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AN ANALYSIS OF THE IMPACT OF THE
POLITICAL CHANGES ON LABOR
UNIONS IN EGYPT

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This study analyzes the impact of the political changes on labor unions in Egypt in the period from 1960 to 1967. In 1960-1961 Egypt became a socialist country with one political party, the Arab Socialist Union. As a result of that development in the political arena, a wave of socialist laws were introduced by the government, affecting not only the labor unions' traditional functions, but also the industrial relations system in general.

This study is divided into four main parts: one dealing with the development of labor unions and labor legislation; the second dealing with political changes; the third dealing with the evaluation of the socialist laws and their impact on economic development; and the fourth dealing with labor union-government relations. The data of the study were extracted from primary and secondary sources written on Egypt.

In attempting to analyze the impact of the political changes on labor unions in Egypt, the study made reference to the developing countries which are following the socialist path. Most of the governments in the developing countries,

including Egypt, tend to consolidate their authority over the country through interfering in the industrial relations system, through controlling labor unions, and through issuing various labor legislations. In the case of Egypt, the socialist laws were introduced by the government without consulting the labor unions. As a result, the socialist laws failed to achieve their objectives, alienated the workers, and hampered the economic development process.

Because of the fear of the labor unions' potential threat to the political system, the government tried successfully to control the unions. It did that by giving the Arab Socialist Union representatives authority over the union representatives, which resulted in having not only weak unions, but also political unions articulating the government socialist ideology. On the other hand, the labor unions in Egypt, as in most of the developing countries, were seeking the government's support in order to be able to exist and function. The study indicates the types of relationships that existed between the union and the government and the reasons behind such a relationship.

The study came to the following conclusions.

1. The role of the labor unions in the industrial relations system and especially in formulating the socialist laws was minimized in Egypt in the 1960-1967 period.

2. From an economic point of view, the socialist laws in the 1960-1967 period had restrained economic development

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process by reducing savings, not supplying the economy with skilled productive workers, causing inflation, and the wage structure did not work as an incentive system to stimulate productivity.

3. The socialist laws did not achieve any of their expected objectives partly because no one except the government was involved in these laws' formulation and implementation.

4. Except for the small increase in wages, the average worker did not achieve any tangible benefits that could improve his economic and social status.

5. The existence of political control over labor unions and over the industrial relations system will continue and persist as long as labor unions do not have effective leadership and as long as there is no political opposition to the government.

Recommendations for improvements in the industrial relations system and in the labor unions' functions are included. The study also recommends less government involvement in union activities, less intervention in their functions, and less intervention in union-management relations.

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CHAPTER I

INTRODUCTION

The traditional functions of labor unions are to gain a favorable collective agreement for their members, to mediate and help solve labor problems and grievances, and to maintain the well-being of the union members. On the other hand, labor unions cooperate with management and government to achieve a desirable and agreeable level of production and economic development. Most of the benefits obtained by the labor unions are gained through the unions' negotiations and final agreement with management. Also labor unions are usually involved in any change in existing labor laws that affect workers, in specific, and the industrial relations system, in general.

In Egypt the situation is different. Since the beginning of the labor movement, every Egyptian government has tried, with varying degrees of success, to get labor unions involved in politics and, in turn, to advance the government's labor policies.

The development of labor laws is the function of the interaction of political, economic, and social factors, including the members of the industrial relations system. This was not the case in Egypt in the 1960-1967 period.

In 1960 the Egyptian economy changed from a free enterprise system to a socialist economy, by a presidential decree. Seventy-five percent of the major assets of the economy were nationalized. The public sector became the dominant economic unit and the major employer in the country. To win the masses' support for its socialist system, the Egyptian government issued a series of socialist laws (labor laws). Some of these laws have had a significant impact on the industrial relations system in Egypt. For example, employees have been given the right to have a specified number of representatives on the board of directors, to have a 25 percent share of their organizations' annual profit, to have the work week hours reduced from forty-eight to forty-two, and to have a minimum-wage level. These laws were, of course, favorable to all employees in the country.

The major objectives of the new laws were to increase the average worker's productivity, to achieve a high growth rate of economic development, and to supply the economy with a skilled and efficient labor force. This study will substantiate that these objectives were not achieved. Participation in management did not increase productivity; rather it alienated the workers and caused a reduction in the average worker's productivity. Thus economic development was affected.¹ Furthermore, profit sharing did not induce

¹Mohamed El Sayed, "Workers Participation in Management in the Experience of the Arab Republic of Egypt," unpublished doctoral dissertation, School of Business Administration, George Washington University, Washington, D.C., 1972, p. 220.

the workers to save and did not work successfully as an incentive. Profit sharing has therefore been suspended. Also the increase in minimum wages did not improve the average worker's economic status and did not work as an incentive. Generally speaking, the socialist laws were incompatible with economic development. As a result, the average worker's productivity was not in proportion to the "benefits" resulting from these laws.

The new socialist labor laws did affect the industrial relations system in many ways, however. First, after the issuance of these laws, the government moved toward complete control of all labor unions in Egypt. The government assumed the traditional functions of the unions in order to prevent their potential threat to the new system. Labor unions, as a result, became political tools used by the government to manipulate the working class to support the socialist system and the political and economic developments (changes) that were taking place at that time.²

Labor unions did not take an active part in the formulation and implementation of the socialist laws. Unions were not even consulted concerning the objectives and the expected outcomes of these laws. The labor unions' ability to bargain collectively for "consumptionist" demands was reduced in favor of the "productionist" demands of the government. The unions were weakened by the existence of tripartite

²Ibid.

channels dealing with labor grievances--labor unions, the Arab Socialist Union, and management. This situation was not capable of channeling industrial conflict.

The fact that the Arab Socialist Union was the only political party during the period from 1961 to 1967 affected the industrial relations system, with particular regard to labor unions. The A.S.U. had branches in every firm, organization, and institution. The existence of A.S.U. branches in industrial firms that had union representation caused conflict and tension between the two. The victims were the workers. The conflict and tension in the relationship between the A.S.U. representatives and the union representatives were due to the former's taking over the latter's traditional functions of defending, protecting, and handling worker grievances and demands. As a result of the conflict and tension, unions came under firm control by the government and the unions were transferred into "political labor unions" involved heavily in internal politics. Such involvement was related to the traditional functions of economic unionism.³

Characteristics of political labor unions are the following.

1. The amount of time and thought invested in direct political work is a primary index. The political union's leaders are directly engaged in political operations and discussions.

³Ibid., p. 221.

2. The goals of union leadership are very broad, in contrast to the usually circumscribed goals of union leaders in the United States, and may include revamping the major rules governing the society. The political union, through its support of "open-end" objectives, seeks improved living standards for its members, but may temporarily be willing to go slow in achieving them in the hope of winning political power.

3. The frequent use of direct mass action--a demonstration, a strike, or sometimes a staged riot--in support of nonindustrial objectives, and a propensity for tailoring the performance of economic functions to serve political ends are constant factors. Protest is almost never registered through as mild a method as a "write-letters-to-Congress" campaign that unions in the United States might mount.

4. Ideological conformity in the leadership is required, although the tolerable limits of dissent may vary. Communist labor movements are the most demanding; nationalist movements are somewhat less demanding. Movements that are linked only loosely to a party or government are usually permissive, demanding only general support of the ideology.

5. There is a marked tendency toward "movementism" --i.e., the continual determination to form or participate in broad-based political force aimed at capturing and maintaining political power. Trade unionism alone is considered an inadequate instrument with which to attain the political, economic, and social reforms sought by the union leaders.

There are, however, exceptions to the movement tendency, especially in certain Middle East countries where the political elites have, for the most part, attempted to control the labor groups instead of including them in a mass front. As a consequence, the union leadership is likely to engage in maneuvers that are still highly political but uninspired by an ideology.⁴

During the period from 1960 to 1967, substantial changes in the political system occurred which affected and caused significant changes in the industrial relations system. These political and industrial relations changes need to be studied to determine the extent of the changes and their

⁴Bruce Miller, The Political Role of Labor in Developing Countries (Washington, 1963), p. 9.

affect. Many studies have been done on various areas of the industrial relations system, but no researcher has analyzed the role of the labor unions in the socialist laws, the impact of these laws on economic development, the benefits received by the workers as a result of these laws, and finally the relationship between the unions and the government during the political changes which resulted in the socialist system.

Thus this study will concentrate on analyzing the labor unions' roles and functions during the 1960-1967 period. This time period is utilized for two reasons: first, the socialist laws were introduced during 1960-1961 and, second, in 1967 Egypt was defeated in the war against Israel. During the 1967-1970 period, the government primarily concentrated on building up the army and seeking a political solution to the Middle East conflict. Little attention was paid to other functions of the government, and no attempt was made to analyze the impact of the socialist laws. From 1970 to the present time, the Egyptian government gradually has been returning to the free enterprise system. The A.S.U. was abolished in 1976, permitting the return to a multipolitical party system. This action is due to the policies of President Sadat, who succeeded Nasser.

This study is of particular importance because many developing and underdeveloped nations have been trying to establish a socialist system and change the nature of the

industrial relations system to fit into that new socialist system. It is, therefore, the general objective of this study to analyze and evaluate the socialist laws, the labor union's role, and the union's relationship with government.

Purposes of the Study

The purposes of this study are as follows:

1. To study and analyze the role of the labor unions in the formulation and implementation of the socialist laws as well as in economic development;
2. To study and analyze the impact of these laws on the labor union's functions and responsibilities;
3. To assess and determine the impact of these laws on the average Egyptian worker;
4. To determine to what extent the socialist laws furthered economic development during the 1960-1967 period;
5. To determine if the socialist laws achieved their objectives;
6. To determine if the formulation of these laws was influenced by factors outside the industrial relations system;
7. To study and analyze the basic features of the relationship between the labor unions and the government during the 1960-1967 period and to determine what factors dictated such a relationship;
8. To determine the nature of the relationship which existed between the union representatives and the Arab

Socialist Union representatives and the reasons for such a relationship; and

9. To ascertain methods for returning the labor unions to their traditional functions and for keeping them from the control of the political process.

Study Hypotheses

Five sets of hypotheses were made in this study. They are the following.

1. The socialist laws were introduced to increase workers' productivity, to promote workers' satisfaction, and to stimulate economic development. The laws were not successful in achieving these objectives.

2. The socialist laws had a negative impact on economic development by reducing the rate of economic growth and by reducing workers' productivity.

3. The labor union did not have any role in the formulation, implementation, and eventual failure of these laws.

4. The average worker did not achieve any tangible benefits from the socialist laws which caused his alienation and dissatisfaction.

5. As a result of the political changes, a new relationship emerged between the labor unions, the government, and the Arab Socialist Union. As a result, there was more control and suppression of the labor unions.

Methodology

This is an historical and analytical study of the evolution of labor unions, labor laws, and political changes. The study is based on qualitative and quantitative analyses of historical data and on an analytical study of the role of labor unions in the socialist system in Egypt. The data for the period prior to 1960 were extracted from estimates made in other studies, and references are made to the original sources. Since the present study is concerned primarily with the post-1960 period and since there is complete absence of objective data published by the Egyptian government, the researcher sought information from books, articles, and foreign reports written on Egypt. The Egyptian government's publications concerning laws, regulations, and reports about labor unions were reviewed. United Nations' publications were also reviewed to help synthesize the facts obtained from the government's publications.

Limitations

As is the case in most developing countries, there are limitations and shortcomings in governmental publications. Consequently, data may suffer from distortion. Also the data obtained from secondary sources are based on government returns; therefore, they are subject to certain limitations. However, in some cases, secondary sources may be quite reliable owing to the fact that researchers have attempted to correct and/or adjust specific data for their particular

purposes. It is true that analytical studies in this area are still hampered by the complete absence of basic data in some cases and by inadequate historical and analytical comparability of data in others.

In general, the statistics concerning labor unions and labor forces often suffer from a variety of limitations. These limitations stem from a number of factors:

(1) most statistics are of very recent origin and thus lack historical perspective;

(2) the lack of coordination among the organizations which collect this information causes some conflicting reports on labor unions and the labor force;

(3) some reports are hardly comparable owing to the use of different concepts and methods; and

(4) most of the statistical information is incomplete, especially when it comes to the problem of employment and unemployment.

Importance of the Study

1. The study reveals the impact of the political changes on industrial relations systems, especially in the developing countries.

2. The analysis reveals whether or not most of the developments and changes in industrial relationships, programs, and functions were initiated and implemented by forces and members in the system or whether they are initiated by outside forces.

3. The study shows that leadership by labor unions in developing countries such as Egypt in the development of effective industrial relations systems is difficult since there is no stable political system and no substantial economic development.

4. This study reveals that the existence of productive manpower forces, mature labor-management relations, and the existence of effective industrial relations systems in general are among the main functions and responsibilities of well-organized labor unions. The attainment of these objectives is probably hindered by the passage of labor laws such as the socialist laws in Egypt in the 1960-1967 period.

Definition of Terms Used in the Study

Labor union.--A continuing long-term association of employees formed and maintained for the specific purpose of advancing and protecting the interest of members in their working relationships.

Political system.--That system of interaction to be found in all independent societies which performs the function of integration and adaptation by means of the employment of more or less legitimate physical compulsion.⁵

Developing country.--A country with a weak economic and industrial base, but with a potential for greater strength. "Developing" in its broad sense means general social and

⁵G. Almond, The Politics of the Developing Areas (New York, 1961), p. 7.

economic development; in the narrow sense, interest has been focused on the economic aspect.⁶

Arab Socialist Union.--The general political framework for mass action by the united forces of the people which was the center of all political activities in Egypt.

Collective bargaining.--Negotiations in good faith between employees' representatives and employers for the purpose of discussion and agreement upon the terms and conditions of employment.⁷

Industrial relations system.--A general term used to identify those functions that affect employer-employee relations, employees' morale, working conditions, and work incentives.⁸

Economic development.--The process of growth in total and per capita income of developing countries, accompanied by fundamental changes in the structure of their economies. It seeks to increase the productive capacity of the economy and thereby increase national income.⁹

Political party.--A body of voters organized for the purpose of controlling the policy and conduct of government

⁶Sidney Sufrin, Unions in Emerging Societies (New York, 1964), p. 3.

⁷Alan Gilpin, Dictionary of Economic Terms (London, 1973), p. 32.

⁸Ibid., p. 105.

⁹R. Res, A Dictionary of Economics (New York, 1972), p. 130.

through the nomination and the election of its candidates to public office.¹⁰

Consumptionist demands.--Demands made by the labor union on behalf of its members to increase their economic gains such as wages, fringe benefits, and pension plans.

Productionist demands.--Demands made by the government asking labor unions to reduce their economic demands and stress workers' productivity and saving to increase capital accumulation for economic development.

