who is a member of the Tagammu leftist party:

We refuse the sale of the company, because it means increasing the value of another enterprise in the holding company at the expense of my company....We refused that any worker in the company be dismissed, even temporary workers <Abdel Menem El-Gamal, 5/10/94>

The greatest concern of this group is that the government by its policies is marginalising workers. In a seminar held at the Tagammu party, a Labour party unionist expressed this view.

The coming phase represents the exit from paradise. When people understand what is happening they have a different position. It is

necessary to warn workers from the coming flood <Tagamu seminar, 10/9/94>

Attempts were made to try to present a united front of unionists and workers opposed to privatisation⁶. Unionists in opposition parties were very active in the formation of some of these committees. Among the committees formed were the 'Committee For Defence Of The Public Sector And National Industries' in Helwan in 1989, the Alexandria-based 'Popular Committee For Combating The Sale Of The Public Sector' in 1991, two similar committees in Helwan and Mahalla Al-Kubra in 1993, and the 'National Committee To Combat Privatisation' in 1993. The membership of these committees was largely drawn from among unionists. The committees tried to mobilise support to stop the sale of public sector enterprises, and to warn of the dangers of privatisation (Posusney, 1995: 23-6). The 'Trade Union Front for the Defence of the Public Sector' insisted that privatisation threatens security and stability (Al-Ahali, 10/4/96: 7). These committees have not been able to exert much pressure for changing the terms of reform. In part, it is because the numbers of unionists involved was modest. In one case it was 80 (Committee For Defence Of The Public Sector And National Industries in Helwan) and in another it was 50+ (National Committee To Combat

⁶ The opposition press such as Al-Ahali, Al-'Arabi, Al-Shaab, and to some extent Al-Wafd, have carried out a sustained criticism of the privatisation and sale of public sector enterprises. The SAP policies and the role and intentions of the World Bank and IMF have also come under attack.

Privatisation). These were among the bigger ones. Perhaps more important, the presence of workers in these committees was not significant (Posusney, 1995: 25).

In trying to make an assessment of these committees, and their limitations, one cannot ignore the fact that the object of the defence was the public sector, and the defence of workers' rights in the public sector. While it is not possible to deny that a concern for the rights of workers was advocated, it is also possible to surmise that these committees of basically unionists were very much concerned about the future of trade unions as organisations. Furthermore, the absence of workers in these committees raises many questions about the performance of the unionists vis-a-vis the rank-and-file. Some have argued that the reasons lie within workers themselves since "workers have traditionally been moved to protest in Egypt only after some negative change to their accustomed standard of living and working conditions" (Posusney, 1995: 25). This view is only partly correct.

In great part, the reason also lies in trade unions and their relationship with workers. Since the corporatisation of trade unions and regulation of many aspects of the conditions of work and pay by legislation, trade unions at the enterprise level, the level where there is direct interaction between workers and unions, have come to acquire a 'personnel' function where they basically deal with individual demands of workers, and not collective demands. Trade unionists developed a vested interest in the continuation of the trade union organisation, because it provided them with benefits. This is demonstrated by the low turnover rates in trade union positions in enterprises. With the changes resulting from structural adjustment, the situation of unions and their role is changing. The following

remark by the head of the labour secretariat at the Tagamuu party illustrates the point:

After the 1957 organisation, there began to enter the movement tame people, and unionists became employees. The July Decrees removed their responsibilities from unions, and they became ineffective. After Sadat, after 1974, there was economic transformation, but they [unions] remained government people even after the government became biased against workers. In 1990/1991 they have justified the private sector and the passing of government policies, look what the federation is doing. They only want their own interest. El-Sayed Rashed [President of the ETUF] is a deputy in the People's Assembly. There are legal constraints and financial constraints, their budgets are limited. Thus it is necessary to reform unions <AHSheikh, 17/9/94>

Among unionists who do not oppose privatisation and public sector reform, and those who do, one finds that in both groups there is an attempt on the part of unions to find a role to play with the transition. Unionists are trying to assert their presence, but in different ways. In some cases unionists are acting as representatives of workers, and equally there is a concern with unions as organisations, as may be observed from the following comment by a unionist at the tobacco company. In addressing the issue of the role of unionists in the future, he said:

It will be very important, this is a transition phase. In the private sector, they [i.e. workers] will only be represented by the unions, they will not be in the BOM. The only legitimate representation is the union. The owner of

capital need someone to debate/argue with, therefore there is a need for people with a degree of education. The negotiator, the main goal is the interest of the company, if the company is loosing/unsuccessful, I will not give people their rights. Its [i.e. union's] role will be very important

<GRShafik, Giza, 18/10/1994>

The differences among unionists are not only brought about by their positions on the issue of reform, the differences are also a result of the position of unionists inside the enterprises. The discrepancy among unionists is clearest in the case of the conflicts between white-collar unionists and the unionists who are manual workers. The following exchange took place between two unionists in the tobacco company. Magdy Mansour is a manual worker, while Gamal Shafik is an engineer in the chemistry laboratory in the company. The unionists were discussing the transformation to privatisation and its impact on workers:

Magdy Mansour:

Because of the transformation from public sector to business sector, it has disappointed/frustrated many young people. Upper and middle management, if I find my supervisor/director is less [in qualifications] than me, this affects me in my incentives. If there is good material I will work....If the law is implemented I will have a problem, unemployment. Then if the GATT is implemented this will close the Egyptian factories....Middle management is the cause of the problem because it abuses the workers, if I am funny and with a sense of humour I take LE 300, if not, I take LE 150. The

manager can dismiss me arbitrarily. The GATT law is not a service to the people.

Gamal Shafik:

It can make me evolve, and make you apply the ISO system. I have to avoid the product I cannot compete in.

Magdy Mansour:

First you have to provide me with good material.

Gamal Shafik:

It must have its advantages and disadvantages. <GRShafik, Giza,18/10/1994>

The unionist who is a manual worker is more concerned with the consequences on employees, while the white-collar unionist is more in tune to what is best for the company. The involvement of white-collar employees in unions is one of the trends on the increase. It is justified on the grounds that there is a need for “educated” people who can deal with management, and have competence to deal with complex issues. This move is not welcomed by some unionists.

Unions and privatisation

As in the case of the debate defining the role of the union in the transitional phase, the discussion of the public/private sector divide is equally divisive. Inconsistencies can be found in the discussion. Although unionists deal with the expansion of the private sector as inevitable, they are ambivalent about it. On the one hand, there is a fear that the private sector, or business sector as it is often

referred to, can potentially harm workers, while at the same time the unions are trying to co-exist with the situation.

The 'professional' unionists, the ones who have been members of trade union committees for many years, are most resistant to the transition from a public to a private sector economy. During a meeting with Saleh Ashour, a unionist since 1975, I asked him in what way role of the unionist in the private sector differs from that in the public sector.

The role of the unionist in the public sector differs from the private sector, the public sector is based on economic and social laws, the private sector is only interested in profit. It is a major difference....The public sector is the foundation of the country. The selection of the public leadership, [and for] the federation is a matter for the national security and intelligence services. They select the people that betray workers, to the extent that they consider the spy a nationalist <SAAshour, Talbia, 16/10/1994>

Perhaps in order to redress some of the fears of unionists with 'business sector management', meetings and seminars have been held between unionists and management as a show of good intentions. One such meeting was held between the president of the BOM and editor in chief of *Rose Al-Yusuf* weekly magazine with unionists from the General Union of Journalism and Press, as well as the members of the enterprise union committee. The seminar focused on the role of trade unions in the 'business sector'. The title of the article about the seminar reflects the tone of the meeting: "A strong trade union is a safety valve in any enterprise: Co-operation is the most important factor of success, and interference is the basis of disruption" (Al-Hewar, 19/10/94: 3). In the course of the meeting,

the President of the BOM, emphasised the need for management in enterprises to recognise the role and importance of the trade union, and at the same time pointed to the need for unions to understand their true role:

...I consider trade union management is part of general management, and the duty carried out by the union is the work of three complete departments, which are: personnel management, legal affairs, and public relations (Al-Hewar, 19/10/94: 3).

According to the President of the BOM, the relations between management and unions should be based on co-operation, and management can benefit much from unions “because it [unions] contributes to the flow of correct information” (Al-Hewar, 19/10/94: 3). An issue emphasised by both the President of the BOM of *Rose Al-Yusuf*, and a member of the General Union was that the age of the ‘political unions’ which was a product of the 1960s was over, instead the move is toward unions that can be objective in their demands. The article emphasised the need for the training and education of unionists so they may develop a true understanding of reform and structural adjustment. One of the concerns pointed out by the unionists attending the meeting was that “the trade union organisation is facing a ferocious campaign and that some businessmen are waging a war against having any trade union organisation inside their work [enterprise]” (Al-Hewar, 19/10/94: 3).

Many of the issues raised in the meeting/seminar have been raised by management and unionists interviewed in both the tobacco and glass manufacturing companies. Based on the information, it emerges that the focus of unionists is on the union organisation per se, not as a representative of workers. For this reason, even

unionists who are opposed to the reform of PEs and privatisation are trying to find a method of surviving and being relevant, as is further illustrated by the following remark by the head of the labour secretariat of the Tagamuu party:

There is no union that rejects the idea of privatisation, without exception.