¹⁰Edward Smith, A Dictionary of American Politics (New York, 1968), p. 276.

CHAPTER II

THE DEVELOPMENT OF LABOR UNIONS AND LABOR LEGISLATION (1930-1967)

Although Egypt has a long history of indigenous craft guilds, labor unionism was imported from the West, with the first labor union established in 1899. The British occupation during the nineteenth century provided contact between Egyptian labor unions and other Western labor unions. Labor unions developed slowly in Egypt, and by the twentieth century, under that slow development, there was the traditional pattern of authority which existed elsewhere in the government.

By World War I, labor unions had little political influence, but that influence started to grow as they moved into the realm of political action through cooperation and manipulation by the existing political parties. By 1920 labor unions were faced with hostility by the government which considered them a potential threat to its security. Even though strikes were forbidden, a few occurred in 1921. War time price increases had outstripped wage increases, creating labor unrest.¹ Also the existence of the British occupation led to a political orientation for some labor unions. Labor

¹Summary of Labor Situations in Egypt (Washington, 1955), p. 8.

unions were able to secure limited gains for their members, but these gains did not come through collective bargaining, but through the consent of the employer and the government.

The modern Egyptian labor union movement, which provided the impetus for later industrial development and expansion, began in the 1930's. At that time, the right of labor to organize was not recognized by the government. However, considerable numbers of labor unions had formed, and a pattern of unionism had been established.

There were a number of factors with which the development of the labor union movement had to contend.

1. Between 70 and 80 percent of the total population was engaged in agriculture.
2. Militating against labor union development was the fact that employer-worker relationships were regulated by means of individual contracts.
3. Labor union development coincided with periods of political change.
4. Labor union members were in many ways inexperienced in the art of establishing and operating labor unions.²

When the Wafd Party came to power with the help of the British authority and with the formation of Egypt's first Parliament in 1924, the government appointed a legislative committee to study labor problems. The committee was unable to formulate an acceptable policy by the government. Following a long period of quiet, a new wave of strikes broke out in 1931 in the wake of world-wide depression. As a

²J. A. Hallsworth, "Freedom of Association and Industrial Relations in the Countries of the Middle East," International Labor Review, LXX(November, 1954), 363-384.

result, the Egyptian government requested the International Labor Office to send an advisory commission to Egypt to study the labor situation and to make any necessary recommendations for the organization of labor unions.

A commission headed by H. Butler, deputy director of the International Labor Office, came to Egypt in 1931. After visiting and consulting with management, government, and labor and after a comprehensive evaluation of the situation, the Commission found that there were great differences in working and employment conditions between the small factories and the large, more modern ones. In the small factories women and children worked under deplorable conditions; workers were underpaid, and there was no compensation for work injuries; labor unions were powerless and fragmented; there were no regulations to govern labor-management relations; and workers were working fourteen to sixteen hours a day.³ As a result of its investigation, the Commission recommended the following:

1. The establishment of a labor department to be completely separate from the Interior Ministry;
2. The establishment of an advisory labor council to provide continuing advice and coordination in the formulation and administration of labor policy;
3. The enactment of labor codes covering the employment of women and children, compensation for injuries, hours of work, and conciliation and arbitration of labor disputes; and
4. The recognition of labor unions.⁴

³Frederick Harbison, Human Resource for Egyptian Enterprise (New York, 1958), pp. 151-152.

⁴Ibid., p. 153.

The Wafd Party, which was forming the government, was anxious to attract rising labor groups into its ranks. It wished to continue a situation in which the Wafd subsumed all groups in the Egyptian society under the broad banner of its national leadership. Also it anticipated the outcome of the industrial development that was taking place. As a result, the Wafd government in 1933 accepted Butler's recommendations and enacted labor legislation. Little progress was made; however, a few labor laws were passed as a result of the Commission study during the next nine years. The laws are as follows:

1. Law 48/1933 regulated employment of children in industry;
2. Law 80/1933 set forth the minimum regulations for the employment of women and decreed no night work;
3. Law 147-1935 regulated hours of work for males in certain industries and rate of overtime; and
4. Law 64/1936 provided compensation policy for work injuries where employers were made liable for compensation for accidents incurred by workmen on their premises.⁵

These laws were poorly written, not well-defined, and poorly administered because of lack of qualified personnel. The year 1937 was a quiet year, but in 1938 there was a wave of strikes because of a 25 percent increase in wheat prices. There were no other important strikes until 1942 when the rapid increase in the cost of living forced the government to induce employers to raise wages. During this period the

⁵Charles Issawi, Egypt: An Economic and Social Analysis (London, 1947), p. 98. For details of these laws' provisions, see I.L.O. legislative issues.

labor unions position continued to be anomalous, for, although not recognized by the government and by the law, unions were tolerated but kept under supervision and control. Because of lack of funds, they were limited in activities to passing resolutions.⁶

The Wafd Party was brought back into power with the help of the British in 1942. That government passed the first official recognition of the right of labor to organize itself, with the intent to exercise more control over the existing labor unions. The fear that labor unions might escape government control and fall under left-wing influence was the main reason for passing Law 85/1942, which for the first time gave formal recognition to labor unions. It was the first piece of legislation that gave legal guarantee of freedom of occupational association.⁷

This law, however, restricted the labor unions' freedom of action. Before its issue, labor unions based their existence on the status quo and organized their activities according to their interests. The 1942 law excluded agricultural workers who were prohibited, along with government employees, hospital employees, and police employees, from joining the labor unions. Those employees were later included in 1952 legislative decrees. The 1942 law prevented labor unions from practicing any activity before

⁶Ibid., pp. 96-97.

⁷ILO Legislative Series, 1942, Egypt I, Article 3.

being registered and getting permission from the labor administration in the Ministry of Social Affairs. It gave the Minister of Social Affairs the authority to dissolve any labor union. Labor unions were prohibited from engagement in political activities. This law also denied the labor unions the right to form a formal federation of labor. It restricted union membership to workers in commercial and industrial establishments having fifty workers or more. Labor unions were required to notify the police department in advance of their meetings, especially those of the general assembly.⁸

In spite of all these restrictions, the number of labor union members increased to 132,945 and the number of unions increased to 339 in 1944-1945⁹. Later, in 1947, the number of labor unions and total membership decreased because many unions were found to have less than the minimum of fifty members required by the 1942 law and, as a result, were dissolved.

After the Second World War, the Egyptian government recognized a labor union federation which met in December 1945 to discuss labor conditions. The momentum continued; the federation had twenty-five unions from Cairo alone, representing 15,000 laborers. Afraid of such an increase in

⁸"Recognition of Trade Unions in Egypt," International Labor Review, XLVIII (August, 1943), 216-217.

⁹ See Table I.

power, the government stopped the federation momentum by accusing its leadership of Communist affiliation and arresting its leadership in 1946.¹⁰ It also accused the leadership of the federation of an attempt to overthrow the existing government. Further attempts to create the labor federation met the same fate until 1952.

The labor unions that existed from 1942 to 1947 were many in number, but were rather weak, fragmented, and small in size. The average size of a union in 1947 was 207 members and increased to 322 members in 1955 as shown in Tables I and II.

TABLE I
GROWTH OF UNIONS AND MEMBERSHIP*

Years	No. of Unions	Membership
1944	210	102,876
1945	339	132,945
1946	388	95,538
1948	478	124,094
1950	491	149,424
1952	568	159,608
1953	910	250,000
1954	1,125	270,875
1956	1,228	299,363
1958	1,336	319,970
1960	59	408,566
1964	27	1,500,000

*Source: M. Amin, History of the Labor Unions and Labor Legislation in Egypt (Cairo, 1961), p. 49. (Arabic)

¹⁰M. Abbas, Labor Movement in Egypt 1894-1952 (Cairo, 1968), p. 132. (Arabic)

TABLE II
UNION MEMBERSHIP AND AVERAGE SIZE*

Year	Number of Labor Unions	Members	Average Size
1942-1947	441	91,604	207
1953	910	265,192	280
1954	1,125	270,875	260
1955	1,154	283,338	322

*Source: Frederick Harbison, Human Resource for Egyptian Enterprise (New York, 1958), p. 182.

The small size of unions was due to the fact that many labor unions were formed in the same industry. Under that same period, few collective bargaining contracts were concluded. This was because of the lack of qualified and experienced union leaders.¹¹ The 1947 census showed that 6.7 million persons, about 36 percent of the population, were in the labor force, grouped by industry, as shown in Table III.

TABLE III
DISTRIBUTION OF LABOR FORCE IN
VARIOUS INDUSTRIES*

Industry	Number (000)
Agriculture	4,398
Mining	13
Manufacturing	709
Transportation	113
Commerce	203
Social Service	620
Personal Service	<u>156</u>
Total	6,729

*Source: Summary of Labor Situations in Egypt (Washington, 1955), p. 8.

¹¹Harbison, op. cit., p. 182.

Following a long period of quiet, a new wave of strikes broke out because of continuing increase in the cost of living and because of the agitation of the politically oriented Workers Committee for National Liberation, which had been formed early in 1946 to protest the government attitude toward the British occupation. The Arab-Israeli War of 1948 resulted in an emergency regime, but labor unrest and strikes continued which forced the government to pass the 105/1948 law. This law was the first comprehensive conciliation and arbitration legislative piece which established the procedures for handling industrial disputes.

Labor Under Nasser

The 1952 coup d'etat took place because of rising public nationalistic feeling against the existing regime and the British occupation. The new regime inherited a very discontented, politicized, and growing labor force that had the power to threaten it. Egyptian labor unions, up to 1952, were not regarded as devices of the worker's collective interest, but rather as vehicles for political demonstrations. Their support of the nationalist movement during 1945-1952 helped to bring about the downfall of the monarchy in Egypt.

The new regime, which initiated a new set of political, economic, and social reforms, needed the support of labor unions in order to increase its political authority in

ruling Egypt. The new government's reward for support by the labor unions did not come in the form of the right to strike or freedom of action, but rather, in the form of encouragement of the labor union movement and in the form of protective legislation. At the beginning, these new labor laws tended to protect labor unions, on the one hand, but, on the other hand, to control them and to prevent them from any activities that could hamper the economic development plans that started in late 1952. That was why the new regime followed a paternalistic attitude toward labor unions and swiftly changed labor laws. The following laws were introduced:

1. Law 317/1952, which restricted the dismissal of a worker;
2. Law 318/1952, which made compulsory arbitration applicable to all industries to eliminate strikes;
3. Law 319/1952, which reorganized labor unions;
4. Law 419/1955, which improved social insurance; and
5. Law 91/1959, which established the labor code.

The most important laws were Law 319/1952 and Law 91/1959. In December 1952 the new regime issued Law 319/1952, replacing the 1942 law. This new law for the first time extended the right of agriculture labor to organize. Exempted from coverage and the right to organize were employees of the Ministry of War and all administrations subordinate to it. Under that law, labor unions could not be dissolved, except by the court's decision. It maintained provisions similar to those of the 1942 law for close government supervision and control of union accounting, membership,

and meetings. The law also indicated that only one industrial union may exist in one plant. Labor unions were still prohibited from engaging in political activities.

Union leaders should be full-time workers in the plant; this provision prevented the development of professional union leadership. It restricted labor unions from engaging in strikes, and they were denied the right to bargain collectively on behalf of their members. As a result, wages were maintained at a low rate.¹²

The 1952 law stated explicitly the right of the Egyptian laborer to form a general federation to represent each group of unions whose members were a part of the same industry. The issue of a national federation of the various labor unions had been a matter of considerable debate among Egyptian unionists. The 1942 law recognizing labor unions did not mention the establishment of a national federation. In 1955 there was an attempt to organize a federation, but this was not successful until January 1957 when a federation of labor was established and recognized by the government.¹³

By 1953 there were 910 registered labor unions with 250,000 members. This compared favorably with the 1945 figures of 339 unions and 132,945 members. Most of these unions were very small and were organized on a factory basis.

¹²Law 319/1952, Official Gazette, Cairo, 1942.

¹³Donald Wilber, The United Arab Republic (New Haven, 1969), p. 260.

These labor unions included only six national organizations. These were the transport workers' union (16,000 members), the tobacco workers' union (4,500 members), the textile workers' union (30,000 members), the musicians' unions, and the union of cinema and theatre employees.¹⁴ The average size of a union in 1953 was 280 members.

In April 1959 a comprehensive labor law was promulgated, which constitutes the labor code of Egypt.¹⁵ It repealed most of the labor laws which were introduced between 1933 and 1953. The law required that collective agreements must be approved by a majority of the members of a labor union and, if so approved, are binding on all workers in the establishment. It permitted labor unions to establish branches in every governorate and to form union committees in plants that have fifty or more workers. Some of the provisions of this lengthy code include the following:

1. Preliminary provisions,
2. Apprenticeship,
3. Vocational training,
4. Organization of work,
5. Labor unions,
6. Arbitration, and
7. Labor inspection and penalties.

The act eliminated fragmentation in labor unions by reducing their number from 933 to 59. Later the labor union provisions in that act were replaced by Presidential Decree No. 62 of 1964, which, inter alia, (1) set the number

¹⁴Hallsworth, op. cit., p. 366.

¹⁵Law 91/1959, Official Gazette, Cairo, 1959.

of labor unions at twenty-seven and (2) extended freedom of association to all workers and civil servants.

An analysis of the Egyptian labor unions and labor laws from 1933 to 1959 is not complete without an understanding of the functions and activities of the Advisory Labor Council (ALC). The 1933 Butler Commission recommendations included the establishment of the Advisory Labor Council, and this council was established in 1934. The early ALC was a government-dominated body that was in no position to provide any help or service to the Egyptian workers. It was not active and had no responsibility and influence in the development of the labor laws that were issued between 1933 and 1952.

When the Nasser regime came into power, it reorganized the ALC. It became more active and was involved in the development of many labor laws after 1953. No one can deny that the government was the dominating party, but it was also true that the ALC made suggestions concerning national labor policy.¹⁶

The Socialist Laws of 1961

July 1960 may be considered as the point in time when the Egyptian economy was decisively changed in a socialist direction. By a series of presidential decrees in 1961, half the country's industry and the whole of its banking,

¹⁶Harbison, op. cit., pp. 171-173.

insurance, cotton trade, transportation, and construction companies were nationalized. The 1961 Socialist Decrees and the completion of the takeover of all of the primary means of production by the government signaled a change in the structure of the industrial relations system in Egypt. The government became the main employer in the country.

In connection with nationalization, a series of labor laws were issued. There are five main laws that affect the industrial relations system, especially the labor unions. The first law gives workers and employees in an industrial establishment a 25 percent share of their company's profit.¹⁷ According to this scheme, profit is distributed on the following basis.

1. Ten percent to workers and employees in proportion to their total wages and salaries, not to exceed, annually, fifty Egyptian pounds for every person.
2. Five percent for social services and housing to be spent according to joint decisions by the company board of directors and the labor union.
3. Ten percent to central (regional) social services.

The second law required that workers (blue collar) and employees (white collar) be represented on the board of directors of industrial establishments.¹⁸ Instead of the 1959 law's provision for a consultative role by workers, labor now is entitled to share in an establishment's management. These representatives are required to fill two of a

¹⁷Law 111/1961, Official Gazette, Cairo, 1961.

¹⁸Law 114/1961, Official Gazette, Cairo, 1961.

maximum of seven seats. The election is to be conducted by secret ballot and those elected are to serve for one-year terms. An amendment in 1963 eliminated the distinction between workers and employees, since all of the members of an enterprise are workers. The number of elected representatives was increased to four, and their term in office became two years. These elected members cannot be dismissed from their jobs except through court order.

The third law reduced the work week to forty-two hours from the previous forty-eight hours. The work day was reduced from eight hours to seven hours, six days a week. The law prohibited any reduction in wages, salaries, and income as a result of the reduced hours.¹⁹

The trend of 1961 continued. In 1962 a presidential decree increased the minimum wage for workers over eighteen years of age.²⁰ On the basis of a national job evaluation survey, the appropriate rating for each job in the public sector was determined. This wage and promotional ladder has fourteen grade levels, with grade 12 representing the lowest level as shown in Table IV. No establishment or company can change tangibly or intangibly the wages and benefits determined by the government. This piece of legislation departs radically from the traditional Egyptian

¹⁹Law 133/1961, Official Gazette, Cairo, 1961.

²⁰Law 262/1962, Official Gazette, Cairo, 1961.

employment concept of separate ladders for technical, administrative, and clerical workers and from the separate payment of a cost-of-living bonus, now included in the salary.

TABLE IV
WAGE AND PERIODIC INCREMENTS IN THE PUBLIC SECTOR*

Grade	Wage Annually	Periodic Increment
Board Chairman	1200-2000 L.E.**	--
Upper Bracket		
1	960-1800	72 L.E.**
2	876-1440	60
3	684-1200	48
4	540-960	36
5	420-780	24
6	330-600	18
Lower Bracket		
7	240-480	18
8	180-360	12
9	144-300	9
10	108-228	9
11	84-180	6
12-14	60-84	6

*Source: Labor Law and Practice in the United Arab Republic (Washington, 1965), p. 73.

**Egyptian pound = \$2.30 in U.S. currency.

The last law increased compensation and benefits for work injuries, health, old age, disability, death, and unemployment.²¹ Table V shows how much the worker, the employer, and the government contribute to the social insurance funds.

²¹Law 63/1964, Official Gazette, Cairo, 1964.

TABLE V
CONTRIBUTION TO SOCIAL INSURANCE
(Percentage of Wage)

Type of Insurance	Employer %	Worker %	State %
Work injury	3	--	--
Health	4	1	--
Unemployment	3	1	1
Old age, death disability	14	8	--
Total	24	10	1

This table shows that the largest contribution to social insurance is made by the employer. The state, however, does not contribute much and does not cover any deficit in the insurance fund. These radical changes in labor legislation by the government reflect the regime's attitude toward the working people. The government justified its action on the basis of (1) achieving social justice and (2) achieving economic prosperity.

The government's view of social justice was explained in the National Charter of 1962 as follows:

The right of each citizen to medical care . . . must become a guaranteed right not dependent on a certain price. . . . Health insurance must be expanded to embrace all citizens. . . .

The right of each citizen to secure the job which accords with his abilities and interests and the type of education he has received. Besides being of economic importance in a man's life, work is an assertion of human existence itself. In this respect, it is indispensable that there should be legally sanctioned minimum wages. . . .

Insurance against old age and sickness must be provided on a much larger scale so that protection is afforded to those who have given their share to the national struggle and for whom the time has come to be sure of their right to security and rest.²²

These measures, the government argued, represent a form of social justice to the workers after years of exploitation. Insofar as economic prosperity is concerned, it was argued that the workers in the new socialist society were now part owners of the means of production. With the introduction of the socialist laws, the workers' energy will be devoted toward increasing productivity and efficiency instead of toward struggling for their rights. Because of their feeling that they are no longer part of the machine, they will spend more effort to achieve high productivity.

According to the National Charter, the definition of labor unions, being imposed by law, is as follows:

. . . these organizations will no longer remain mere counterparts of management in the production operation, but they will become the leading vanguard in economic and social development. Labor organizations can exercise their responsibilities through serious contributions to intellectual and scientific efficiency and thus increase productivity among labor. Unions can fulfill their obligations by safeguarding labor's right and interests and by raising the workmen's material and cultural standards. This includes plans of cooperative housing and cooperative consumption as well as the organization of vacation and other free periods to increase the health, psychological, and intellectual welfare of the workers.²³

²²The National Charter, Department of Public Information (Cairo, 1961), pp. 73-74.

²³Ibid., p. 69.

It is apparent, from the above, that the government redefined the role of the labor unions. Their traditional role is no longer relevant in the new socialist system, since the economy is no longer owned by the private sector. The goal of the labor union is implicit: labor unions are expected to direct their efforts to serving the public interest, to extend their interests into the realm of certain social functions. They are to aim at improving their social services to the members and to raise the level of social, cultural, and political awareness of the workers.

Also, according to the Charter, the labor unions are to play an effective role in economic planning and economic development and assume a leadership position in the application of the socialist system. As a result, the functions of the labor unions in that socialist system, according to priority, are as follows:

1. To play an important role in ideological and political training of their members;
2. To collaborate with the government apparatus in sharing in the planning of production and to stimulate it;
3. To provide services to their members; and
4. To represent their members.²⁴

As a result of adopting the socialist system, labor unions had a tremendous increase in membership from 408,566 in 1960 to 1,500,000 in 1963-1964. This increase is not due

²⁴Wilber, op. cit., p. 264.

to a radical change in labor-management relations or to an actual increase in workers' benefits, but rather to the legislation that required all workers of an establishment or organization to join the union if three-fifths of the workers were unionized. The Ministry of Labor, established in 1961, is the main organization in charge of implementing national labor laws. It has fourteen departments which are concerned with various activities.

Another change in labor unions took place in 1964. The 1959 labor law reduced the number of labor unions from 933 to 59. After adopting the socialist system, the government found that there was a need for more amalgamation in order to consolidate labor unions' activities and to insure industrial and political peace. Therefore, a new law was issued in 1964²⁵, stipulating the amalgamation of similar labor unions, thus bringing their number to twenty-seven general labor unions. Later, in 1971, labor unions were amalgamated to twenty-one unions.

Only one general union may be formed for workers in the occupations or industries listed under any one of the twenty-seven general categories. The amalgamation of labor unions resulted in the combining in one union workers and employees with many diverse interests. For example, a labor union can have among its members workers, engineers, managers, and government employees in high administrative offices. The

²⁵Law 62/1964, Official Gazette, Cairo, 1964.

twenty-seven occupations or industries in which general unions should be formed are the following:

1. Agricultural workers
2. Workers in mines and in petroleum industry
3. Food industry workers
4. Spinning and weaving industry workers
5. Leather industry workers
6. Timber industry workers
7. Chemical industry workers
8. Engineering and electric industry workers
9. Bank and insurance company workers
10. Land transport workers
11. Water transport workers
12. Air transport workers
13. Postal, telephone, and telegraph workers
14. Workers in press and publicity
15. Information and recreation workers
16. Educational service workers
17. Health service workers
18. Social service workers
19. Business service workers
20. Personal service workers
21. Civilian workers in the Ministry of War
22. Civilian workers in the military factories
23. Construction workers
24. Workers in commerce
25. Railway workers
26. Public utilities workers
27. Stevedoring workers.²⁶

Labor Union Structure

The internal structure of labor unions after their amalgamation into twenty-seven general unions was defined in Ministerial Order No. 30/1964. In that legislative order, the internal procedural matters dealing with the composition and functions of the general assembly and the board of directors of the three basic organizational levels were defined. A summary is shown in Tables VI, VII, and VIII, and is also presented graphically in Figures 1 and 2.

²⁶Ministerial Order No. 30/1964, Cairo, 1964.

TABLE VI

COMPOSITION AND FUNCTIONS OF THE UNION
GENERAL ASSEMBLIES AT THE VARIOUS
ORGANIZATIONAL LEVELS*

Union Committee (Local Union)	General Union (National Union)	General Labor Federation (Nation-wide Labor Federation)
<p><u>Composition:</u></p> <p>All dues-paying members of the General Union in the establishment.</p>	<p>Representatives from all the affiliated Union Committees. The number of these representatives is determined by the number of members in the Union Committee.</p>	<p>Representatives from all the affiliated General Unions. Their number is determined by the General Unions' membership.</p>
<p><u>Functions:</u></p> <p>Election of Union Committee Board of Directors by secret ballot.</p> <p>Power to impeach all or part of their Board members.</p> <p>Act on the Board's annual report which should include an income and expenditure statement.</p>	<p>Election of General Union Board of Directors by secret ballot.</p> <p>Power to impeach all or part of their Board members.</p> <p>Act on the Board's annual report and the income and expenditure statement.</p>	<p>Not specifically stated, but resembles the General Assembly functions of the General Union.</p>

*Source: Ministry of Labor, Labor Unions in the United Arab Republic (Cairo, 1964), p. 26.

TABLE VI--Continued

Union Committees (Local Union)	General Union (National Union)	General Labor Federation (Nation-wide Labor Federation)
<p><u>Functions (continued):</u> Act on the reports and recommendations presented by the Board or referred by the General Union.</p>	<p>Act on the reports and recommendations presented by the Board or referred by the Union Committees.</p> <p>Power to change the General Union Constitution.</p> <p>Act on the collective agreements and labor contracts concluded by the General Union or Union Committees.</p> <p>Power to dissolve the General Union if so desired.</p>	

TABLE VII

COMPOSITION AND FUNCTIONS OF THE UNION
BOARD OF DIRECTORS AT THE VARIOUS
ORGANIZATIONAL LEVELS*

Union Committee (Local Union)	General Union (National Union)	General Labor Federation (Nation-wide Labor Federation)
<p><u>Membership Requirements:</u> Same as General Union requirements.</p>	<p>Read and write fluently; 21 years of age; no previous criminal record; active member of the Arab Socialist Union. Should not be a member of more than two Boards in the structure at the same time.</p>	<p>Same as General Union requirements.</p>
<p><u>Number of Board Members:</u> From 7 to 11.</p>	<p>From 11 to 21.</p>	<p>21 members.</p>
<p><u>Functions:</u> Elect Officers: President Secretary Treasurer</p>	<p>Elect Officers: President Vice President Secretary Assistant Secretary Treasurer</p>	<p>Same as General Union.</p>

*Source: Ministry of Labor, Labor Unions in the United Arab Republic (Cairo, 1964), p. 27.

TABLE VII--Continued

Union Committee (Local Union)	General Union (National Union)	General Labor Federation (Nation-wide Labor Federation)
<u>Functions</u> (continued): Appoint representatives to the General Assembly of the General Union. Other functions as defined by the Constitution.	Appoint representatives to the General Assembly of the General Labor Federation. Other functions as defined by the Constitution.	

TABLE VIII

UNION ORGANIZATION, OBJECTIVES, AND PROCEDURES
AS DEFINED BY LAW AND MINISTERIAL ORDERS*

Union Committee (Local Union)	General Union (National Union)	General Labor Federation (Nation-wide Labor Federation)
<p><u>Legal Status and Limitations:</u></p> <p>Only one Union Committee is permitted to be formed in any one establishment</p> <p>A Union Committee in a given establishment cannot be formed with less than fifty members.</p> <p>The Union Committee is given an "independent entity" status to perform the functions assigned to it by the General Union Constitution.</p>	<p>Only one General Union is permitted in a single category as defined by Ministerial Order.</p> <p>Union Committees in a single category are automatically affiliated with the General Union.</p> <p>The General Union has an "independent entity" status. It is empowered to establish savings funds, consumer cooperatives, etc., and to make collective labor agreements and contracts which must be approved by a majority of the General Union.</p>	<p>Only one nation-wide Labor Federation is permitted by law.</p> <p>The General Unions can form, at their option, a General (nation-wide) Labor Federation.</p> <p>The General Union has an "independent entity" status.</p>

*Source: Ministry of Labor, Labor Unions in the United Arab Republic (Cairo, 1964), p. 25.