They are participating in the promotion of the privatisation program. The role of the public sector here is pivotal for development and national security. About the private sector, we have economic liberalisation and union dictatorship. I cannot answer this now. It is supposed that the private sector will produce strong unions, but this requires time. But it is necessary to have legal modifications/reforms. Now the role of the unions is to provide social services to workers, and at most raise issues

<AHSheikh,1/10/94>

There is a recognition of the inevitability of privatisation, and some unionists feel that they need to prepare themselves for the change. In a discussion with a unionist at the tobacco company on what unionists perceived to be the action needed on their part to prepare for the transition to the private sector, he said:

Prepare myself for the ability to negotiate/bargain. Unemployment support, there is none here. It is important in privatisation. The right to strike, the strike as a weapon, to use to put pressure on the employer. I do not strike now because the law gives us rights <FAIbrahim,Giza, 15/10/1994>

During an interview with the head of labour secretariat at the Nasserite party, his remarks on the private sector can be explained as trying to accommodate to an inevitable situation. He said:

Just so that we do not appear to be against the private sector, we call for the protection of the private sector and a call for developing the private sector to the same extent as that with which we defend against the sale of the public sector <Fathy Mahmoud,22/10/94>

The debate around the public sector versus the private sector is not a debate about ownership, but rather it is a debate of the rights and the security of the workforce and unions. For unions it represents a major change in their constituency which had been largely public sector employees. Perhaps more important for unions is that in the private sector in practice unions do not enjoy the same privileges as they do in the public sector. Henceforth, the significance of the trade union law.

Trade Union Law

Perhaps no other subject impacts trade unionists at the enterprise level more than the proposed new trade union law. The trade union law regulates all operations of trade unions. It covers the organisation of trade unions, the relations between the different levels, and responsibilities of each level in the trade union organisation. The law also lays out the membership and functions of the 'formations' within each level, such as the BOMs and General Assemblies, and eligibility criteria for nominees. Other aspects such as financial regulations, allocation of membership fees, and administrative reviews are also covered. The new law (Law 12/1995) does not completely replace the previous law, 35/1976, but rather it modifies some articles of it⁷. The changes introduced, however, have further centralised the trade

⁷ Law 35/1976 was similarly modified in 1981 by virtue of Law 1/1981.

union organisation. The general unions and ETUF retained much power, and the enterprise-based unions did not acquire greater autonomy than in the previous law. The new law has been described as an undemocratic law. In one instance it was described as putting the enterprise-based unions into straight jackets (Al-Wafd, 5/12/94). Twenty six articles of law 35/1976 have been modified or partly modified, two articles in Law 35 were annulled, and one article added. The most important changes in Law 12/1995 were lengthening the duration of the union BOM cycle from four years to five in all levels of the trade union organisation (article 41, law 12/1995). Another important change was that the law recognised the right to form a 'strike fund'. However, the management of the fund is given to the general union (article 14), which also has among its responsibilities the approval of strikes as per the terms and conditions set out in the proposed unified labour law.

Although the law gave the trade union enterprise-based committee a legal persona in article 4, that did not increase its autonomy. An enterprise-based union acquires a legal persona after it submits its registration papers at the Ministry of Labour and the General Union to which it is affiliated, and the ETUF (article 4), however, other articles allow the BOM of the General Union by a two-thirds majority vote to dismiss unionists who "break the rules of this law or the financial bylaws, basic system, or Code of Ethics" (article 26). Although the enterprise-based unions have a legal persona, it is possible for the General Union to withdraw it and hence cancel/annul the committee. In fact, if half the BOM members of the enterprise committee are no longer members the committee is automatically annulled (article

43). It must also be stated that all money and property of an annulled union organisation, automatically is transferred to the higher level(article 71).

Financially the General Union and the ETUF have control of the committee. First, as in the previous law, the new legislation describes the allocation of the financial resources of trade unions, of which 10% go to the ETUF, 25% to the General Union, 5% as a legal reserve, and 60% to the union committee. The allocation of the 60% to the committee is, however, further restricted so that for example, a maximum of 20% of it goes to administrative expenditures (article 62). Furthermore, the general union and the ETUF have a role in the financial supervision of enterprises. The upper trade union levels have come under criticism from many unionists in that they misuse the money, which is used for such purposes as travel abroad (Al-Wafd, 12/12/94: 9).

Among the most controversial elements in the new law is that article 36 allows a unionist who serves for one year in the BOM of a union organisation to move to the BOM of the higher level without having to nominate him/herself for the position in elections. This condition came under much criticism in the opposition press. This measure has been described as undemocratic and that it would perpetuate a select group of unionists in their positions, thereby controlling the trade unions and not allowing for innovation and new members (Al-Shaab, 6/12/94). The National Committee to Combat Privatisation had issued a very critical statement that it rejects all the changes introduced by the draft law basically because it was undemocratic and allowed the senior trade union leadership to impose its control over the trade unions (Al-'Arabi, 7/11/94: 6). Indeed, it has been mentioned in several articles that the passing of the trade union

law was done as a deal between the ETUF and the government. In return for perpetuating the authority of the ETUF in the trade union law, the ETUF would endorse the proposed unified labour law (Al-Wafd, 2/1/95). Regardless of whether this is the truth or not, it reflects the deep mistrust of many unionists and labour activists with the ETUF.

Many unionists had more than the content of the new trade union law to criticise. The draft of the law was passed by the ETUF to parliament without being presented to enterprise unions or workers for comment. They were totally ignored by the ETUF (Al-Wafd, 1/12/94). An attempt was made to present an alternative proposal of the trade union law to parliament, notably the proposal by Ahmad Taha, but it was turned down by the parliamentary committee for manpower/labour force. The reason given by the parliamentary committee was that it would 'fragment' trade union work (Al-Wafd, 12/12/94: 8). The Ahmad Taha proposal called for a pluralist trade union system where membership was voluntary, not obligatory. In defence of his proposal Taha said that the new economic changes require a review of the existing trade union structure/organisation, so it may develop and evolve. In parliament his proposal was described as taking the trade union movement "a step backward" (Al-Wafd, 12/12/94: 8). Needless to say, among the critics of the Taha proposal were ETUF members who are members of the ruling party, for example Aisha Abdel-Hady.

At the time of the interviews in the tobacco and glass manufacturing enterprises the debate about the trade union law was underway, yet, important as it was, some unionists did not know that there was a proposal to change the trade union law. In an interview with a unionist at the Musturud branch of the glass manufacturing

company, I asked about the new trade union law, and he replied by saying: "In the new labour law there are things about the unions" <NasrUnions, Musturud, 25/9/94>. I then told him that a new law will replace Law 35, and he replied that he had not heard anything about it <NasrUnions, Musturud, 25/9/94>. However, there was a difference between committees, since some committees knew about the law, and others did not. In the other branch of the glass manufacturing company, I asked about the new trade union law, and the unionists knew about it:

We requested 5 years instead of 4 because this gives greater experience to the unionist. The law also gives the right to strike, and provisions for support for the strike. Legal strike action does not disrupt/effect production. The role of the trade union committee is consultative, now it is not binding. It all depends on the state/condition of the company, a weak committee [trade union committee] does not protect workers' rights <unions, shubra kheima, 26/9/94>.

This situation again raises the issue that within the same company there is no union body that can co-ordinate or communicate with unionists in different branches.

Among the unionists who were aware of the proposal to legislate a new trade union law, two issues received particular attention, the duration of the union committee, and the number of white-collar unionists. The following remarks by unionists show that these two issues were singled out. In an interview with a unionist at the tobacco company, I asked about the new trade union law:

It was discussed in the federation. The duration will be extended to 5 years, the representation of professionals (mehaneyeen) will increase. At

present the representation of professionals in the committee is 20%.

<FAIbrahim, Giza, 15/10/1994>

In fact, the number of white-collar unionists did not increase, it remained 20% as per article 38 of law 35/1995. However, it must be noted that there were some statements issued primarily by opposition parties about the changes in the law. Based on material from Tagamuu, some of the items which had been announced did not take place. This could have been the result of some pressure exerted on the upper levels of the trade union establishment by unionists, after the proposed law became known, to alter or modify some of the proposals. Such action would have been very possible, as a concession of sorts from the ETUF. Nevertheless, some of the unionists interviewed did not object to the increase in the representation of white-collar unionists. On the contrary, it was seen as a positive change:

I would like to increase the number of professionals because they are educated and enlightened. Under the old system, the role of the unionist was marginal because the old law gave workers their rights. But under privatisation, there will be bargaining/ negotiation and thus he [the unionist] must have a degree of education to know the laws. <FAIbrahim, Giza, 15/10/1994>

The reactions of the unionists to the changes in the new trade union law show that there are differences in attitudes among unionists. Again the most prominent case is that of the reactions of the white-collar unionists and the unionists who are manual workers. The following argument between two unionists in the tobacco company, one a white-collar unionist (Gamal), and one a manual worker who

became a unionist (Magdy), highlights the differences in the viewpoints of the two concerning increasing the number of white-collar unionists:

Gamal Shafik:

It is a must to increase them.

Magdy Mansour:

As a worker, I find that it will decrease my share as a percentage of workers/labourers.

Gamal Shafik:

An intermediate qualification is considered fe'at. In the previous committee they did not even read, even the secretary general of the committee could not read nor write.

Magdy Mansour:

I took a course on collective bargaining, and we also studied the method of Nasser, a great method. We also studied what are demands, and rights.

Gamal Shafik:

We are all here representing the worker. If I want someone to bring me my rights, it must be someone who is able to debate/argue.

Magdy Mansour:

I strongly object/oppose that a fe'at sit in his office/at his desk only. For example, one of the fe'at, Mahmoud, was a worker
<GRShafik, Giza, 18/10/1994>

From the presentation it is possible to say that there are more issues that divide unionists than there are that unite them. Unionists differ over the perception of reform, the need for it, and the course of action to take in the new setting. The differences between unionists at the different levels of the trade union organisation are particularly sharp. In spite of the differences, one element seems to unite the unionists, namely the need to continue being relevant organisations. Often, the workers whom the unionists represent take a second place in their priorities. Although a number of organisations emerged in defence of unionists and workers, few come close to the effort of Tagamuu. It is true that there are labour secretariats in political parties, such as the Nasserite Party, the (Socialist) Labour Party⁸, and it is also the case that there are organisations such as the trade union services centre, but Tagamuu takes a lead, perhaps followed by the Nasserite Party⁹.

An example of the work of Tagamuu is that it called for a seminar on the proposed trade union law in September 1994. The seminar was held at the headquarters of the Tagamuu party. Although the seminar was much publicised in Al-Ahali, in all it was attended by 14 unionists and myself. Various issues related to the trade

⁸ Although the Party was socialist, now it has formed an alliance with the Islamists.