TABLE VIII --Continued

<p>Union Committee (Local Union)</p>	<p>General Union (National Union)</p>	<p>General Labor Federation (Nation-wide Labor Federation)</p>
<p><u>Membership Requirements:</u> Must be employed in a given establishment. In addition, the requirements for the General Union apply.</p>	<p>The members have to be working in the profession or industry represented by the General Union, cannot be less than fifteen years of age, and cannot hold membership in another union. No restrictions can be placed on the freedom of qualified workers to join.</p>	<p>Only General Unions can become members.</p>
<p><u>Objectives and Functions:</u> Work toward the settlement of individual and collective labor disputes in the establishment. Carry out the different services decided upon by the General Union within the Union Committee's functions. Dispense its allocated funds to the designated areas with due regard to the constitutional and legal requirements.</p>	<p>Work toward increasing the production efficiency of its members. Enable its members to contribute to industrial development. Guard members' rights and benefits; work toward raising their material, cultural, and social standards.</p>	<p>Look after the combined benefits of its member unions; provide centralized guidance to increase production; contribute in making the social and economic development plans successful.</p>

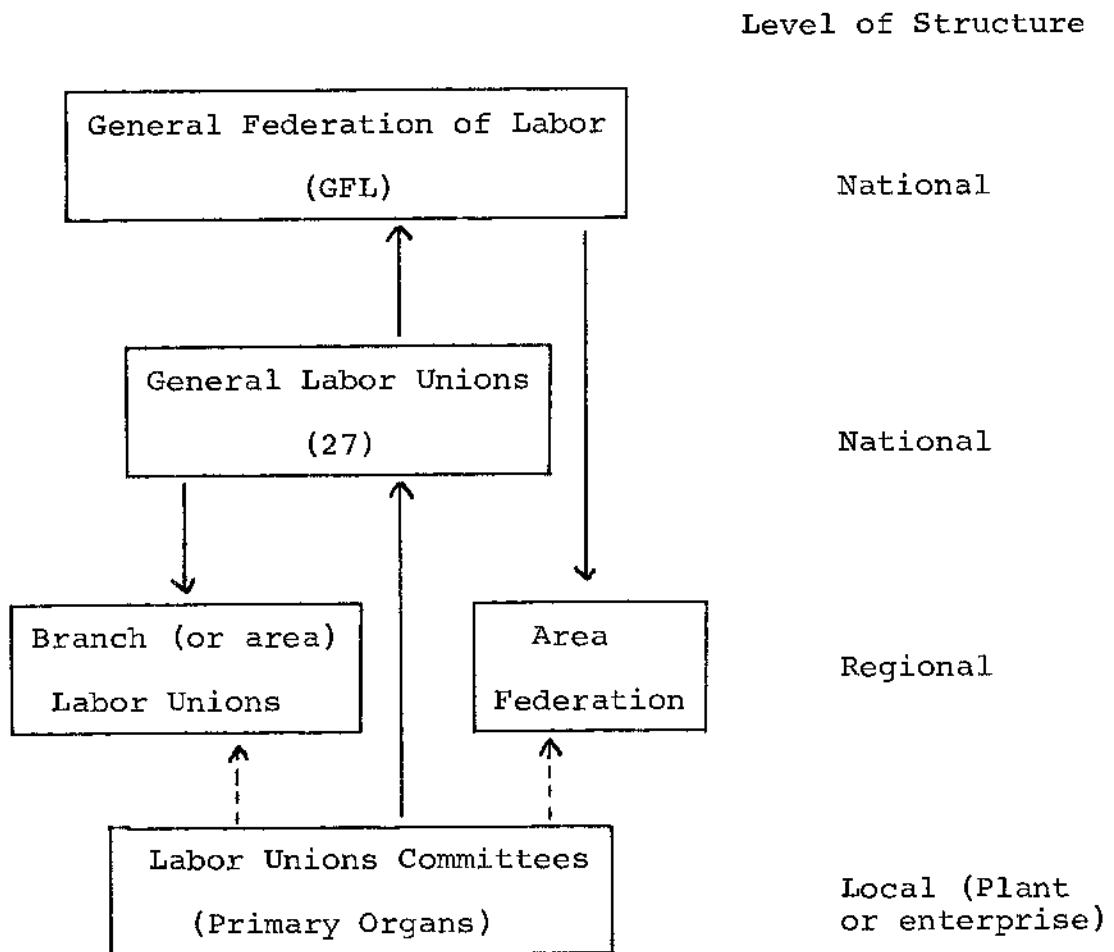
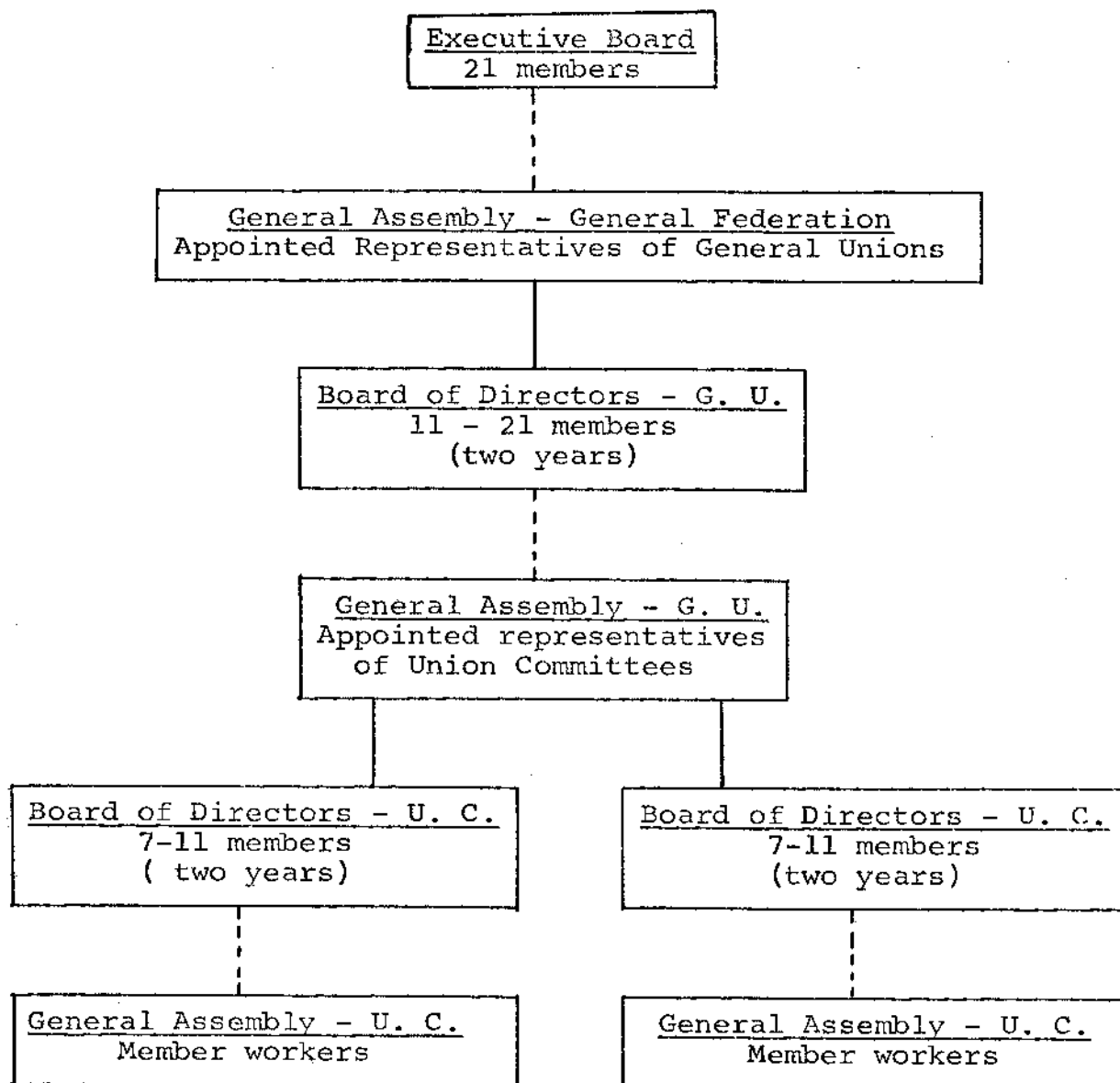


Fig. 1--Labor Union Structure*

*Source: Ministry of Labor, Labor Unions in the United Arab Republic (Cairo, 1964), p. 22.



(U. C.) - Union Committee
(G. U.) - General Union

Elected - (-----)
Appointed - (_____)

Fig. 2--Composition of the Union Structure*

*Source: Ministry of Labor, Labor Unions in the United Arab Republic (Cairo, 1964), p. 23.

The general labor unions form labor union committees for workers in any industrial establishment which employs fifty or more workers, provided that fifty or more workers request to join. The general labor union may establish branch or area labor unions in governorates in which at least ten of its constituent labor union committees exist. Only one labor union committee may be set up in one establishment or one only in a town where the committee is formed by workers from establishments with fewer than fifty workers.

The general labor union is the national body which coordinates the organization and work of its affiliates, namely of the labor union committees or of the branch unions. The annual convention is the parliament of the general unions and is its highest authority. Delegates of all labor union committees must have representation. The meeting elects the executive board, which is comprised of eleven to twenty-one members. All executive board members are elected for two-year terms. Conditions for executive board membership of the general labor union are illustrated in Table IX.

TABLE IX

NUMBER OF MEMBERSHIP OF THE GENERAL LABOR UNION*

No. of Delegates	Representing
1	per 50-250 of the labor union committee members
1	for each 250 of the next 750 members
1	for each 500 of the next 1000 members
1	for each 1000 of the remaining members

*Source: Ministerial Order No. 34/1964, Cairo, 1964.

There is one federation composed of delegates from the general unions chosen by their executive boards. The formation of the General Federation of Labor (GFL) is governed by the same provisions as those which apply to general labor unions. General labor union members are represented in the general assembly of the GFL, as illustrated in Table X.

TABLE X

NUMBER OF MEMBERSHIP OF THE GENERAL
FEDERATION OF LABOR*

Number of Delegates	Representing
1	the first 2,000 members
1	every 2,000 of the next 18,000 members
1	every 4,000 of the next 20,000 members
1	every 6,000 of the next 60,000 members
1	every 10,000 of the remaining members

*Source: Ministerial Order No. 34/1964, Cairo, 1964.

Another important provision concerning labor union structure is the right of the executive board of the general labor unions to select up to a maximum of three workers to act as full-time shop stewards in the establishments where they work. Numerical selection is based on the formula shown in Table XI.

TABLE XI

NUMERICAL SELECTION OF MEMBERS OF THE EXECUTIVE
BOARD OF THE GENERAL LABOR UNION*

Persons Selected	Number of Workers in a Given Establishment
1	50 to 500 workers
1	500 to 5000 workers
1	5000 or more workers

*Source: Ministerial Order No. 34/1964, Cairo, 1964.

The shop stewards' wages are paid by the GFL and are not to exceed the worker's normal wage by more than 30 percent. This is the first time that there was a provision for a full-time shop steward. The previously mentioned ministerial orders covered such other aspects of the labor union structure as dissolution, committee activities, conditions of membership, dues, union finances, and international ties.

Stages of Government Control of Labor Unions

The study of the labor unions' development in Egypt reveals a government policy to control labor unions' activities, on one hand, and to use them to effect the government's economic, social, and political changes and policies, on the other hand. The degree of government control and support of the unions differed according to the prevailing economic, social, and political conditions. It is possible to divide the stages of governmental control over labor unions into three stages.²⁷

²⁷M. Shaabon, "Collective Bargaining and Labor Policy under Egyptian Socialism," unpublished doctoral dissertation, Department of Economics, Indiana University, Indiana, 1975, pp. 186-191.

1. Supervisory support, 1930-1952--In that period, the government's main goal was not to antagonize the capitalist class or disturb the existing balance of power. The Wafd party policy toward labor unions aimed at gathering the Egyptian workers behind it to win elections. That was why government control was not harsh and forceful. The Wafd needed the labor unions' support for its policy--that was the reason for the peaceful coexistence between them. That peaceful coexistence did not last long because of the workers' nationalistic tendencies and the failure of the Wafd government to cope with the national problems which led to the 1952 coup d'etat.

2. Military Control, 1952-1960--The new regime came into power while the country was suffering from a political vacuum. The new regime could not tolerate demonstrations and strikes and found it essential to control labor unions which contained antiregime elements in order to maintain political stability. The Kafr-Al Dawor incident (See Chapter III), in which two union leaders were hanged, assured the labor unions of the new regime's firm desire to control violence.

On the other hand, the new regime later realized that it could not continue using suppression to control labor unions. It needed the labor unions and their members' support for its social, economic, and political changes. That was why a series of labor laws was introduced to minimize

labor unions' political power and to maintain industrial peace.

3. Road to Socialism, 1960-1967--The government followed a paternalistic approach toward the labor unions to enlist their support for the government's new socialistic system. Major changes took place in the industrial relations system through the socialist laws of 1961, which not only nationalized most of the private sector of the Egyptian industry but also granted the workers a number of benefits which were never expected to be gained by the labor unions. Five features of the socialist laws were designed specifically to manipulate and accumulate the workers' support for the new socialist system. In that period, the labor unions were politicalized to assist the government in implementing the new political and economic socialist system.

Summary

In Egypt, as in many newly developed nations, the industrial relations system has its character sharply defined and controlled by governmental legislation. The government, through legislation, outlines the nature of the development and the nature of the relation between labor unions and the government. Such legislative limitation of labor unions is quite common in most of the developing nations and clearly demonstrates that real, effective countervailing power over management rests with the government--not with labor unions.

Although labor unions are useful to some extent to their members, their officers are in many ways inexperienced in the art of operating effective unions. In spite of the advice and the encouragement given by the government in certain cases, some time will be needed before actual development and improvement in the union's activities can fully compensate for the lack of experience.

Political developments have influenced the shaping of the labor union's movement in Egypt. Since 1930 the government has elicited control and support of the labor unions for different objectives and reasons. Political events were primarily responsible for the development of labor unions and for the evolution of the labor laws. Most of the labor laws, if not all, have two main characteristics: (1) they have a high degree of detail which covers all aspects of the industrial relations system, including labor unions' activities; and (2) they are similar in their provisions which apply to all workers.

The development of the labor unions and labor laws was, and still is, associated with governmental scrutinization of labor unions' activities and operations and maintenance of firm control over their leadership. Labor unions in Egypt are not the result of the development of a free labor movement; rather they are by formal design government-made labor unions.

CHAPTER III

POLITICAL DEVELOPMENTS, 1952-1964

Throughout its history and development, one of the main features of Egypt's political organizations has been an authoritarian character, as represented by a highly centralized form of government or a strong chief executive. Another main feature is the negative role which the government has played in the life of the citizens. Until modern times, especially before 1952, the government in Egypt tended to be primarily a tool for the exploitation of the governed by the governing. The government has been regarded by the citizens as an institution which is alien to them, different from them, and one which has little contact with them.

Egyptian political life from 1930 to 1952 may be characterized by the following: the emergence of many political parties which were the instruments of the socially conservative upper class, the continuation of a national struggle directed mainly against the British imperialistic troops which occupied Egypt since 1882, the intensification of economic and social unrest, and the search for a new formula for solution of violent mass eruptions.

Prelude to the 1952 Coup d'état

During the period from 1948 to 1952, corruption in the government, the army, and the political parties was well-known and was widespread. The concentration of economic power in the hands of a few wealthy families and foreign firms and the defeat of the Egyptian Army in the Palestine War of 1948 led to the coup d'état of July 23, 1952.

Furthermore, intense national frustration, compounded by the absence of a satisfactory accommodation with Britain and aggravated by the economic plight of the people, pushed the average Egyptian citizen by January 1952 to the exploding point against government leadership and authority. On that date the general disorganization of the Egyptian political and economic situation reached a crisis. Political violence was endemic. Also on that date British troops overpowered and killed several members of a unit of an Egyptian Police force in Ismailia. When the news reached Cairo on January 26, 1952, there was a huge demonstration by students, workers, and some of the police force. As a result of the demonstration, most of the commercial centers of Cairo were burned.

The burning of Cairo demonstrated the inability of the Wafd government to provide leadership in troubled times. The public expected the Wafd, who came to power as a result of the 1950 elections, to respond to pressing demands such as inflation, unemployment, British occupation, and public

works. The press began to uncover many improprieties in the King's behavior as well as in that of members of the Wafd government. The Wafd government fell in February 1952. Four cabinets were formed between the fall of the Wafd government and the Army coup in July 1952. This period saw the collapse of political leadership in the country.

While the political situation was deteriorating by the end of 1948, some young army officers who had survived the Palestine War of 1948, in which the Egyptian Army was defeated, met and formed an executive committee which became the Revolution Command Council (RCC). The eleven members of the executive committee called themselves the free officers. Their movement came into official existence in late 1949.