⁹ The Nasserite party, however, has recently been involved in internal problems.

union law were raised. A document was prepared outlining the areas of change in the new law, as well as an official statement from Tagamuu condemning the proposed law. Those attending disagreed with the new law, and objected to a number of points. Among the issues that came under focus was the status of the union committee, and the need to strengthen it. Several remarks were made about the need to give the union committee a legal persona:

At present we are working through the organisational structure and we want to make changes in this light/within the existing structure, for example, the trade union committee should have a legal persona (shakhseyya eetibareyya), but should not be isolated from the general unions. <Tagamu seminar, 10/9/94>

Yet, it was to be observed that although there was a concern about the undemocratic nature of the proposals, there was a push to reform by utilising the existing structure. Also, the federation of all industries was not to be affected, but reformed. An issue that was raised in the seminar was the need to consider sectoral strategies, instead of those strategies that covered all industries. One of the unionists attending suggested abolishing the present trade union law, but leaving general assemblies of unions to produce their own by-laws. He suggested:

In this way each industry would be able to design specific rules/laws for the industry. The industry-level organisation would act as the general unions <Tagamu seminar, 10/9/94>.

Unionists and Political Organisations .

Unionist representation in parties on the left is considerable. The labour secretariats of these parties are staffed by union members and workers. An undeniable part of the reason for the appeal of the parties of the left is the legacy of Nasser. During interviews with workers and unionists at the Tagamuu party this situation emerged clearly, as in the case of Kamal Ismail, a tram driver. I asked him when he became a member of Tagamuu:

I have been a member since 1976. [Why Tagamuu?].... Because I like any party that talks about Abdel-Nasser. [Why did you not join the Nasserite Party?] Because in the days of the parliament [actually said Al-barlaman, a term that is not used to refer to the present People's Assembly] there was a Tagamuu Party. What do I do when my daughter comes from school and asks who is Abdel-Nasser? He visited me when I was in hospital during the war of attrition. I was injured because an officer pressed the wrong button and real ammunition was fired. When I was in hospital people asked me what I wanted and I told them I want to see Abdel-Nasser. Gamal Abdel-Nasser came to visit us in hospital. Until today there are pictures/posters of Abdel-Nasser in Helwan. Sadat came and closed/shut Tagamuu. After he closed it, it continued secretly in houses and after it was re-opened the party spread from Aswan to Alexandria. [Why?].... Because Khaled Mohieldein [head of Tagamuu party] was a struggle comrade of Abdel-Nasser <Kamal Ismail,25/10/1994>.

In a meeting with the head of the labour secretariat at Tagamuu, he explained to me the extent to which Tagamuu has a following among workers and unionists:

Among the ranks of workers and trade unionists, there are members from Tagamuu who succeeded in 120 companies and factories [in 1991 union elections], and they transmit awareness. It is by accumulation that our presence is felt, it is translated in the form of a movement at the level of the factory, and reactions to government action. It is not necessarily by immediate action. For example, Law 33, called the National Front, was issued in Sadat's time, it gave the right to the prosecutor general (Al-Muda'a Al-Eshterakey) to object to and dismiss union members who were elected. In the 1979 union elections they objected to 56 candidates, in 1983 to 12 candidates, and in 1987 to 4 candidates. In the last elections none were objected to. These are causes that progressed through accumulated effort. In some cases the election programs were fulfilled. In 1976 Tagamuu union leadership was about 20 members, presently about 600. We are trying to force the government to reinstate union members who were dismissed <AHSheikh,24/9/94>.

The labour secretariat at Tagamuu is active in promoting trade union rights, such as helping establish a centre for union research and rights in July 1988, and in 1991 the Arab Centre for trade union rights <AHSheikh,24/9/94>. Several trade union rights centres were set up in a number of governorates as well. Tagamuu also acts as a centre for resolving legal problems for individual workers. In an interview with the head of the labour secretariat at Tagamuu, I asked him about the functions of the labour secretariat:

Tagamuu is the major/primary defender of workers, it is the party of the base. The Labour secretariat is basically worker and trade union affairs.

We defend workers' rights by providing legal assistance. We have a specialised lawyer who is also a member of the Party, there are trade unionists and workers who have experience in union work and who can help if someone has a problem....Raising the awareness of workers' rights, we issue papers and statements. There used to be a periodical 'Awrak Umaleyya' [Worker Papers] that came out in Al-Ahaly, but it failed due to financial reasons. We also raise many problems/concerns of workers in Al-Ahaly [weekly paper of the party]. There are seminars/lectures in the party....We provide assistance in cases of detention, for example the riots of the railway workers in 1986, ESCO, and Iron and Steel. We give some assistance to the families of the detainees, and legal assistance to the detainees <AHSheikh,24/9/94>.

Tagamuu played an important role in having the draft of the unified labour law sent to the ILO to be reviewed. The ILO objected to some of the items in the law. It was also Tagamuu that organised a seminar to discuss the new trade union law. Yet, the seminar on the new trade union law was attended by a number of trade unionists, fourteen in all, and no other member from the Tagamuu executive committee was present.

Unionists who are Tagamuu members work in their individual enterprises by trying to solve individual problems, by referring the concerned individuals to Tagamuu. This is no doubt a failure of the union committee at the enterprise level. A case to illustrate the point is that during a visit to Tagamuu, I met a worker who used to work in the aluminium plant in Nagaa Hamadi [South of Egypt], and who dismissed. The worker came to Tagamuu headquarters, based on what Tagamuu

members in the plant told him, so he may find a solution to the problem <Kamal Ismail, 25/10/1994>.

One of the benefits of being a member of a political party, based on what unionists told me is that it provides them with information about what is happening, information that may otherwise not be available to them. An example of this is that some of the unionists interviewed in the two enterprises I visited did not know about the new trade union law. In a meeting with unionists from a contracting company, I asked in what way did being members of Tagamuu party impacted them:

Tagamuu adds awareness to us. There are things that we have not come across before so we can know what to do because others at Tagamuu share their experiences with us. Also, if there is a new law I know about it from here because government newspapers say nothing <Abdel Menem El-Gamal, 5/10/94>.

Individual assistance for individual workers cannot form the basis of a collective action for workers. Other services and legal aid is a good rallying point for trade unions. However, as demonstrated by the number attending the seminar on the trade union law, the Labour secretariat at Tagamuu (and others) has not been able to mobilise enough support among unionists. Part of the problem is that in the political parties, labour is one constituency among several. In other words, the interests of workers do not constitute the core of the activities of the parties. Indeed, the experience of trade unions in Egypt indicates clearly that the unions do not address the concerns of the majority of the working class. While the clearest impact of economic reform and privatisation have been the problems of

unemployment and steadily declining standards of living, these have received minimum attention from unionists (Al-Ahali, 10/11/93).

Trade Unions, Unemployment and Women Workers

The government and the unions have been using the language of numbers to suit their purposes. Thus, estimates of the unemployment rate in Egypt range from 9% to 20% of the labour force, depending on who is talking and what the message is. One estimate of unemployment is 9% for 1995/6, according to the Ministry of Planning down from 10% in 1992/3. Another estimate is 17.5% in late 1992, according to the ILO-Fergany study (USAID, 10/95: 1). In a paper presented to the Ministry of Labour on the implications of GATT on the labour market in Egypt, a very technical presentation was made about the short, medium and long term effects of GATT on labour. It was assured that without reforms the situation would be worse (ETUF, 12/1995: 8). In the report, it was pointed out that one of the negative implications of GATT for Egypt was that in the short and medium terms the labour market would shrink, due to competition of local goods with imported ones to the advantage of the latter, adoption of capital intensive technologies, the slow rate of investments, and the policies of flooding the markets with imported items (ETUF, 12/1995: 6-7). It was also added that by the year 2005 the numbers entering the labour market will increase more due to the population growth rates, that only came under control in the mid-1990s (ETUF, 12/1995: 9).

The presentation in the ETUF paper adopts a stance that such a development, which it is reluctant to call by its name - unemployment, is due to 'structural' reasons, and thus by implication solutions to it cannot be simple. Indeed, the coverage of unemployment in the ETUF publications is also not significant. As an

example, in the latest issue of Al-'Amal the focus was on the early retirement scheme and the proposed unified labour law (Al-'Amal, March 1997). Unemployment was dealt with as a news item in the section on the activities of the parliamentary committee on the Labour force. It pointed out that unemployment became increasingly apparent in the early-1980s due to the developments in the Gulf, economic depression in Egypt, and the increase in population, which combined led to a serious unemployment problem (Al-'Amal, March 1997: 44). The committee recommended the need to absorb excess labour via agricultural projects, and the use of labour intensive technologies.

The strategy of the trade union organisation is "think positive". The ETUF is focusing on the number of jobs that will be created by SAP. The attitude of the government is the same, thus the Minister of Labour has stated that 3.5 million job opportunities are projected for the second stage of SAP (Al-Akhbar, 13/9/96). The Minister of the Business Sector announced that 150 thousand job opportunities for youth were made available as a result of management of enterprises as private sector businesses (Al-Ahram, 17/2/96). At the same it was stated in Al-Ahram that unemployment benefits have been rejected as an option because they would have to be regulated by law so that they would not exceed six months (Al-Ahram, 1/12/94).

During the interviews some of the unionists affiliated to political parties raised the issue of unemployment. The problem was perceived to be largely a result of a number of factors, but that the problem was deteriorating. In particular, the private sector came under attack for exacerbating the problem:

In the Tenth of Ramadan [a relatively new industrial zone] the investments are estimated at LE 10 billion, and the total workforce there is 100,000. In Six October [another industrial area] there is the same situation. There is a structural disequilibrium, there has been no expansion in labour absorption. Even in the best of estimates half of them [unemployed] have been absorbed. There is about one million who have entered the workforce and left again. In the eighties the construction sector absorbed about 2 million, and half of them got out after the crisis [in construction]. The bet is that the new investments will not remedy unemployment. The government has started to adopt suggestions, and this is in the big development projects. After their education they [unemployed youth] stayed at home, after their families have sold all they possess to educate them. This is government corruption. The government gives a social insurance of 15%, but the increases in prices are 30%. Unemployment has produced terrorism and other things <AHSheikh,17/9/94>.