At least one common factor was behind the free officers' involvement in politics and the formation of their movement: frustration with the autocratic regime which could not handle the withdrawal of British troops from Egypt. There was also their deep conviction that the current ruling institutions and political parties were evils that had to be dispelled. They moved on July 23, 1952.

For the purpose of analysis the period from 1952 to 1964 will be divided into three subperiods as follows:

1. The Transitional Period (1952-1956),
2. No Political System (1956-1961), and
3. Road to Socialism (1961-1964).

The Transition Period (1952-1956)

Following the success of the coup d'état, the free officers knew what they wanted to eliminate in Egypt--the monarchy, the power of the land lords, foreign influence, and the corruption of the political parties. Also, they had a vision of the kind of society that they wanted an independent Egypt to become. They had the alternative of ruling themselves or leaving the task to the political parties. It was soon apparent that only the first alternative would enable them to carry through the reforms they wanted.

They deposed the King, who was forced to leave the country on July 26, 1952. The RCC, composed of the free officers, became the supreme authority. Subsequently, the RCC issued the six "revolution" principles which were to guide its reform movement. These were (1) elimination of the British occupation, (2) eradication of feudalism, (3) eradication of the domination of capital and monopoly over the government, (4) establishment of social justice, (5) establishment of a strong army, and (6) establishment of a democratic political system.

To implement these principles, the new regime embarked on a series of political, social, and economic reforms which had a great impact on Egypt's political and economic developments for years to come. The army was purged--about 200 officers were dismissed from the service, and others were tried before the Tribunal of the RCC. To

eradicate feudalism, the new regime issued the Agrarian Reform Law, which limited the ownership of any agricultural land to 200 feddons.¹ The remaining land was expropriated and was distributed among landless farmers, at least five feddons for each person and each family. In addition, that law regulated the production relationship in the agricultural sector through the redistribution of land ownership, rent control, establishment of maximum hours of work to eight, and establishment of minimum wages for agricultural workers. The Agrarian Reform Law was amended by a law passed in 1961 which reduced land ownership from 200 to 100 feddons; later in 1969 this was further reduced to 50 feddons.

To establish a democratic political system, the new regime abolished all the existing political parties and confiscated their funds. This movement was justified on the basis of the political parties' role in the corruption of the government and the deterioration of the economic situation. In place of the political parties, the new regime announced the formation of Egypt's new political organization, the National Liberation Rally, to get the people involved in the political life and to fill the void created by the dissolution of the traditional political parties. Nasser became its first Secretary General. The National Liberation Rally (NLR) issued an eleven-point program

¹One feddon equals 1.038 acres.

similar to the RCC six principles. It represented the first experiment by the RCC in the development of a one-party system controlled and directed by the government. But this new experiment did not succeed. The NLR recruited its members from the labor unions, students, and middle-class citizens. It was established to mobilize mass support for the new regime, but it could not get that support because its leadership failed to establish a clearly defined set of goals and to establish a meaningful ideological context. It was a failure because its main purpose was to control labor and to create demonstrations, such as the one in 1954 to support Nasser's leadership of the RCC. Later it was abolished and replaced by the National Union in 1956.

In 1953 a provisional constitution was promulgated, which laid down the principles to be followed by the government during the transition period. The Cabinet was to be responsible to the RCC, and the President of the RCC was to act as leader. In that same year the monarchy was abolished, and Egypt became a republic.

The purge of the army and the government and the abolition of the political parties were not enough to eradicate corruption and maintain control. The new regime, to establish its control and firmness, tried, between 1953 and 1954, thirty-two cases involving different individuals and prominent figures, accusing them of corruption and conspiring against the "revolution." Press censorship was imposed.

After dealing with the internal situation, the leaders of the new regime gave much attention to the elimination of British occupation of Egypt. In late 1953, negotiation started with Britain. Through negotiation and increasing guerrilla activities against the British installations, an agreement was reached in late 1954, calling for complete withdrawal of all British troops from Egypt within twenty months. The agreement included a provision giving the British troops the right to reoccupy Egypt in case of an armed attack on it. This provision was abrogated by the 1956 Anglo-French attack on Egypt.

Before an analysis of the transition period is complete, it is necessary to discuss an incident that took place in 1952 which affected the labor unions, in particular, and the workers, in general. On August 12, 1952, the workers in one of Egypt's largest spinning mills at Kafr Aldawar rioted and seized control of the factory, asking for an increase in their wages. Fearing that this action might lead to workers' uprisings throughout the country, the new regime sent the army which clashed with the workers and opened fire. Eight were killed and more than twenty wounded. Two hundred were arrested, and the next day a court martial was hastily convened. Five days were enough in which to sentence two leaders to death. The two leaders were hanged on the factory premises.

The panic execution of the two leaders in the first days of the coup d'état did not reflect the true nature and character of the new regime, which regarded itself as being on the workers' side and regarded the labor unions as allies. The new regime did not want to permit the emergence of the labor unions as an independent political force. Indeed the incident was brutal and made it clear to the labor unions that they should not be agitation organizations performing through strikes and riots. The incident gave the labor unions the idea that strikes and riots were considered dysfunctional for political and economic stability. The labor unions learned that coexistence with the government is the only route for them to earn the government's trust and support. On the part of the workers, they were divided between mistrust and sympathy--sympathy for those who had brought down the monarchy and sympathy for the new regime which was trying to change the country's economic, political, and social conditions and mistrust for those who opened fire on the workers and distrust of those who had started repression of labor unions and their members in a brutal manner.

Thus, during the transition period, the new regime succeeded in eliminating feudalism and the old political system and in achieving the complete independence of Egypt. The swiftness of these changes was frank indication of the new leaders' aspiration for political leadership and control. The new regime appealed to the people for support; this was

the only means to secure consolidation of its power. It was not seeking votes of confidence or popularity. Rather it was preparing the people for full submission to it.²

No Political System (1956-1961)

By the end of 1955, the new regime succeeded in achieving the six principles believed necessary to guide the reform movement. Having achieved that, the new regime began the establishment of a new political system.

A constitution was announced by the RCC in January 1956, which turned out to be a synthesis of reformist ideas. In June 1956 a national plebiscite was conducted, which approved both the new constitution and the election of Nasser as President for a six-year term. The 1956 constitution provided for the establishment of a National Assembly as a legislative body, the establishment of the National Union as the only political "organization," and the establishment of an executive office. The constitution also set forth the principles of social justice and economic democracy. In general, it provided for the protection and the well-being of the masses and for the establishment of political democracy.³

The eruption of the Suez Crisis in late 1956 prevented any additional constitutional developments and delayed the

²P. Vatikiotis, The Egyptian Army in Politics (Indiana, 1961), p. 8.

³Wilber, op. cit., pp. 145-146.

implementation of the constitution. Later in 1957, these were resumed with the establishment of the National Union. In July 1957 the National Assembly elections were held. The first session met in July 1957, and its last session was in March 1958. It was dissolved following the union with Syria, which created the United Arab Republic in February 1958.⁴

In May 1957 a law was passed dealing with the organization and functions of the National Union. This took place before the election of the National Assembly. An executive committee of the National Union was established to approve the candidates for the National Assembly elections. The committee screened the 2,500 candidates who had applied. Only 1,322 were accepted, from which the six million registered voters were allowed to select 350 members of the National Assembly.⁵ The screening of the candidates virtually meant the disqualification of any one suspected of opposition to the regime.

The National Union's main function was to gain the support of the masses in order to achieve the goals of the "revolution." Its purpose was to mobilize the masses behind the elite ruling group⁶ within a political structure primarily created to prevent certain groups from participation in the political process. In other words, the intent was to

⁴Ibid., pp. 147-149.

⁵Ibid.

⁶Members of the Revolution Command Council.

preclude the active participation of any group opposed to the policies of the ruling elite.

The government continued to deny that the National Union was a political party but, instead, insisted that it was a national front which included all the members of the nation. The National Union controlled all aspects of public activity. It was expected to become the appropriate instrument for the development of a homogeneous political culture. The National Union drafted bills to be submitted to the National Assembly, based on proposals made by the lower levels of its organization. Its announced goal was to create "a socialist, democratic, cooperative society."

Experience proved, however, that the National Union was a place for different interest groups, including labor unions, to articulate their demands and their members' interests. The National Union proved to be a governmental instrument and a source for political socialization of the people. On the other hand, the National Union was not successful in mobilizing the masses for political participation. It never gained the trust or the interest of the people during the five years of its existence. The public was never able to understand its structure and organization because these were continuously changed. Like its previous political organization, the NLR, there were no clear and defined goals and ideology. In November 1961 Nasser dissolved the National Union, and the Arab Socialist Union became the country's single political organization (party).

During that period the government was not able to break down totally the power of the landlords and big businessmen. That was why the government enhanced the Agrarian Reform Law by reducing individual land ownership from 200 to 100 fed-dons. Motivated by the desire to control the economic activities of the private sector, the government nationalized thirteen public utilities companies and three leading commercial banks. The private sector did not respond to the government request for joint efforts and participation in economic development. This was due to the private sector's fear of nationalization. As a result, Nasser, in a public speech in 1960, indicated the need to eradicate "corrupt capitalism." Nasser was afraid of the threat of the "capitalist class" that was trying to buy its way back into the political system through its financial connections with some ruling groups.⁷

A series of laws, which were enacted, inaugurated what was known as the Socialist Revolution. These laws placed the government in control of the economy.⁸ In addition, the government transferred the ownership of the three major publishing companies, which issued the three leading newspapers

⁷Patrick O'Brien, The Revolution in Egypt's Economic System (Oxford, 1966), pp. 124-129.

⁸See previous chapter.

and periodicals, to the National Union.⁹ This was the beginning of the road to socialism.

It should be emphasized that, since 1957, a socialist ideology has arisen and, in the government nationalization decrees of 1961 and 1962, this ideology has been articulated. The Egyptian government has committed itself to the path of socialism. In order to accommodate these new dramatic socialist measures, administrative adjustments were instituted by the government. Companies in the new public sector were attached to the various ministries according to the nature of their activities. A new "General Organization" was added to the bureaucratic hierarchy between the companies and the government. In 1969 there were forty-one of these general organizations attached to twelve ministries. The number of companies which were under the jurisdiction of one general organization averages eleven.

The Road to Socialism (1961-1964)

From the previous analysis, it is noticed that the ruling elite from 1952 to 1960 did not succeed in achieving the goal of broad political participation by the masses. Such failure led to another attempt in late 1961 to reorganize the political system in such a way to achieve this goal.

The reorganization took place in the following three steps:

⁹National Bank of Egypt Economic Bulletin, XIV (Cairo, 1961), p. 4.

1. Formation and election of members of the National Congress of Popular Forces,
2. Presentation by Nasser of the National Charter, and
3. Draft of the Constitution in 1964.

Following the collapse of the union between Egypt and Syria in September 1961, the government headed by Nasser evaluated the existing political system and political organization and came to the following conclusions.

1. Reactionary elements were ready to cooperate with imperialism in order to regain their power. Therefore, the interest of the nation made it imperative to deal firmly with those reactionary elements.
2. The political organization was inadequate, and that was the main reason for the success of Syria's secession from the Union. The National Union proved to be ineffective as a political organization since it was controlled by "reactionary forces." Thus it was necessary to reorganize the political system in order to make it a "revolutionary instrument" for the national masses. The new organization was to include only workers, farmers, intellectuals, professionals, soldiers, and national capitalists.
3. It would be necessary to broaden the revolutionary base and to constantly educate the masses. Trade unions, farmers' cooperatives, universities, professional organizations, and women's organizations should develop to play an effective role in this respect.
4. It would be necessary to develop a system of government to fit the revolutionary tasks of the nation; such a system should insure the sovereignty of the people and satisfy their needs.¹⁰

Moving toward political reforms, Nasser announced in November 1961 the beginning of the political reorganization.

¹⁰Tharwat Badowy, Constitutional Law (Cairo, 1971), p. 345. (Arabic)

He started by dissolving the National Union. According to the three steps for reorganization, Nasser began to formulate a new constitutional framework for Egypt. First, he issued a decree creating the National Congress of Popular Forces. The National Congress of Popular Forces (NCPF) had its first meeting in 1962 with 1,750 members of which 1,500 were elected, and 250 were appointed by Nasser.

"Reactionaries" and members of wealthy families whose properties were confiscated were not allowed to vote or to be represented in the NCPF. These people were said not to be a part of the "working People" and therefore had no right to participate. The NCPF, composed of elected representatives from all segments of the Egyptian population, gathered in May 1962 to discuss the draft of the National Charter presented by Nasser. The NCPF was a national covenant among the working classes, defining the political, economic, and social principles and objectives of the Egyptian society. It tended to provide the guideline for all new constitutional developments, political institutions, administration of the government, and organization of the political, economic, and social systems.

Nasser believed that neither national independence nor true democracy could be separated from "the inevitability of the socialist solution." According to the National Charter, a 30,000 word document which was presented to the NCPF, Nasser presented his view that socialism, with its two

pillars of sufficiency and justice, is the path to social freedom. It is the only appropriate form leading to economic progress. It is the way to democracy in all its political and social implications.

In the National Charter, Nasser says that no developing country can achieve economic progress and prosperity without socialism. He presented his explanation for the need for fundamental social and economic revolution.

Political democracy cannot be separated from social and economic democracy. No citizen or worker can be regarded as free . . . unless he is given the three following guarantees: (1) He should be free from exploitation in all its forms, (2) he should enjoy an equal opportunity to enjoy a fair share of the national wealth, and (3) his mind should be free from¹¹ all anxiety likely to undermine his future security.

The Charter, after public debate, was adopted by the NCPF in June 1962. It became the basic document providing the fundamental political, economic, and social principles that guided the Egyptian government for the past fifteen years. It also became the basis of the constitutional reforms and organization of the political, economic, and social institutions of the country. The Charter created, among many other things, a new political organization, the Arab Socialist Union, which became the center of political activities in Egypt.

The Charter also established the following principles.

1. Political democracy cannot exist under the domination of any particular class. The cooperation

¹¹The National Charter, op. cit., p. 45.

between the powers representing the working people is the legitimate substitute for collaboration between feudalism and exploiting capital.

2. Popular organizations, especially labor unions, should be strengthened and encouraged to play an effective part in promoting "socialism" and democracy.

3. Criticism is an important guarantee to freedom. It is important to keep the press under the ownership of the Arab Socialist Union to eliminate the domination of the media by any particular class.