In a meeting with the head of the labour secretariat at the Nasserite party, he highlighted an aspect of the problem of unemployment that seems to be disregarded by the senior trade union levels:

The sale of the public sector and the problem of unemployment that is expanding will bring into existence a labour market in which the employer/employer will control the conditions of work, and which reaches the extent of a preference to employ those who are not

affiliated to a union organisation. This leads to increasing the extent of workers outside the scope of legal protection, where there is no government supervision nor union affiliation, and this is called the black market, and it is also outside the scope of insurance
<Fathy Mahmoud,22/10/94>.

As indicated, these considerations are of a secondary significance to trade unions at the higher levels of the organisation. The focus of trade unions has been on public sector workers, and methods of dealing with the situation of public sector workers affected by reform and privatisation. The trade union organisation has been involved early in the process of development of 'alternatives' to workers identified as redundant in public sector enterprises, both at the policy level and in implementation. In the enterprises, labour adjustment committees were formed with representatives from management and the enterprise-based union committee to formulate options for redundant workers (Soliman, Al-Ahwany, & Soliman: 3). The options included early retirement, vocational training and retraining, small enterprise funds, or relocation and are partly funded by the Social Fund for Development (SFD: 9).

Implementation of the various options proved to have problems, which prompted some to accuse the government (and the trade union leadership) of corruption. An early retirement scheme was designed and made available to workers on a voluntary basis, so it is always stated. In a recent interview at Tagamuu, I was informed that this was the case at present, unlike the situation a few years ago:

There was a concern at the reaction of workers, but by '95 the government adopted the policy of the stick and the carrot. The

'stick' was in the form of pressures on workers and their representatives until they are tired, and the carrot is in the form of early retirement schemes¹⁰, about LE 20,000. There is a sense of despair/no hope of reforming enterprises - which leads to the liquidation of enterprises. The hopes for the continuation of the companies is minimal, thus workers want to benefit before it is too late. There is a disquiet among workers about their fate/future and what is coming. For example, Helwan company for weaving has not produced anything since '95, thus workers have no illusions that the situation of the company will improve. Thus the idea among workers has become to improve the conditions of their leaving, not refusing to leave <Abdel Hamid El-Sheikh, Tagammu, 5/3/97>.

The fact remains, however, that the public sector employees are the concern of the trade union organisation. For 11 thousand public sector employees who went on early retirement, received compensation/severance pay, or retraining the cost was LE 200 million (Khattab: 16). On the other hand there are no unemployment benefits for an estimated 1.4 million unemployed.

Another area where the trade union organisation has not been active is that of women workers. In 1991 the working women's secretariat was inactivated for three years but in April 1994 the President of the ETUF re-activated it (Al-'Amal, October 1996: 33). The focus of the secretariat has been in large measure

¹⁰ The process has been very problematic and many workers went to court because they received much less than they expected (Al-Ahali, 12/2/97).

disconnected from the problems facing working women. The work of the secretariat has focused on a more visible representation of 'working women' in conferences, in boards of associations (NGOs), and in seminars and workshops, with an emphasis on child labour and working women's rights. Some training activities have been carried out as part of the AALC project, aimed at helping women set up small enterprises. These, however, are centred on what are perceived to be women's work¹¹ mainly crafts. In addition, some training has been directed to trade union rights and working women's rights (Al-'Amal, October 1996: 33). These efforts are not addressed to the women workers who need the most assistance, mainly those in the unorganised sector, who face poor working conditions and are not given their rights, such as insurance.

The trade union leadership has been concerned with a narrow focus. On the one hand, it has become a partner with the government in trying to control the workers, by softening the impact of reform and SAP on the public sector workers, who have some political weight, albeit a negative political weight. On the other hand, the unions have been more interested in the pursuit of strengthening their organisations. The concerns of the wide sector of the working class are not addressed, a working class that includes many who are unemployed, and many who are working in very poor conditions in the private sector. Failure of the trade union organisation to address the core concerns of the working class, have allowed

¹¹ A distinction is often made in discussions of the work of women, so that while women's work is often referred to as '*amal* (work)', it is also sometimes referred to as *anshita* (activities).

the Islamists to infiltrate the labour movement. This became apparent in the 1991 trade union elections.

Unions and the Islamists

Islam as a political force has existed in modern Egypt since the late 1920s. The most successful of the Islamist groups, and the one that has survived over the decades is the Muslim Brotherhood, founded in 1928 by Hassan El-Banna. The rise of Islamic movements was prompted by disillusionment with the "obvious failure of the Egyptian forms of parliamentary liberalism to achieve full political independence or improve the standard of living of the people" (Beinin, 1987: 363). Concerning the relationship of the Islamists with the working class, it started with the Brotherhood and was a gradual process of commitment. Initially, the movement supported workers by financial means, in the form of "financial aid for unemployed or disabled workers who joined the Society" (Beinin, 1987: 364-5). The Muslim Brotherhood managed to carry out its activities in alliance with other political forces, such as the communists. The arrest of Hassan El-Banna in 1943, however, had a significant impact on the movement. The Brotherhood became more assertive.

The similarities between the rise of the Islamist movement and its approach and methods in the past and at present is surprising. At present, a declining standard of living, a wide gap between the haves and have-nots, and what is seen by many as an invasion of Western power and culture which compromises traditional, Islamic values, has been a major factor in the Islamic revival. One of the main Islamist figures is Gamal El-Banna, a younger brother of Hassan El-Banna, the founder of the Brotherhood. He is actively involved in the trade union movement, and is a

founding member of the International Islamic Confederation of Labour (IICL)¹². The involvement of the Islamists in the trade union movement is an inseparable aspect of the Islamicisation of society. Although the Brotherhood played an important role in working class politics in the past, their involvement at present is different. While in the past the Brotherhood was the dominant Islamist force, at present the Islamists are composed of a number of groups each competing for membership.

There is little doubt about the attempts by the Islamists to infiltrate the labour movement. Research on the 1991 trade union elections states that, based on an examination of the results of the elections, Islamists managed to push through some of their candidates in the union elections (Shaaban in Abbas: 125). The influence of the Islamists on the trade union movement emerged in the 1987-1991 cycle. It is believed that the reason for the success of the Islamists at the 1987 elections was that trade union elections in 1987 came immediately after the parliament elections in 1987, where the Islamists carried out a very forceful campaign to win seats in parliament. The slogan "Islam is the solution" was adopted and won some support and candidates in both elections (Shaaban in Abbas: 124-5). Another factor that contributed to the success of the Islamist

¹² The IICL was envisioned as an alternative to the WFTU and ICFTU. The IICL aims to bring together and defend all the Islamic labour force. It is based on the idea that other confederations of labour have become morally deficient because they are dominated by 'materialistic principles'.

candidates was the disillusionment of the workers with the existing trade union leadership.

The Islamists attained some success in the 1991 elections but it was not entirely built on their 'achievements' in the 1987-91 cycle. Quite on the contrary, it is argued that the Islamists had done better in the 1987 elections than they did in the 1991 elections (Shafei in Abbas: 208). The activities of the Islamist unionists was basically propagating for Islamic values, but no concrete action was carried out to demonstrate how their 'vision' would support workers' and their demands. It is perhaps for this reason that the unionists interviewed dismissed the impact of the Islamists, some even negating completely their influence. During an interview with unionists at the tobacco company, the issue of people who use Islam to attract workers to vote for them was raised, whereupon one of the unionists present said, "There is none of that here" <GRShafik, Giza,18/10/1994>. Another unionist who was present said:

The one who has a loud voice and proves himself in the factory, the workers find that he can bring them their rights, and nominate him. Mr. Gamal when he nominated himself he was the first one who started to talk about the Business sector law <GRShafik, Giza,18/10/1994>.

The same situation occurred in the glass manufacturing company with a group of unionists at the Shubra-El-Kheima branch. On being asked if there was support among workers for Islamic or other trends, they dismissed this possibility:

The presence of the committee inside the factories does not make workers resort to any trend, all workers demands are fulfilled, thus there is no opportunity for extremism. I then said that I am not referring to extremism,

but that I had been told in some companies workers support either Islamic or Leftist trends, whereupon one of the unionists said: The union represents workers' interest and the interest of work<unions,shubra kheima, 26/9/94>.

The unionists' dismissal of the impact of the Islamists overlooks one of the main reasons for the Islamists making some headway, namely that workers do not view trade unions as capable of attaining their demands. There is a recognition among some unionists, however, that poverty and economic hardship breed "terrorism". Even in cases where there is a recognition of the existence of Islamists, their influence is minimised:

In the situation of transformation from one economic system to another there is a deficiency/incapacity of unions now and the inability to take initiative is pushing workers to the Islamic trend. ...The Islamists have a strong presence in the Chemicals industry, but the general unions have dismissed/dismantled the committees. They do not have practical experience, nor how to deal with management. A big number of them won the elections, but they failed. The Islamists concentrated on the 1991 BOM elections but they did not succeed. Their influence in worker areas is through non-worker elements, like engineers in the BOM <AHSheikh,1/10/94>.

However, the significance of the Islamists should not be underestimated. According to the head of the labour secretariat at the Nasserite party, the Islamists in the union and labour movements are a force to be reckoned with:

From what we heard, there is about LE 10 million to fund the infiltration of the union movement by Islamists. About 40 from the new Kafr El-Dawar incident were instigated by Islamic groups. There was a conference organised by the Muslim Brotherhood in the engineering union all the leaders want to allocate money to support Islamists <Fathy Mahmoud, 22/10/94>

While the information given by Fathy Mahmoud is unverified, his comments are credible perhaps not in terms of the accuracy of the information but in terms of the method of operation. The Islamic presence in labour is only one aspect of the infiltration of Islamists in other institutions. In addition, Islamic groups do receive funding for their activities. Islamists do have major weaknesses that prevent them from having a strong presence in the trade union organisation, such as resorting to populist language and not advocating an alternative, they only criticise. However, they are still important. An incident¹³ that shows that Islamists have support among workers is that an 'Industrial Adjustment Committee' was set up in Phillips company by the SFD, comprised of union members as well as management staff, in equal numbers, to draw up a plan of options to address redundancy. The Union members present in the IA committee, including the President of the union, insisted that a 'Sunni' member of the union be admitted to the IA committee, to make the program acceptable to the workers in the company.