4. It is necessary to create a new political organization, within the framework of the Arab Socialist Union (ASU), to recruit and develop individuals for future leadership positions. Collective leadership is to be regarded as essential for the establishment of democracy during the period of revolutionary drive.¹²

In July 1962, the NCPF charged Nasser with the formation of the Arab Socialist Union. In October 1962, a Provisional Higher Committee was established to lay down the framework of the ASU. In December of that year, the Statute of the ASU was issued. The ASU was the third attempt on the part of Nasser to create a mass-based political organization. It was intended to make the ASU a nonelitist organization, to encourage the people to participate, and to deter them from turning to other "alien political organizations"¹³ such as Communistic and religious organizations.

The ASU was defined as "the general political framework for mass action by the united forces of the people. It is the meeting place of the demands and requirements of the masses."¹⁴

¹²Ibid., pp. 45-46.

¹³R. Dekmijian, Egypt Under Nasser (New York, 1971), p. 146.

¹⁴Ibid., p. 150.

The Arab Socialist Union Structure

As illustrated in Figures 3 and 4, the Arab Socialist Union is organized on the following four levels.

1. The basic unit includes the village, factory, school, and so on, each with twenty elected members.

2. It is composed of the Markoz (district) administrative division, which is a grouping of a number of basic units.

3. The regional divisions, in turn, form the national entity which has an executive committee and a general congress.

4. The general committee is integrated into the National Congress of the Arab Socialist Union.

Objectives

According to the statute, the basic objectives of the ASU are the following:

1. To realize sound democracy represented by the people and for the people, and so that the Revolution will be by the people insofar as its methods are concerned, and for the people in its objectives;

2. To realize a socialist revolution, that is a revolution of the working people; and

3. To safeguard the guarantees embodied in the Charter:

(a) To safeguard the minimum representation for workers and farmers in all popular political organizations at all levels--so that in the organizations of the ASU itself, farmers and workers will have at least a representation of 50 percent, since they constitute the majority who has been denied its fundamental rights for so long.

(b) To insure the principles of collective leadership.

(c) To support and strengthen cooperative and labor union organizations.

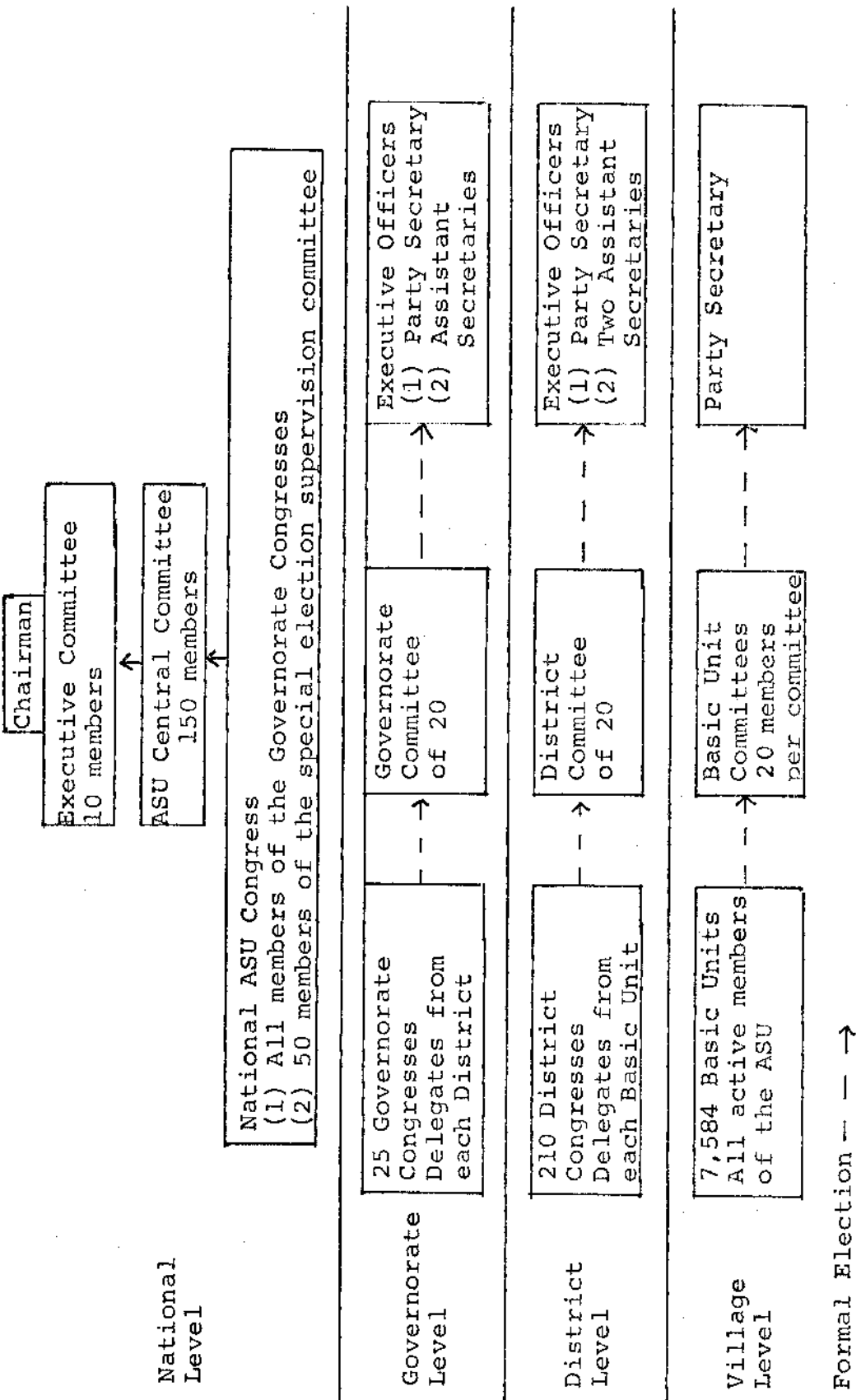


Fig. 3 -- Arab Socialist Union Organization*

*Source: James Mayfield, Rural Politics in Nasser's Egypt (Austin, 1971), Appendix 1.

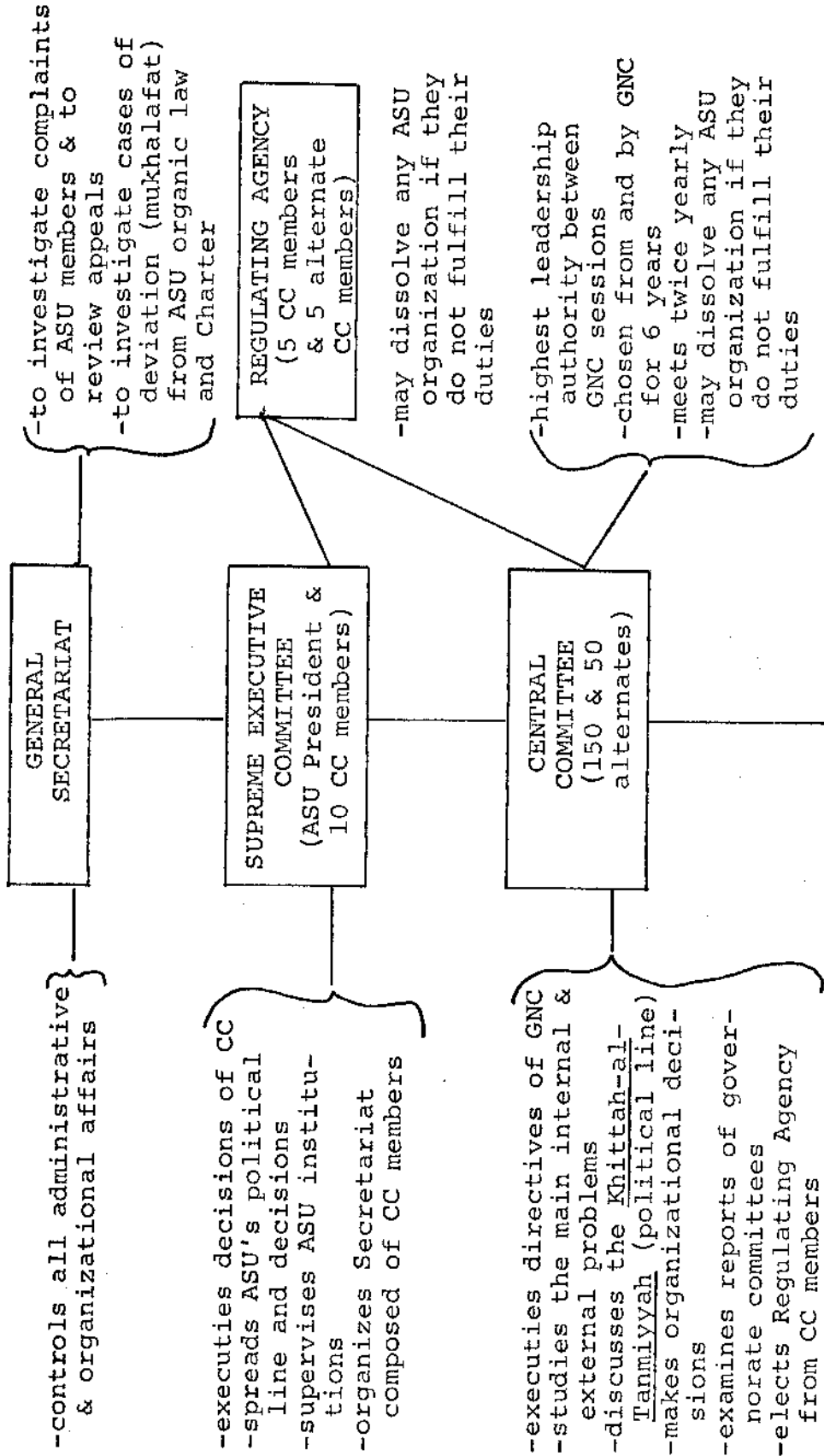


Fig. 4 --Functions of ASU levels*

*Source: R. Dekmijian. Egypt Under Nasser (New York, 1971), p. 274.

(d) To establish, on sure foundations, the right of criticism and of self-criticism.

(e) To transfer the authority of the state gradually to elected local councils.¹⁵

Duties

The duties of the Arab Socialist Union are as follows:

1. To become a positive force behind revolutionary action,
2. To protect the principles and objectives of the revolution,
3. To liquidate any left-over influence of capitalism and feudalism,
4. To prevent the infiltration of foreign influence,
5. To prevent the infiltration of reaction,
6. To prevent the infiltration of opportunism,
7. To resist negativism and deviation, and
8. To prevent improvisation in national action.¹⁶

Functions

The functions of the Arab Socialist Union are as follows: (1) Political communication, (2) political recruitment, (3) political socialization, (4) administration function, and (5) interest articulation and interest aggregation.¹⁷

The ASU membership totaled 4,841,434 out of an electorate numbering 6,417,021 in 1963. Members were classified as active or associate members. In addition to these two categories of members, there was another group of about 25,000 persons who were carefully selected for training to assume future leadership positions. They were to constitute the "political vanguard." They were members of the Socialist Youth Organization, in which they received intensive

¹⁵Wilbur, op. cit., p. 198.

¹⁶Ibid.

¹⁷Ibid.

political training. This organization was later dissolved in 1970 by Nasser's successor Sadat. Such a measure introduced the "elitist" element into the ASU and the formation of "centers of powers."¹⁸

In 1964, 360 candidates became the members of a new National Assembly. In accordance with the National Charter, 50 percent were farmers and workers. In the same year, a new provisional constitution was approved, which declared for the first time that Egypt is "a democratic socialist state based on the alliance of the working powers of the people."¹⁹ The ASU was recognized as the only political party, and an article of the Constitution declared that the economic foundation of the state is the socialist system.

The fact that 50 percent of the members of the 1964 National Assembly were farmers and workers needs explanation. The National Charter indicated that half the seats of the National Assembly and the ASU elected bodies at all levels must be occupied by farmers and workers because they form the majority of the people and have been deprived the right to shape and direct their future. On the other hand, this was done to increase the participation of the masses, whom the political system intended to benefit, but who made few concrete demands other than that their government be an Islamic-Egyptian one. Also, the new system sought

¹⁸Dekmijian, op. cit., p. 147.

¹⁹Ibid.

to limit the political participation of the urban political elite of the previous regimes who were likely to make the greatest demands.

Many changes were introduced after 1964 at various levels of the ASU until it was finally dissolved in November 1976 when Sadat permitted the return to a multipolitical party system. Now there are three political parties. Between 1962 and 1967 the ASU was not effective in achieving its objectives as determined by the government. It was not successful because its formal construction was never completed, and there was no qualified leader, which resulted in the emergence of what is called centers of powers and large pockets of illegitimate authority in the political system. The ASU moved into areas of activity beyond its formal responsibilities, which resulted in the lack of clear separation of functions and duties between the ASU and other governmental departments and which also resulted in conflicts and friction between the government administrators and the ASU officials. The ASU was encroaching upon the government's administrative function.²⁰

The same situation applied to the relationship between the ASU and the National Assembly: there was uncertainty about who was to exercise political control over the governmental agencies and departments. The ASU was able to bring

²⁰Ibid., p. 153.

pressure on the National Assembly by working through the President who had the authority to dissolve the National Assembly and who had vast legislative powers. Lack of interest and commitment among large portions of the membership constituted another problem. Only 40 percent of the members paid their dues, and most of these 40 percent were workers whose dues were fully paid only because of automatic payroll deductions.²¹

Summary

Political developments during the period from 1952 to 1964 did not take place according to established plans. Even though the beginning of a new regime in 1952 was a step forward toward political modernization, it was characterized by personal leadership. There was no distinct separation between rule making and rule application. Nasser had the authority and the power to do both until he died in 1970.

Another shortcoming of that period is the inability of the ruling elite to understand the function of rulership. Operating in a political and ideological vacuum and lacking political experience, the ruling elite was not qualified to handle rationally the vast powers of the state. This resulted in an extension of authority magnified by the advent of socialism.

²¹Ibid.

Another shortcoming of that period is the alienation of the intellectuals. The ruling elite's ideological orientation, if any, prevented a genuine rapprochement between the elite class and the intelligentsia. The ruling elite could not trust and absorb the intellectuals because of their class position and their political position.

How did the system sustain itself under these shortcomings? The answer is because of the ruling elite's personality. The regime relied on the tremendous magnetic force of its elite leaders. This magnetism literally spellbound the Egyptian people. The great legitimacy and support accorded Nasser blinded the regime to the need for rational political changes and did not succeed in broadening the base for political participation by the people.

CHAPTER IV

IMPACT OF LABOR LAWS ON LABOR UNIONS AND ECONOMIC DEVELOPMENT

The socialist laws concerned with workers and unions have to be assessed to determine their impact on labor unions and on economic development during the 1960-1967 period. Two other questions that need to be answered are (1) to what degree did the socialist laws achieve their objectives and (2) what was their impact on the industrial workers, an area which greatly affects the entire economic development.

Reasons Behind the Issuance of the Socialist Laws

There was an urgent need for a comprehensive policy of change to consolidate the socialist system. Nasser's socialist changes meant primarily that he had taken the power and much of the wealth from the feudal class and made the state responsible for the national economic development.

In the Industrial Relations System, the socialist laws¹ were issued, according to Nasser's speech, because

the capitalist puts people to work at the wage he sets for them. Thus society is divided into two classes, an upper class of capitalists and average earning class of workers. The upper class controls

¹See Chapter I.

the future of the working class and extends its influence over the government directly or behind the scene for the protection of its wealth. A socialist "revolution" is necessary to change the form of the society, give rights to those entitled to them and return society to its fundamental value: work.²

The socialist laws were seen not only as a class leveller, but as the means to eliminate all instincts of separate identity and competition among workers and capitalists and to absorb them all into that mass known as "Al Shab," i.e., the public. Political differences and economic competition were the products of class distinctions which the leaders wanted to abolish altogether. In the classless society, the accommodation for conflicting interests through bargaining process should disappear, since unanimity was to be reached by means of mass, organized explanations and discussions.³

The Nasser regime issued these laws, believing that they would experience real economic liberty. "No one will exercise arbitrary power over the economy. Every worker will feel free on the economic level and that he is not subject to the dictatorship of capital."⁴ The Nasser regime felt that these laws would assure the increase of production

²Al Ahram, July 31, 1961, p. 1.

³Malcolm Kerr, "The Emergence of Socialist Ideology in Egypt," Middle East Journal, VI (Spring, 1962), 127-144.

⁴Al Ahram, August 4, 1961, p. 1.

and satisfy the needs of the workers who had suffered long deprivation.

Socialism in Egypt in that period held that initiating economic development and reaching the stage of high production required the national mobilization of all resources. Social welfare is no less a priority than economic development; the rise in production must constantly be accompanied by rising standards of living. The official slogans that were circulated to achieve that goal were regimented under headings of "equality of opportunities" and "abolition of social contradiction." The official slogan, summing up the Nasser regime's goal, was "a society in which workers' well-being prevails."

The Nasser regime's idea of equality basically meant economic equality which led to the issuance of the socialist laws and to the dispossession of the rich and the limitations on income. Thus, the basic ideas of the society in transition were socialism, democracy, and cooperation. These ex post facto terms described pragmatic policies. Socialism described the necessity for state control over the means of production, democracy stood for more even distribution of income, and cooperation stood for social solidarity symbolized by the state cooperative enterprises.

Labor Unions' Role in the Socialist Laws

Labor unions played no conscious role in formulating the socialist laws, but they provided an ideal cadre with

which to manipulate the social and political structure. The need to industrialize the country meant that the government could not allow the labor unions to take part in the formulation of the new laws, since the regime needed to go to the workers directly for support. The government bombarded the workers with the dignity-of-workers theme along with the socialist laws to keep the labor unions from arousing the workers and from organizing any resistance to the new society.

The government refused to solicit cooperation in the formulation of the socialist laws from the oldest labor institutions in Egypt, the labor unions, even though the unions did not demonstrate open resistance to these laws. Such lack of resistance by the labor unions had given the impression that they were in support of the new laws, but actually labor unions were in a weak position. If a labor union acted in a way that was in opposition to these laws from a political point of view, the government could dissolve such labor unions--no appeals, no excuses. This meant that the labor unions had no choice but to be obedient and to accept the socialist laws formulated and presented by the government. The political and productionist role of the labor unions were being stressed by the government in lieu of their consumptionist role. The labor unions realized that they had no other alternative function.⁵

⁵M. A. Abbass, Labor Unions Movement in Egypt (Cairo, 1968), p. 152.

On the other hand, the Egyptian labor unions did have another political role. Every labor union looks two ways. On the one hand, a labor union should represent the interest of its members as consumers. It does this by seeking higher wages and fringe benefits. But it is less well-understood that a labor union is an integral part of the productive mechanism. The national reaction of a regime seeking to maintain a high rate of economic development is to suppress the consumptionist proclivities of the labor unions. This can be done either overtly by legislation or more subtly by infiltrating and converting the labor unions into quasi-governmental bodies. The Nasser regime's action was an example of both.

Not only had a comprehensive system of industrial relations been enacted by the government, but the procedures of the government, as determined by the five-year plan for economic development, contained substantial as well as ideological commitment of the labor unions. The government viewed labor unions as being in a partnership on a constructive endeavor and as being associated with every step to increase workers' productivity.⁶

Such purpose and ideology had brought the labor unions close to the government hierarchy. Thus labor unions, through government support, established an elaborate system

⁶Ibid., p. 158.

of and machinery for settlement of labor disputes and grievances; furthermore, the development of antigovernment cells in labor's hierarchy that might obstruct economic development was prevented.

Economic development always entails a complex set of policies and regulations which emanate in great part from the political ideology of the state. The participation of labor unions in economic development cannot be isolated from their functions. The labor unions must align themselves to the economic function and activities assigned to them by the state. The means by which labor unions adhere to the economic policy of the state are often difficult to pinpoint; but a general and an acceptable mean is for labor unions to develop close ties with the government. Such close ties place a number of restrictions on labor unions and create a new situation as a result of conflicts of interest between the government, the workers, and the requirements for economic development. Labor unions in Egypt were not able to escape from this dilemma.⁷

As a result of such new environments in collective relations,⁸ labor unions were responsible for increasing

⁷A. H. El Bourai, Labor Relations in the Egyptian Law (Cairo, 1976), p. 250.

⁸Employers and labor unions are neither free to negotiate, nor are they independent of the authority of the government. Therefore, the collective relations will be used to describe the tripartite dealings in the industrial relations system in Egypt.

labor productivity, efficiency, and level of training. The shift to the productionist function was shaping labor unions' activities towards disciplining the labor force, encouraging saving among workers to facilitate additional capital accumulation, and administering such schemes as well as various social services.

The Egyptian worker requires more than an introduction to the industrial establishment; he requires being taught to accept the values of the work place. The labor unions were required by the government to teach and motivate the workers to commitments of more productivity. Labor unions were required to help create the motivation necessary to mold a disciplined labor force, to insure commitment to the industrial and economic policy, and to insure industrial peace. But labor unions failed to do just that, as shall be seen later.

In practice, labor unions' role was to make sure that management of the industrial establishments was adhering to the socialist laws. But, in fact, labor unions did not have effective ways to pursue that function. The union representative is, by law, required to be a full-time worker in the establishment. Fear of management reprisal against him tended to force him to push workers' grievances and demands upwards to a higher echelon in the union hierarchy, with the inevitable result of centralizing grievance solutions. Workers' grievances were handled by either management or the

Arab Socialist Union's basic unit. The shop steward usually was seeking only good relationship with management to articulate his self-interest. Management, as usual, had refused to yield any of its autocratic power to labor unions, although this was definitely in contradiction with the socialist ideology. Labor unions, in the industrial establishment, played no role in matters dealing with wages, promotion, work schedules, and working conditions which were dealt with by management and the A.S.U.⁹

It is possible to conclude that labor unions' role in the socialist laws in the period from 1961 to 1967 was not to represent their members' interests, but to represent an ideological set of economic and political points of view which were not at loggerheads with those of the government. As a result, workers lost confidence and trust in their labor unions and their leaders owing to their weakness and lack of involvement in the matters that significantly affected the workers' economic and social status and their weakness even to enforce the socialist laws.

Assessment of the Socialist Laws

Profit Sharing

The profit sharing law was applied regardless of the ratio of labor to capital. Since the ratio of labor to capital varies widely, since profit was determined primarily

⁹ El Bourai, op. cit., p. 261.

by decisions at the government level, and since it had been decreed by the government, profit sharing was not an incentive policy. Indeed it was so indirect that it had little incentive effect on the industrial workers and their productivity.¹⁰

Profit sharing had no impact whatsoever on workers' productivity because they did not feel that they were getting their rightful share of their company's profits. On the other hand, it equated the productive worker with the unproductive worker. It distributed a profit cash segment according to the size of the worker's wage, which further magnified the inequalities because those with higher wages also would get the greater share of the profit. Profit sharing was not related to the workers' performance, a fact which caused low morale and lack of confidence in the government's sincerity; it also caused a lack of efficiency which, in turn, affected the workers' productivity.

Accounting allocations for depreciation, reserve funds, and special contingencies were manipulated to decrease the workers' share of profit. Furthermore, only two-fifths of their entitlement was transferred to them in the form of cash. One-fifth went into a welfare fund, and the remaining 40 percent was paid into a social security fund managed by the government. Thus 60 percent of the profit allocated to

¹⁰Al Ahram Elektsadi, January 15, 1968, p. 21.

workers was, in fact, spent on their behalf. The 5 percent of the profit that was allocated for social services by the labor unions was never used. Labor unions could not use that 5 percent fund without first obtaining approval from both the government and management. Labor unions were not administering the funds and did not even participate in the decision-making process regarding these funds. The company management remained the actual administrator and decision maker concerning these funds.

Profit sharing caused a drain of national savings and inflation because of immediate spending of the profit by workers which affected the economic-development process. This forced the government to suspend the profit sharing law (which was economically sound) and caused workers to be alienated from the government. Before suspending the law, the government made an adjustment in it by reducing the size of the profit given to workers because production was not in balance with the paid profit. Another adjustment called for taking a portion of the workers' share of profit from a profitable company to distribute it in a "losing" company. The rationale for this adjustment was that the attainment of profit in some industries was not easy and, consequently, it was not fair for workers in these industries to be less rewarded for their efforts if they could just meet the production standard established by the government. Funds for these companies or industries were to come from the 10

percent allocated to the central fund for social services. The incentive effect of this law was weakened because it discouraged the winner--the product worker--and encouraged the loser--the less productive worker--which caused worker dissatisfaction.

Participation in Management

The law concerning worker participation in management constituted an instance of implementation of the socialist doctrine expressed by Nasser in these terms, "A capitalist monopolized management is considered as social injustice. Thus capital and labor should participate in management."¹¹

One main reason for the introduction of this law was not the desire for greater contribution to the capital of the firm, but rather to encourage workers to cooperate with management in order to achieve the production required. Therefore, it is the right of the workers to have a share and a voice in the decision making of the industrial establishment where they are working. Furthermore, this law would give the workers a feeling of security which would result in more production and more efficiency; such an increase would give a great boost to industrialization and economic development.¹²

¹¹Brochure, Ministry of Labor, Public Relations Department (Cairo, 1963), p. 20.

¹²M. El Sayed, "Workers Participation in Management in the Experience of Egypt," unpublished doctoral dissertation, School of Business Administration, George Washington University, Washington, D.C., 1972, p. 220.

Was worker participation in management a successful law in the industrial relations system? The answer is no. The government was the major cause of the unjustifiably high expectations of the workers when the law was introduced. The government made publically many slogans to the effect that the workers became the true owners of the firm and the partner in management. When reality did not conform to their expectations, no efforts were made to explain this disparity to the workers.¹³

The government failed to take into account the background and the attitude of management, an autocratic attitude. Egyptian management officials were not ready for a new concept that demanded that they deal with workers' representatives, heretofore considered inferior.¹⁴

Despite the fact that the participation in management law required elections to be held every two years, the government had not ordered new elections since 1964,¹⁵ which indicates that the government was not sincere enough in making this law work and at the same time did not allow the workers the means (strikes, demonstrations) to express their discontent with the law.

What was the role of the workers' representatives in that policy failure? They often imagined that their role was merely to achieve high and quick gains for themselves,

¹³Ibid.

¹⁴Ibid., p. 221.

¹⁵New elections took place in February, 1973.

first, and, then, to make gains for the workers. They often treated management as if it were no better than its capitalist predecessors. On the other hand, management did not show much confidence in the administrative competence of the elected members, since only management was to bear the ultimate responsibility for the success or failure of the firm's production and plans.

According to Table XII, few of the elected representatives considered it their main task to protect the workers' rights. It is clear that the concept of representation in management was a political issue. A majority of the promises made by elected representatives were political in nature.

TABLE XII
CAMPAIGN PROMISES OF WORKERS' REPRESENTATIVES
IN 1962*

Campaign Issue	Promised %	Intended to Pursue %
Supporting and spreading socialist principles	63	56
Working for public interest	43	14
Working to achieve the economic plan	32	2
Protecting workers' gains	24	5

*Source: A. Taha, Workers Participation in Management (Cairo, 1968), Appendix X, p. 328.

Those who were elected on the basis of promising to spread socialist ideas were elected by workers who had a low rate

of education and could not be expected to understand political issues. This means that the government, through the Arab Socialist Union's basic unit in the firm, interfered in the election. The nominated persons for the elections had to be members of the A.S.U.; so it is clear that the nominated persons had to promise and to pursue the A.S.U. ideals; otherwise they would not be elected. The A.S.U. basic unit acted as electioneers, canvassing votes for its candidates.

The average worker was not really represented in management because those who were elected came mostly from the managerial hierarchy and were not really pursuing the workers' interests. The scheme of participation in management was meaningless. The only exception to this reaction was among those who had a personal stake in the policy, the elected representatives themselves because of the permanent appointment on the board of directors and the privileges attached to such posts, including salaries and allowances.¹⁶

As shown in Table XIII, the majority of the elected representation belong to those in the managerial hierarchy, who were not able to pursue workers' interests because of the nature of their work and who belong to white-collar administrative groups. This is in contradiction to their

¹⁶For a more detailed discussion of elected representatives' role, see I. Kamel, "The Impact of Nasser's Regime on Labor Relations in Egypt," unpublished doctoral dissertation, School of Business Administration, University of Michigan, Detroit, 1970, p. 152. He based his argument on interviewing management, workers, union officials, and elected representatives.

new job of representing the interest of the workers, and dual loyalty forced the elected representatives to be on the side of management rather than the worker.

TABLE XIII
EDUCATION OF ELECTED REPRESENTATIVES*

Formal Education	Labor Force %	Industrial Labor %	Elected Representatives %
College degree	1.5	1.0	33.0
High school	4.3	4.2	26.3
Less than high school	1.9	2.8	21.5
Illiterate	64.7	27.8	--
Literate	26.7	42.3	14.6

*Source: A. Taha, Workers Participation in Management (Cairo, 1968), Appendix X, p. 432.

Another reason for the failure of that law was the lack of any period of adjustment before its implementation. Such an adjustment period could have helped in the formulation of definite, clearcut goals and projected effects of the law. The law was presented by the government, with its goals only vaguely defined. This left the door open for all the participants to define, through their own perceptions, the goals of the law and the criteria by which to evaluate its accomplishments.