¹³ This information was obtained from workers at the SFD.

Conclusion

In confronting the challenges posed by structural adjustment, trade unions are trying to redefine their role. This is happening at the various levels of the organisation. In enterprises, trade unions emphasise that the interests of work and workers are inseparable. At the level of the ETUF and general unions, they present themselves as working to keep workers' rights, but also as partners with the government in its drive for growth. In both cases the unions are acting 'responsibly'. Co-operation rather than conflict is the method of operation. By so doing trade unions are trying to de-politicise trade unionism, and instead focus on the economic gains. However, unions are trying to redefine their role away from workers. Trade unions at the various levels are not based on what the workers want or demand, it is based on what the trade unions want. It is based on the belief that the workers do not truly know their interests. The break between unionists and workers is demonstrated by the fact that workers' protest movements have often been against their trade unions.

In contrast to the 'official uniondom', there are unionists who are active in trying to promote workers' rights. This group of unionists is mainly from the political parties. Although they address many of the demands and grievance of workers, they are doing so from a political platform. While they are closer to the demands of workers, they stand divided among themselves and thus do not truly represent the interests of the working class. In these circumstances two courses of action are possible. Workers may produce their own representatives, but the institutionalised framework which the official trade union uses and the equally institutionalised setting of political parties from which opposition unionists operate are too strong

to overcome if the spontaneous movement is not unified. Second, the trade union movement may be used by Islamists to provide a popular base for their movement. By reducing the significance of the Islamists in the labour and union movements, while at the same time not addressing their own weaknesses as workers' representatives, trade unions are ignoring a very strong force. Already there seem to be pockets of Islamist influence within the trade union movement, in the chemical and engineering industries. However, Islamists may have a strong presence among workers not as workers, but as part of the poor who are marginalised in society economically, politically, and culturally. The evidence in the previous chapter suggests that Islamic PVOs/NGOs are active at that level. Thus, to workers the 'Islamists' are more relevant than the trade unions, and if one accepts that trade unionism is about 'representation' of workers, then trade unionism in Egypt has failed in this respect. In the promotion of their interest as an organisation, trade unions are alienating themselves from the workers they are supposed to represent. By so doing, they are in fact self-defeating. Workers in large measure no longer perceive them as their legitimate representatives. Thus, workers are carrying out spontaneous action, and turning to other forces to address their demands, such as the Islamists. But, most of all, workers do get limited results to their grievances by their own spontaneous action, so in fact the trade union organisation is of secondary significance to them. While trade unions may benefit from this situation in the short and even medium term, it is difficult to imagine that in the longer term they can continue to be of 'use' as an agent to control the workers.

Conclusion: Trade Unions, Workers, And Structural Adjustment

An examination of the impact of structural adjustment on trade unions and workers reveals that economic changes that came about with SAP, and which challenged the ideological basis of the labour relations system in existence, have not led to its modification. The trade union movement is state-bureaucratised. At the same time there is a struggle within the trade union movement, but they are powerless to change. Also, they are too fragmented to challenge the institutionalised structure. The institutionalised sectors are capable of reproducing themselves and promoting their interests.

The following discussion analyses the ways in which both trade unions and workers are contributing to the perpetuation of the existing labour relations system.

Trade Unions: Resistance to Structural Change

Trade unions are a self-perpetuating bureaucracy. The control of the trade union leaderships has been maintained by a combination of methods including the co-optation of 'co-operative' unionists to the upper circles of the organisation, and most important by preserving the pyramidal, hierarchical structure of the trade union organisation. The trade union structure has allowed the top echelons of the organisation to control the organisation, through the limited authority of the enterprise-based committees and a system of indirect elections (Bianchi, 1989: 129). An examination of the members of the BOM of the ETUF from 1976 to

1992 reveals that there is a very low turnover, particularly in the top-most positions of president and deputies. Most changes occur at the level of the heads of the various secretariats (ETUF, 1992: 63-86).

The trade union organisation was regulated until recently by Law 35/1976, with some modifications introduced by Law 1/1981. In March 1995, Law 12/1995 was passed that is now the trade union law. Law 12, however, has not cancelled Law 35, it modified some articles in Law 35. The bulk of law 35 remains intact, including the structure of the trade union organisation and the functions of each level of it. The union organisation is arranged in a pyramidal structure to ensure the unity of the organisation (article 7, law 35/1976). At the apex of the trade union organisation is a single federation, the ETUF. The central level of the organisation, the industry-based general unions, are 21 in number, each representing an industry or group of related industries. The base of the structure is comprised of the enterprise-level union committees or the occupational trade union committee.

Membership in union committees is not exactly voluntary. If two-thirds of the employees of the enterprise join the union, the remainder are automatically made members. Some researchers argue that giving the union committee a legal persona allows the Minister of Labour to dismantle a union committee at a specific location/factory within an enterprise without affecting the remainder of the union committees in other branches of the enterprise (Adly: 162). Occupational committees can be formed in enterprises where the number of employees is less than the minimum required to form a union committee in an enterprise. The number was 50, but it was changed before the trade union elections of 1996 to 250

by decree from the president of the ETUF. Occupational committees are not enterprise-based, they exist at the level of the governorate. Their membership is comprised of employees from several enterprises. No more than one such committee may be formed in a city, per industry (El-Serafy, 1983: 18). Authority of the different levels of the structure flows from the top to the bottom of the structure, with most authority and power concentrated at the ETUF level, and the union committees at the enterprise level are reduced to the implementation of policies formulated at higher levels.

The extent to which the ETUF controls the trade union structure is demonstrated by the fact that the ETUF has much discretionary power. An example of this is demonstrated by the issue of the ban on formation of more than one union committee per enterprise. According to Law 35/1976 it is not possible to form more than one union committee in any single "location", which is basically a factory. This, however, came under criticism from the ILO. A few years later Law 1/1981 addressed this issue by defining it as an organisational issue to be dealt with by the ETUF. The guidelines for the ETUF were to maintain the pyramidal structure and the unitary nature of the union organisation. Thus, instead of stating the issue of a single union in law explicitly, it gave the ETUF the discretion but within specific guidelines. Another example of this is the recent ruling that the minimum number required to form a union was increased from 50 members to 250. In a meeting with the President of the General Union for Engineering Industries, the issue was raised that this ruling does not reflect the reality of increasingly small industries:

The decree of the ETUF president is not the Koran, it can be changed.

It is possible in exceptional cases [for ETUF to authorise] the formation of a committee with 50 members <Niazi Abdel Aziz, ETUF, 25/2/97>.

In addition to the vertical structure of the trade union organisation, the ETUF maintains control over the horizontal structure of the organisation as well. There are two horizontal trade union structures, the local federations and the branch general unions. They are representatives of the ETUF and the General Unions, respectively, in the different governorates. Their functions are purely administrative and they do not have legal persona. The local federation is defined as the local representative of the ETUF in every governorate, with the exception of Cairo since the ETUF is situated in Cairo. The local federation is not industry-based, rather it represents the various industries in a governorate.

There are three criteria for establishing a local federation: number of workers in a given governorate, the geographical location of a governorate, and the availability of funds at the ETUF, since local federations receive their budget from the ETUF (ETUF, 1992: 116-7). At the end of 1991 there were seventeen local federations in Egypt. Excluding Cairo for the above-stated reasons, there remain nine governorates without a local federation, since there are twenty-seven governorates in Egypt. The functions of the local federations are, according to article 52 of law 35/1976, promoting the common interests of the union committees in the governorate, co-ordination of the social, cultural, health, and entertainment services for workers at the governorate, as well as designing their work plans, which are to be reviewed and approved by the ETUF.

The second horizontal body is the branch general union. It is possible to have several district branch unions per governorate, each representing a separate general union. The district branch union is not considered an integral part of the structure of the trade union organisation, because its presence is provisional, pending on ETUF regulations (article 41, law 35/1976). The primary function of the branch general union as per article 44 of law 35, is to act as a link in administrative, financial, and technical matters between the general union and the various enterprise committees affiliated to it in a governorate.

Internal organisation of trade unions

Each level of the trade union structure has an internal organisational hierarchy. The internal bodies are primarily the decision-making and executive organs of the union. At the base is the general assembly. It puts in place the basic plan of actions for the union, and "ratifies the basic system of by-laws, the financial system, the administrative by-laws, the budget, and the final statement/ account" (Adly: 173). The general assembly also has 'disciplinary' powers. It can dismiss a member of the union if found to have transgressed in some respect. Members of the general assembly are *selected* from the lower level of the union structure by the board of directors of that level. In the case of the enterprise-based union committees, as there is no lower body, the general assembly is composed of all the members of the union committee, provided they have fully paid membership dues, and have

been members of the committee for at least six months¹. The size of the general assembly for the general union and for the ETUF is not to exceed 35 members in both cases.

The second internal body is the board of management. It is an executive body. It follows up and monitors the work of the general assembly. The members of the board of directors are elected from among the members of the general assembly. In the case of enterprise-based union committees the size of the board ranges between seven and twenty-one, while for the general union it is between eleven and twenty-one. The board of the ETUF is comprised of one member from every general union.

The third and final internal organisation of unions is the office/bureau agency (hay'at al-maktab). It carries out the day-to-day activities of the union, and conducts the work of the board of directors of the union. Its members are elected from among the members of the board on its first meeting. It is composed of a president, a deputy or deputies to the president, a secretary general, an assistant secretary general, a treasurer, and an assistant treasurer.

The description of the union organisation, the relationship between the different levels of the union hierarchy, and the internal structure of the unions elucidates that unions are highly centralised and bureaucratic organisations. The union committees at the base of the structure are powerless as power is concentrated at

¹ Union committees that are formed for the first time are exempt from the six months ruling.

the level of the ETUF. The mechanisms of internal selection within each level of the organisation reinforce the centralised nature of the system. This method actually renders workers' representatives at the top of the hierarchy, the ETUF, strangers to the workers. The horizontal organisations, by their direct affiliation to the upper levels of the structure, do not serve a function other than basically to 'represent' the ETUF and general unions nation-wide. The membership of the horizontal bodies is not from the workers, but rather from union officials.

The very structure of the unions is a manifestation of the weakness of collective representation of workers. At the enterprise level, there are separate union committees for every factory of the enterprise. There is no collective enterprise union. Indeed, union committees of an enterprise that has factories in different governorates are affiliated to different local federations and branch general unions. The central industry-based general union is the level at which all union committees of an enterprise are represented. However, this representation is at the basic level, because the decision-making bodies within the general union must ensure representation of the different enterprises within the general union.

As has been depicted above, the trade union structure was formulated in detail by law. Almost every aspect of the operation and function of trade unions was regulated by law, be it size of the board, criteria of membership, functions, and power of the structure. The general union in particular has been the focus of much legal change. Two areas of reform are important: condensation of the number of general unions, and control over union committees. General unions as one of the levels in the union structure came to existence in 1959, constituting 59 general unions. Since that date there have been several changes in the number of general

unions. At present there are 21 general unions. General unions came to represent not a single industry, but rather a group of related industries. The latter issue raised the concern of some, on the basis that there is little common interest among enterprises in some general unions. El-Banna expressed his concern that some general unions comprised too many industries, he referred specifically to one which he described as:

It was like a store for 1000 items, it included clerical lawyers, and employees of Ministry of Endowments/Religious Affairs, Social Affairs, Hotels and Tourism, night clubs, etc... so that we could find in it a cabaret dancer sitting next to a Religious Affairs sheikh (El-Banna, 1987: 94-95).

General unions increased in significance as the process of nationalisation proceeded. Nationalisation of existing industries as well as investments in new industries, some of which were large-scale projects, resulted in the expansion of industrial enterprises. The effect of incorporating a larger number of enterprises in a fewer number of general unions was to weaken the level of the union committees in the trade union structure, particularly when one considers the representation of union committees in the decision-making bodies at the higher levels of the trade union hierarchy. The following section examines the issue of the relationship between the union committees and the general union in greater detail.

One of the issues in the discussion of general unions is their control over enterprise-based union committees. Union committees have a legal persona, but there are limits to their autonomous action. For example, membership dues are

sent to the general union, which then redistributes the dues to the union committees. The allocation of the union committee's share of the dues to the various activities was delineated by law. Union committees, in addition, do not play a role in collection of the union membership dues. Membership dues are deducted automatically from workers' salaries. The ILO objected to the allocation of membership dues as it appeared in law 62/1964 on the grounds that it interferes with the freedom of trade unions, and consequently it was removed as an item in law 35/1976. The ETUF, however, included the allocation of membership dues in the model bylaws which all unions utilise (El-Banna, 1987: 102). Indeed this has come to be one of the features of trade union legislation in Egypt. If the ILO objects to any piece of legislation concerning trade unions, the law is revised, the article under objection removed, and instead it is incorporated as one of the guidelines or model bylaws of the ETUF or the general unions, which the union committees then have to implement.

The restrictions on union committees, imposed by law or by the guidelines of the ETUF and general unions, limit the scope of decision-making of the former. Yet, within the limited room for manoeuvrability, decision-making in union committees is problematic. Decisions are made on a consensual basis. Based on interviews with some unionists, divisions in points of view among unionists are seen as an obstacle:

As the number increases [in the committee] it becomes a problem, it becomes difficult to have consensus, and instead leads to branching or digression <Abdel Menem El-Gamal, 5/10/94>.

The degree of the strength of the union committee, despite acts of assertiveness which sometimes occur, lies to a great extent with conditions external to the union committee itself, as the labour secretariat at Tagamuu explains:

It is an equation. Weak management, poor economic situation, the union committee is strong. Strong management, good economic situation, the union committee is marginalised via benefits to workers <Abdel Menem El-Gamal, 5/10/94>.

The discussion on the structure of trade unions shows that organisation is not ideology-neutral. The structure of trade unions serves the centralised autocratic tendencies within the movement which are concentrated at the top echelons of the hierarchy, corporatised by the state. The interests of the organisation have become of paramount importance.

Trade Unions: Lack of Independence

Until 1987 it was customary for the President of the ETUF to hold the post of the Minister of Labour simultaneously. Since 1987, the two posts have been held by separate individuals, but it has become the tradition that the Minister of Labour is selected from among the past presidents of the ETUF. As a consequence of this relationship, the work of the Ministry of Labour often feeds into the workings of the ETUF. The involvement of the Minister of Labour in the affairs of the Federation results from the involvement of the former in public sector enterprises. The Ministry is involved in a number of committees such as the tri-partite committee that looks into cases of worker complaints, and the medical committees that form to decide the right of workers for compensation for health treatment or

work-related injuries. The Ministry of Labour is also involved in the process of trade union elections.

The shift away from a public sector led economy did not lead to less interference or involvement on the part of the Ministry of Labour. It is strongly involved through national/multi-Ministerial committees that deal with macro-economic issues, such as that which drafted the Unitary Labour Law. The relationship between the Ministry and the ETUF is, however, a very sensitive one. The experience of the previous Minister of Labour, Assem Abdel Haq, was problematic. He tried to interfere directly in the affairs of the ETUF by trying to support one candidate against another, Khairy versus Rashed, for the post of President of the ETUF. Rashed had already been elected as President when Al-Amawy left the ETUF presidency for a post in the Arab Labour Organisation, but the Minister of Labour tried to disqualify the candidacy of Rashed. So serious was the situation that the ETUF took the case to the Supreme Court in Egypt (Al-Ahali, 20/10/93). Eventually, Rashed maintained his position as ETUF president, and interestingly, the Minister was removed from power shortly after this incident. The new Minister, Al-Amawy, is very popular in the trade union organisation.

The unrelenting involvement of the Ministry in ETUF affairs, in spite of privatisation, is exemplified by election procedures. The relationship with the Ministry of Labour has benefited the trade union leadership, especially the ETUF. It has allowed a 'partnership' between the two to develop.

Trade Unions: Refusal to Democratise

The trade union elections of 1996 were evidence of the lack of will on the part of the trade union leadership to democratise the movement. The elections were for all

the levels of the trade union hierarchy as well as for the workers' representatives in the BOMs of enterprises. The elections were held in October/early November 1996, and lasted twenty-one days. The involvement of the Ministry of Labour was evident in the processing of nomination forms, and ensuring that the procedures were correct. In the past, the Ministry had the authority to refuse the nomination of any candidate by the power of the Prosecutor General. The Minister of Labour announced prior to the elections that no candidates would be dealt with thus (Al-Ahram, 27/9/96). Although there is evidence that the utilisation of this method has declined, there are reports that the Ministry has refused the nominations of some candidates (Al-Wafd, 15/10/96).

As for the ETUF, it has utilised methods that keep 'dissenting' unionists from reaching power. The methods used are extremely undemocratic and serve the function of perpetuating the interests of the ETUF. For example, it is reported that a substantial percentage of trade union committees won by default (Al-Ahram, 1/11/96). There was much criticism of the elections. The ETUF was accused of blocking candidates that do not speak the language of the ETUF. The result of the election has been the re-instatement of trade unions that are in large measure the "official" or pro-ETUF unionists. In a meeting with the head of the labour secretariat at Tagamuu, he said:

The trade union committees are of different kinds. There are 700 trade union committees for agricultural workers and these all won by default. In the services sector, there are many trade union committees, about 700, and competition was limited and thus most won by default. As for the industrial manufacturing sector, there

were 500 committees and competition in the elections was very strong, and thus the number that won by default was limited. There were people who were against privatisation who won, and there were others who were for privatisation who won. There is much confusion, unlike in 1991 when all who were against law 203 won. The last elections were an expression of a general discontent, a general objection <Abdel Hamid El-Sheikh, Tagamuu, 5/3/97>.

The press, specifically the opposition, has reported extensively on the trade union elections. The reports testify that the election campaign were very vibrant, particularly in areas such as Helwan, which is an industrial district in Cairo (Al-Ahali, 30/10/96). The elections brought a heavy criticism of the trade union organisation.

The frustrations over the elections were in the tail of earlier frustrations with the trade union leadership. As already noted, the trade union leadership succeeded in passing a trade union law that perpetuated the corporatist and hierarchical structure of trade unions. In addition, the ETUF president issued a decree that increased the number required to form a trade union committee from 50 to 250. When I asked the president of the general union for engineering industries for the rationale behind this decision he said:

There are a number of reasons. First, it was a decree from the ETUF president, before the trade union elections took place, because there was a concern that some forces were trying to infiltrate the trade union movement through the small constituencies. [I asked him if he was talking about the Islamists] ...

I will tell you that it is the same force that has been trying to control the professional syndicates, like the lawyers' syndicate [i.e. Islamists]. So if they push members through the small unions, they will have representatives at the higher levels. They do not have the interests of workers, they just want to serve their own interests. Second, a union of 50 members will have very few funds, what can they do with the small membership fee? And for me, I have to pay for example the salary of striking workers. It is better financially to have a bigger number <Niazi Abdel Aziz, ETUF, 25/2/97>.

One may say that the reasons given are not the whole picture. The ruling to increase membership is attempt to exert control over the trade union movement. The move is very controversial. The bulk of economic activity is in the small-scale enterprises, and the increase in membership limits the formation of enterprise-based unions in such firms. Although it is possible to form occupational union committees at the level of the governorate, there are many obstacles to achieving this. Most important, however, is that the enterprise-based union committees which are the most significant level for workers have been reduced significantly. Workers in occupational committees can only raise industry-based grievances. In this respect, the experience of the new industrial cities has been poor. Thus in the tenth of Ramadan city there are 700 factories, and only 70 trade union committees <Abdel Hamid El-Sheikh, Tagamuu, 5/3/97>.

Representatives for the BOMs of enterprises under the Workers' Participation in Management (WPM) system were also elected during the same election period as the trade unions. The WPM system is regulated by Law 73/1973 and there are

provisions for it under article 21 of law 203/1991. The WPM is applicable to business sector enterprises (law 203) and joint stock companies (law 159). It is also possible to form it in private sector enterprises by decree from the Minister of Labour (article 1, law 73/1973). WPM is an alternative system of worker representation in enterprises.

The presence of workers' representatives with decision-making powers in the BOM of enterprises had a negative impact on union committees within companies. With elected representatives in the BOM, unions have been *de facto* relegated to a subsidiary role. Basically, union committees became responsible for the improvement of the 'educational' and technical abilities of workers.

There are indications that the decision-making authority of the elected members rendered them more powerful. In an interview at the glass manufacturing company with the unionists and the elected BOM members, I noticed that the unionists, among whom was the president of the union committee at the Musturud branch, kept referring to the elected BOM member as "El-Rayes", which is "boss", <NasrUnions, Musturud, 25/9/94>.

On occasion the boundaries blur. It is possible for a unionist to hold the position of WPM as well, and in fact that was the case in the tobacco company. However, with the move to privatisation the scope and significance of WPM is being replaced in importance by the Employee Shareholders' Associations (ESA). But, whereas WPM was an involvement in decision-making of the enterprise since production was publicly owned, in the ESA the employees' involvement is limited to their ownership of shares of the enterprise. The ESAs are limited by the capital markets law to possess a maximum of 10% of shares, but there are cases where

ESAs control 40% and 95% of shares. A board of management for the ESA manages only employee shares in the enterprise. The evidence of privatisation in Egypt suggests that in the case of minority share-holders there is "little scope to make management changes" (Butter, 8 March 1996: 2). This is the case of the ESAs.

As is the case of WPM, the ESAs marginalise workers. They are employee associations and include clerical and administrative staff as well as production workers. Since one of the requirements for nomination to the BOM of the ESA is ability to read and write, this cuts off a considerable proportion of workers. The same situation applies to the trade union organisation. There is a bias for administrative and clerical employees in the trade union organisation. It is a bias that leaves the production workers with little actual representation in trade unions or other employee representative boards. While it is tempting to examine the extent to which the trade union membership reflects the distribution of the workforce in the economy by the different sectors, it would not be of much analytical value. The reason behind this is that it is not possible to have more than one union per enterprise, as a result union membership includes all employees - those in production work and those in clerical positions.

The service sector has the largest membership in the trade union organisation. The place of the manufacturing industries in the organisation is an indication of the secondary position of industry in the economy as a whole. Most important, however, is that the predominance of the service sector membership and government employees serves to curtail the impact of the manufacturing workers on the trade union organisation (Bianchi, 1989: 132). The discussion on the trade

union elections of 1996 has pointed out that the election was most contested in the manufacturing industrial sector.

Thus, the discussion above has shown that the trade union organisation shows no signs of responding to changes. While there is a move to smaller scale industry², the ETUF increases by five-fold the minimum number required to form a union. Instead of democratising the movement, the elections show that in fact it is co-opting unionists and thus self-perpetuating. This leads one to question the extent to which reform of the trade union organisation can be pushed from the workers, thereby forcing trade unions to reform. The discussion on workers indicates that this is not the case.

Workers

Workers, as in the case of unions, do not present a homogenous group. There are differing interests as not all workers are impacted in the same way by structural adjustment. This issue, however, was dealt with in an earlier chapter. The focus in the following discussion is to examine the nature of worker protest, particularly that instigated by SAP measures. I propose that the nature of workers' struggle is one component of the existing system of labour relations system in Egypt that helps perpetuate it. The focus of labour activism is not over conditions of work, rather it is related to standards of living. In this respect workers are protesting as

² The expansion in the small scale enterprise sector in Egypt may lead one to speculate that the cooperatives may increase in significance in the future. In fact, the president of the cooperatives federation is a deputy of the ETUF president.

'consumers' not as 'producers'. This coincides, one may argue, with the fact that the distributive role of the public sector is more important than the productive role. It has been for this reason that workers in Egypt have protested as recipients of the benefits of the public sector, not as producers, meaning not against conditions of work.

There is evidence that leftist groups have tried and succeeded in organising workers in taking stands against privatisation. This was particularly evident after Law 203 was issued. However, the participation of workers in these efforts was modest. The transition of most enterprises to the 'business sector' was accompanied by an increase in the spontaneous activity of workers directed in most cases against the new management team, or the new management practices of the 'old' team. Two measures are carried out by workers, sit-ins that do not disrupt production, and also increasingly the resort to courts to resolve grievances. Most worker protests, in both forms, are triggered by withdrawal or drastic reduction of 'rights' or benefits to workers resulting from the adoption of SAP. Workers protest as their standards of living decline further, and simultaneously at what is identified as an inequality in paying the price of reforms (Al-Ahali, 9/11/94).

One can take the strike of the Helwan Iron and Steel workers as a beginning of reform- and SAP-related worker protests. The strike occurred in August 1989, at about the time that "Egypt was negotiating ... with the IMF for an agreement that was not finally reached until 1991" (Waterbury, 1993: 240). The action that led to the strike was brewing for some time. It involved the production incentive/bonus of workers. Workers' representatives in the BOM requested that the production incentive of workers be increased to 115% instead of 90% when the production of

the factory reaches 870 thousand tons (El-Banna, 1995: 587). After some negotiations between the elected workers' representatives at the BOM and the presidents of the BOM, it was agreed to increase the incentives. However, the president of the BOM sent a request to the Minister of Industry to ban two of the elected representatives from attending BOM meetings for six months. As a consequence of this action, workers sat-in in support of their dismissed representatives. Events escalated and state security interfered, resulting in the death of one worker. The workers requested that the president of the BOM and trade union committee be dismissed.

The point of interest of this and subsequent strikes, was that elected representatives at the BOM played a bigger role than the unions in uncovering management corruption, or the reduction in workers' benefits. The case of the pharmaceutical company "CID" illustrates this, when in August 1994 the elected members of the BOM presented their resignations from the BOM over mismanagement of the company that led to losses (Al-Shaab, 16/8/94). A possible explanation of this situation is that the elected members to the BOM are in the course of their work exposed to the company plans.

Economic reform and structural adjustment policies have resulted in income-related protest among workers. On the one hand, management policies aiming at cutting costs have affected workers in their financial and non-financial benefits. For example, in the "CID" company letters were sent to workers who had contracted job-related illness and were receiving medical benefits to resume work immediately or face punitive action (Al-Shaab, 1/11/94). In April 1992 there was a sit-in at the General Battery company by workers over cuts in their incentives

(Badawi, November 1993: 30). The same situation was repeated in numerous enterprises. The two Kafr Al-Dawar strikes in October 1994 received much media attention, in great measure because of how the government dealt with the strikes.

The head of the labour secretariat at the Nasserite party described the situation:

In Kafr El-Dawar, those who are absent one day get a deduction of 3 months' incentives. They [new laws] are flexible formulations that blur issues, not determine them unlike the rights and guarantees that the present laws and the constitution provide, as well as the international and Arab agreements...Since the president of the company was appointed there have been sharp disagreements among the members of the union committee. The pressure of management, the absence of the role of the union committee and the general union for weaving workers and the ETUF combined. There was a sit-in, but production continued. Workers wanted the president of the BOM of the company to be removed. The police was called, they surrounded the factory and cut off electricity and water and declared that the siege will continue until the workers die of hunger and thirst, and then announced an obligatory leave [dismissal] for all workers from 1 October, 1994. The people in town collected food and went to the factory gates to give to the workers inside, but the police prevented them, and started shooting. An armed vehicle, license number 7700 police, fired on the housing, and some people [bringing food] died <Fathy Mahmoud, 22/10/94>.

The strikes at Kafr El-Dawar and other incidents proved that the implementation of SAP measures in enterprises was carried out in a way that made workers pay the price of reform. In Kafr El-Dawar the new president of the BOM

...worked to co-opt the trade union leadership, by transferring its members to administrative positions where they were rumoured to be receiving wages and bonuses almost six times as high as the average plant worker. He also appointed a board of 17 advisors, also earning exorbitant salaries, to help supervise his new policies (Posusney, 1995: 28).

Workers in their protests have not been acting as producers, despite the poor conditions of work. One of the features of the protests in Egypt is that in the majority of them workers continued production. In fact, in many cases workers filed suits against the BOMs in enterprises for mismanagement. Mismanagement, workers argued, resulted in losses to the enterprises and work stoppages. In fact, in some cases workers demanded that the BOM be held accountable for the losses in enterprises (Al-Wafd, 28/8/96). The drive toward efficiency management has meant in practice that any losses in the enterprise is felt first by workers as reductions in services, and incentives.

To conclude this section, in most cases where workers carry out protests their demands have been met, or at least partially met, although the regime often uses repressive methods to suppress uprisings. Workers have thus come to rely on their own efforts, rather than on trade unions. This will be the pattern in Egypt for the future. If a disruption occurs to workers' rights there will be a spontaneous protest by workers, whereby partial redress of the grievance by the government will take

place. This situation will continue so long as workers bear some political significance to the regime. At present workers are marginalised politically, but the government is aware of the consequences of breaking away completely from the 'social contract' that was made during the Nasser years. Although the events of January 1977 are twenty years away, they are still fresh in the memory of the regime. However, as privatisation proceeds and the government's share of the Public-Business Sector decreases the political significance of workers will decline. At such a time trade unions will be indispensable for workers.

Conclusion

To go back to the beginning, will Egyptian workers prosper in an integrating world, as proposed by the World Bank Development Report of 1995? The answer is presented succinctly by Ethan Kapstein:

The global economy is leaving millions of disaffected workers in its train. Inequality, unemployment, and endemic poverty have become its handmaidens.... Just when working people most need the nation-state as a buffer from the world economy, it is abandoning them (Kapstein: 16).

Understanding the role of the state in the process of structural adjustment is important to understand the consequences or impact of reform on workers and their representatives, the trade unions. The process of implementation of economic reform and structural adjustment is both an economic and a political process. Public sector reform is seen as the core of the reform process, basically because "it is within that sector that entitlements and resources devised and allocated by state actors to favoured constituencies are concentrated" (Waterbury in Haggard and

Kaufman: 182). Attempts to reform the public sector in Egypt are not new, but until very recently they were not very successful. As the political significance of the working class decreased, it became possible to reform and now privatise public sector enterprises. In the public sector, the independence of the working class and trade unions was kept in check through a corporatised, state-dependent trade union organisation. The corporatisation of the trade union organisation, however, has state-bureaucratised it and separated it from the workers it represents.

Egypt has, after much stalling, proceeded with economic liberalisation, including public enterprise reform and privatisation, but the government is still reluctant to 'liberalise' the political sphere by democratisation. The government manages at present, as it has in the past, to trade off political liberalisation in return for a 'social contract'. At present the regime has gradually shifted the social contract with the middle classes, the workers, and the peasants to a social contract with the bourgeoisie (Hansen: 117). While in the past the government had to pay for the contract of the 'almost free loaf of bread', the government is not paying to maintain the new contract of 'la dolce vita' which the bourgeoisie enjoys in return for limited political participation, to use the expressions of Bent Hansen. However, the groups that are marginalised by SAP are being used by the Islamists as a base for an alternative reform program initiated from the grassroots. The Islamists pose a challenge to the regime not because they can overthrow the government, but because they cannot be ignored. The Islamists are too divided to pose a challenge of a regime-overthrowing type. Islamists have been trying to mobilise the labour movement and use it as a popular base to gain power. This has

been largely carried out by a marriage of convenience with the Socialist Labour Party, but they have not been very successful in that regard.

Perhaps the key to trade union reform lies in the privatisation of public enterprises. Historically, the development of an independent trade union movement in Egypt occurred at a time where industry was dominated by foreign capital, or a Westernised bourgeoisie. Nationalism as an ideology spurred a strong trade union movement. Egypt seems to be heading that way again, but it is not certain that a trade union movement that utilises the language of nationalism or national industry in the age of globalisation would succeed. Already, there are strong pressures within the trade union movement for a more democratic and pluralist system, however, the corporatist majority has managed to perpetuate itself and marginalise the former. To a great extent this position has been maintained thus because the state is utilising trade unions to 'control' labour. However, there are weaknesses within the corporatist structure, the most important of which is that it represents only a sector of the working class, decreasing numerically and in political significance as privatisation proceeds. While there is no doubt that a corporatised trade union organisation will remain in Egypt for the foreseeable future, it will have to account for the varying tendencies within the trade union movement if it is not to become totally irrelevant to workers. Two possible areas of reform are incorporating more workers, and increasing the number of general unions, the middle level of the organisation. The one area where there will not be reform in the near future is the unitary, pyramidal structure of the trade union organisation.

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APPENDIX I

List of Interviewees

Engineer Mohamed Adel Abdel Kerim,
President, Holding Company for Metallurgy and Thermal Industries

Engineer Adel Zein El-Din
Previous President of BOM of RACITA company

Mr. Niazi Abdel Aziz
President, General Union for Engineering Industries, ETUF

Dr. Ismail Sabry Abdalla
Director, Thrid World Forum

Mr. Osama Abu Ismail
President of BOM, Maragel company

Dr. Mokhtar El-Khattab
Privatisation Program, PEO

El-Nasr Company for Manufacturing Glass and Crystal:
Engineer Mohamed Adel Kamel
President of BOM of El-Nasr Company for Manufacturing Glass and Crystal

Mr. Mohamed Ali El-Shafei
Director, Manual Factory Shubra El-Kheima

Mr. Mahmoud Abu Bakr
Director General, Organisation and Administration

Mr. Fawzi Nawar
Director General, Industrial Relations Department

Mr. Ali El-Damallawi
Director, Personnel Shubra El-Kheima

Mr. Ahmed Hamza
Head, Factories Sector Mosturud

Mr. Abdel Naby Abdel Hady
Union official, Mosturud

Mr. Mohamed Sayed Abbas
Union official, Mosturud

Mr. Ibrahim Ali Abdalla
Elected BOM member

Engineer Gamal Fawzi
Head, Projects Department

Mr. Hassan Abdel Aziz
Elected BOM member

Mr. Ali Gouda
Union Official, Shubra El-Kheima
and Secretary General of General Union in Qalyubeya

Mr. Ahmed Ismail
Union Official, Shubra El-Kheima
and official at General Union for Chemical Industries at ETUF

Mr. Adel Helmi
Union Official, Shubra El-Kheima

Mr. Saleh Abdel Meguid
Production Worker, Manual Factory, Shubra El-Kheima

Political Parties:

Mr. Fathy Mahmoud
Head, Labour Secretariat Nasserite Party

Mr. Abdel Hamid El-Sheikh
Head, Labour Secretariat Tagamuu Party

Mr. Abdel Menem El-Gamal
Union Official, Kanal Contracting Company
Tagamuu member

Mr. Essam Ramadan
Union Official, Kanal Contracting Company
Tagamuu member

Mr. Ezzat Ibrahim
Union Official, Kanal Contracting Company
Tagamuu member

Mr. Sayed Abdel Rady
Union Official, Helwan Iron and Steel Company
Tagamuu member

Mr. Kamal Ahmed Ismail
Tram Driver, General Transportation Company

El-Sharkia Eastern Tobacco Company:

Engineer Mohamed Sadek
President of BOM, El-Sharkia Eastern Tobacco Company

Mr. Mohamed Mahmoud
Head, Administration Sector

Mr. Hafez El-Shafei
Director, Social Services

Mr. Ray Habib Ibrahim
Head, Legal Affairs Sector

Mr. Abdel Hakim Mahmoud
Deputy Manager, Operations Sector

Mr. Mahmoud Abdel Fattah Mohamed
Union Official, Giza

Mr. Farouk Ali Ibrahim
Union Official, Giza

Mr. Gamal Ramadan Shafik
Union Official, Giza

Mr. Magdy Mansour
Union Official, Giza

Mr. Saleh Amin Ashour
Union Official, Talbia

Mr. Hafez Mohamed Hafez
Union Official, Talbia

Mr. Mohamed Kamel Gad
Production Worker in packaging, Giza

APPENDIX II

Background to Companies Visited

El-Nasr Company for Glass and Crystal Manufacturing

The Company was established in 1932. The company was nationalised in 1962. It is an affiliated company to the Holding Company for thermal industries. At present the company has four production branches, in addition to the administrative headquarters in Sherifen Street in Cairo. The four branches of the company are: the Yassin factory in Shubra El-Kheima which produces glass sheets, drinking glasses and vases, the ampoule and bottle factories in Mosturud, the Wayly branch, and the Alexandria factory which manufactures fibre glass, toughened glass, as well as glass wool and other thermal insulation material. The different branches of the company were established at different times. The Yassin branch in Shubra El-Kheima was established in 1932 by Mohamed Sayyed Yassin, an industrialist. The Alexandria branch was established in 1950, and was the first factory to produce fibre glass in Egypt. The Mosturud branch was established in 1968, with some sections built in 1970. Finally, the Wayly branch was established in 1991.

The capital value of the company is LE 60 Million¹, and the maximum production capacity (per year) is 100,000 tons of glass, and 350 million medical ampoules. In 1992/93 the output of the company was 84,000 tons of glass and 214 million medical ampoules. The production value was estimated at LE 112 Million. The number of employees in 1992/93 was about 6600. As on 30 June 1994, approximately 7% of company employees were women, and 93% men. The following table provides some details about the number of employees in the company in 1994. The total number was 6,482 divided as follows:

Branch	Number of Employees	
	Men	Women
Yassin	3,449	178
Mosturud	2,036	201
Alexandria	423	17
Wayly	71	2
Cairo Headquarters	54	51
Total	6,033	449

¹ The exchange rate for the Egyptian pound is: 1 Pound Sterling=5.6 Egyptian Pounds

El-Sharkia Eastern Company

The company was first established in 1920, but it did not start production until 1927. In 1927 an agreement was made between the British-American Tobacco company and the Matussian family in Egypt who had been in the tobacco industry since 1890 to form the Eastern Tobacco Company. By 1947 the company had taken over 80% of the tobacco industry in Egypt. The company was Egyptianised in 1956, after the 1956 War, and it was nationalised in 1961. At present the company is a monopoly industry and has eleven branches in different governorates in Egypt, including Giza, Alexandria, Tanta, Menoufia, and Assiout. The company produces cigarettes and various other tobacco products. It is currently producing 14 foreign brands of cigarettes by licence as well as Egyptian brands.

The capital value of the company is LE 400 Million. The company produced in 1992/93 about 41 billion cigarettes, 13,177 tons of tobacco for water pipes, 5,936 tons of tobacco for pipes, as well as 431 tons of loose tobacco for wrapping cigarettes. In 1992/93 the production value exceeded LE 3,306 Million. In 1992/93 the number of employees in the company was 13,903. As on 30 July 1999⁴ out of a total of 13,550 employees the number of women was 973, and the men 12577. In percentages, women constituted about 7% of employees in the company. Following is a breakdown of the employees by educational qualification²:

Educational Qualification	Number of Employees	
	Men	Women
University degree	719	191
Above intermediate (institutes)	132	54
Intermediate (post-secondary)	1,738	312
Below intermediate	1,116	43
No formal education	8,872	373
Total	12,577	973

² It was not possible to obtain the same sets of statistics from the two companies visited.