What was the labor union's role in the participation in management law? The labor unions did not have any prescribed role in the nomination and the subsequent election

of the workers' representatives. The workers, who are also union members, involved themselves as individuals in the election process. There was no communication between the labor union and the nominated workers concerning election procedures, election promises, and campaign process. The A.S.U. took over the election process, using its influence to get its candidates elected. The labor union had little, if anything, they could do in the election process. The scheme of workers' participation in management reduced labor unions to a benevolent organization and infringed on the prerogatives of labor unions.¹⁷

Reducing Hours of Work and Increasing Minimum Wage

The minimum wage was introduced to reduce the gap in personal income. Wage determination is made by a committee which comprises delegates from the Ministry of Labor, Ministry of Economy, and Ministry of Industry. The committee proposal is submitted to the Ministry of Labor for approval. Fixing wage rates and adjusting them are carried out according to changes in cost of living which is the only criterion used.

Since 1962 an identical wage structure had been established by law for the public sector workers. The work force was divided into twelve grades, each with a particular

¹⁷Kamel, op. cit., p. 154.

salary range.¹⁸ The 1962 law did not directly limit the amounts which could be earned through overtime, but overtime earnings were restricted to 25 percent of a worker's base salary as set by the law.

The average weekly wage in industry in 1960 was 236 piasters¹⁹ or 39.3 piasters a day, which means that a small number of workers could have gained from the statutory 25 piasters minimum wage.²⁰ The average weekly money wage and real weekly income for the 1960-1967 period is shown in Table XIV.

TABLE XIV
MONEY AND REAL WAGE IN INDUSTRY, 1960-1967*

Year	Average Weekly Money Wage	Cost of Living Index (1959=100)	Real Weekly Income
1960	236	96	246
1961	236	97	243
1962	229	97	236
1963	263	96	274
1964	279	107	261
1965	290	118	246
1966	312	124	252
1967	331	123	269

*Source: B. Hansen and G. Morzook, Development and Economic Policy in the U.A.R. (Amsterdam, 1965), p. 139.

¹⁸See wage structure and schedule in Chapter I.

¹⁹Egyptian pound (1 LE) = 100 piasters and 1 LE = \$2.34 in United States currency.

²⁰Shaabon, op. cit., p. 99.

Meanwhile, the cost of living increased by 50 percent between 1961 and 1970, which means that the real purchasing power of the minimum wage could hardly be considered a gain for the average industrial worker (prices increased by 6 percent in 1964, 25 percent in 1965, and 11 percent in 1966).

The goal to reduce the gap in income was not achieved because of the wage structure. The ratio of the lowest salary to the highest was about three to thirty-three. The lowest annual wage was only 3 percent of the highest salary for the rank of excellent.²¹ Another weakness in the wage scale was the ratio between the minimum wage rate of unskilled workers and the maximum wage rate of skilled labor which was 1:3; however, this ratio was reduced to 1:1.3 after 1964 because of the minimum wage law.²²

As shown in Table XV, the minimum wage rate for the unskilled worker was 36 percent of the maximum wage rate of the semiskilled worker prior to 1964; this changed to 78 percent after that date. The wage structures of 1964 did not increase the supply of skilled workers. To be a skilled worker, one must graduate from a technical high school. But wage structure does not encourage spending six more years of training and education beyond the elementary school because of the narrowness in the wage rate between the skilled and the unskilled worker.²³

²¹Al Ahram Elektsadi, February 1, 1968, pp. 96-99; also see Wage Structure--Chapter II.

²²Shaabon, op. cit., p. 137.

²³Ibid., p. 138.

TABLE XV
WAGE SCALES FOR WORKERS (LE/MONTH)*

Classification of worker	Wage Scale Before 1964		Wage Scale After Law 46/1964
	Minimum	Maximum	
Unskilled	4.355	8.554	7.00
Semiskilled	8.710	12.220	9.00
Skilled	11.485	15.697	12.00
Highly skilled	13.783	18.360	15.00

*Source: Al Ahram Elektsadi, "Wages and Salary Policy in the U.A.R.," February 1, 1968, p. 83.

The reduction in hours of work to forty-two hours weekly forced the industrial establishment, which operates twenty-four hours (three shifts eight hours each for six days) and could not waste three hours a day between shifts, to pay overtime for the extra six hours per week since the working week is six days. This represented an increase of about 18 percent in the average worker's weekly earnings for daytime work.²⁴ The weekly paycheck was not decreased, with the result that the hourly pay rate was raised and output per man hour subjected to downward pressure. The increase in wages was not only due to minimum wages and reduced hours of work, but also to the big rise in employment as opposed to a rise in the average wage of those employed. While the average money wage of the industrial worker had

²⁴Ibid., p. 104.

risen by 22.8 percent, the official cost-of-living index showed a rate of increase very nearly the same, 23.2 percent.

The workers in the 1961-1967 period were no doubt less poor than they had been before. Instead of attempting to improve real wages by raising money wages, the government had kept money wages down and kept the prices of consumer goods artificially low. To achieve this, it had used price control and direct subsidies on essential consumer goods.

Wages were too low and did not compensate for the workers' efforts and productivity simply because there was no job evaluation, in the academic sense, with which wages were determined or compared. There was no comparison of wages at all because all jobs were described, designed, and structured by the government. There were no wage surveys and wage-determination criteria because the government was the only source and authority of wage determination. The private sector, which is too small, had been free from government regulations concerning wage determination, except it had to pay the minimum wage. The private sector followed the system of job analysis and job evaluation, and the market supply and demand determined wage scales. This was one of the reasons why many workers in the public firms sought jobs in the private sector. Pressure to raise wages was caused by government regulations rather than by the forces of the market or the pressure of the labor unions.²⁵ The wage

²⁵Harbison, op. cit., p. 92.

structure, which in effect guarantees the worker a fixed income no matter what he is doing, put upward pressure on wages and contributed to inflation. It also affected productivity because it did not give special consideration to the nature of the work performed. It unjustly equated those who perform complicated tasks under unfavorable and often hazardous conditions with those who perform rather simple tasks in relative comfort. The wage system did not allow for the recognition of the productive and responsible worker. It treated the lazy, careless worker and the productive worker as equals. A national wage structure can never be just and equitable to all workers doing different jobs. It does not allow for adequate wage differentials based on the nature of the job and its surrounding environment.

It is difficult, if not impossible, to introduce a system of equal pay for equal work. The high cost of living allowances and the practice of annual increase in wages are rooted in the minds of the workers and the government. The government intervention in the labor market through establishing the wage structure had limited the discretion of the public industrial firms to establish their own wage structures and to bid away workers from each other. The effect of such intervention was to raise wage rates for unskilled workers and to restrain pay for skilled workers at artificially low levels.

The establishment of wage structures by the government had diminished the firm's management ability to treat wages as a variable in recruitment policy. It had limited the alternatives open to management in recruiting from the outside market. Except for overtime and a few incentives, the law concerning wages had essentially eliminated wages as a criterion for job selection. Neither of these factors, on the other hand, seemed to have motivated workers toward more production. Some attempts had been made to offer various nonfinancial incentives, including meal services, sports, busing, and housing. However, because of the high cost of administration and because of national legislation regulating working conditions, hours of work, vacations, leave, health insurance, and other aspects of labor relations, it was difficult for any public firm to differentiate itself with respect to nonwage incentives and also difficult to gain a significant advantage in the labor market.²⁶ That has been the reason that very few public firms applied a wage scheme based on systematic study of work incentives as a means for increasing workers' productivity.

Socialist Laws' Benefit to Workers

The main concern of the average Egyptian worker is the satisfaction of his basic economic needs which, until this

²⁶Franz Dolp, "Manpower Policy: The Case of the Plant Training Burden and National Egyptian Iron and Steel Company," Journal of Industrial Relations, X (November, 1968), 243-254.

time, have not been adequately met in spite of the slight increase in wages. What he needs is to provide himself and his family with the basic needs of life. Intangible benefits mean little to him. To the average worker, the end of exploitation is simply equivalent to the end of poverty, and this he cannot easily reconcile with the stability or a very slow and low increase in his real income.

After the issuance of the socialist laws, the workers gained the impression that the government was wholly on their sides, that they had little to fear whatever they did. But the failure of these laws alienated the workers and caused dissatisfaction among them. There was no increase in average productivity. As shall be seen later, the laws were defeating one of their main objectives.

The socialist laws issued by the government were based on a theoretical assumption which was fundamentally wrong. The government through these laws was seeking the labor force's political support for its socialistic economic policy, specifically an increase in production to stimulate economic development. But there was no contribution by these laws to economic development because of worker dissatisfaction, alienation, and lower productivity.²⁷

The formal (or legal) change in the industrial relations system does not in itself imply a change in the nature

²⁷M. Hussin, Class Conflict in Egypt (New York, 1973), pp. 180-181.

of the relationship of production. The socialist laws of 1961-1962 may serve either to exploit or to liberate the workers, depending on the characteristics of the elite groups who dominate the government.²⁸ There was no real difference from the point of view of the labor unions and the workers between exploitation by the state and exploitation by the traditional capitalist. Exploitation and oppression under the government ownership mean the ruling elitists have absolute control over the industrial relations system. In Egypt, within this context, the conditions of the working class did not undergo any basic changes, and their benefits from the socialist laws were nil.²⁹

As an obvious expression of the government's concern for the welfare of the working class, profit sharing received maximum publicity and reinforced the government's socialistic image. But the workers' benefits from this measure should not be exaggerated. While the workers were all slightly better off as a result of profit sharing, they did not get 25 percent of their firm's profit according to the law, but rather a meager 3 percent, with a maximum of LE 50 per worker.

The profit sharing law did not differentiate between the productive and the unproductive worker, a fact which resulted in its failure to induce workers to produce more and to function as an incentive device. Workers did not benefit from the profit sharing law because the percentage

²⁸Ibid.

²⁹Ibid.

of the profit was related proportionally to their wages which were low, which means they did not get much from profit sharing, in comparison to management.

Profit sharing did not benefit the workers, but rather alienated them because the 10 percent of the profit that was supposed to go to central social services was collected and invested by the government, without its paying any interest. In so many cases, there was not enough funds or money left to pay for the worker's social services because of the government investment. That was why, in most cases, these funds suffered from continuous deficit. The deficit was solved through decreasing social services for workers and, in some cases, through issuing bonds to cover the deficit with 2 percent interest for five to ten years. Because of the continuous deficit in the funds, the workers never enjoyed the privileges of any social services, such as housing, transportation, vacation, and so forth.³⁰

Even though workers were allowed to participate in management, they did not receive any benefit. They were frustrated because reelections did not take place after 1964; consequently, they lost the chance to elect new representatives. Those who were elected in 1962 remained in office until 1973, as long as they were approved by the A.S.U. and management and not by the workers themselves.

³⁰Kamel, op. cit., p. 152.

The workers never trusted the elected representatives who were only puppets to management and who would not dare to stand up to management or question its authority. The elected representatives did not have any influence whatsoever over management's decisions. Thus the workers were disillusioned with the concept of participation in management.³¹ Their perception of the role, function, and influence of their elected representatives was negative because their representatives never dealt with the workers' demands and complaints, as is shown in Table XVI.

TABLE XVI

WORKERS' RESPONSES REGARDING THE FUNCTIONS
OF ELECTED REPRESENTATIVES*

Response	Frequency of response Percentage
Don't know their functions	25%
They have no function	13%
No true representation	14%
There are no worker representatives	25%

*Source: I. Kamel, "The Impact of Nasser's Regime on Labor Relations in Egypt," unpublished doctoral dissertation, School of Business Administration, University of Michigan, Detroit, 1970, p. 105.

Such negative attitudes alienated the workers and caused such dissatisfaction that there was only a small increase in productivity, thereby defeating one of the main goals of the workers' participation law.

³¹Ibid.

The workers' benefit from the minimum wage law was also exaggerated. They were not better off as a result of the law which reduced their hours of work without loss of remuneration. Many of the workers did not enjoy an increase in pay as a result of the minimum wage of 25 piasters a day since, by 1960-1965, the average daily wage paid had already attained the level of 70 piasters.

Wages were fixed and have not been subject to change by employers even if the worker deserved such a change in his wage. Although they could be either promoted or demoted, workers were not free to move between the industrial firms in response to financial inducements. They were compelled to seek permission first from their employers if they wanted to move to another job. As mentioned before, the government is the only official body to determine wage levels and percentage of promotion or change. Wages were designed on the basis of a political ideology, not to get the workers strong financially and economically satisfied, but to keep them under firm control.

Wages were too low and did not compensate the worker for his effort and productivity. That is why the Egyptian economy had suffered from low levels of productivity per worker. Wages and financial incentives did not motivate the worker to invest extra effort because he did not feel secure economically. The government believed that the idea of public ownership would motivate the worker to produce

more because he would feel a sense of ownership and belonging. This idea seemed not to work well simply because the worker did not really own anything in the firm, he did not take part in the decision-making procedure, and he did not even participate in determining the financial rewards of good work. He felt only that he was a factor of production, with no power to strike or to demand. He felt unhappy and insecure which affected his attitude toward extra work and good performance.

In 1965 owing to economic hardships in Egypt, the government stressed strict discipline and work speed up. The workers evaded disciplinary measures, slowed down work, and even went as far as breaking machines to express their anger with the low wages. They openly questioned the "sacred duty of promoting production,"³² with which the government had attempted to intimidate them. At the end of 1965, after they had been repressed for many years, real strikes--illegal in Egypt--broke out.

An example of strikes because of low wages took place in 1966. Workers' unrest with prices and wages broke into the open for the first time when workers at Port Said's harbor went on strike against the wage structure. The loss of the American wheat supplies made the economic situation critical. The government asked the workers in Egypt to save half a day's pay a month in order to take some money off the

³²Hussin, op. cit., p. 182.

market. But the workers who had never had enough money to acquire the habit of saving did not respond. Hard facts had to be faced; the government increased taxes and prices of some consumer goods. The masses of poor workers who paid the extra piasters for necessities felt pinched; they also believed that the government was trying to improve the economic situation at their cost. The same thing happened again on January 17-18, 1977.³³ The government even attempted to distract the workers from politics and economic hardships by sponsoring soccer games. However, the large gatherings instead turned into real demonstrations over the burning economic needs of the workers.³⁴

The government, in a cheap-labor country such as Egypt, is initially interested in production and profit at labor's expense and, then, in the development of an obedient worker, not an efficient laborer. The government wanted to increase production of machines, not of manpower. That is why the low productivity of the Egyptian worker still exists. It is a consequence of the lack of effective incentive and compensation systems plus the lack of good investment in the worker which can improve productivity. Where there is an abundance of cheap labor, both the government and top management have very little incentive to spend time or resources in a real development of the manpower force.³⁵

³³Ibid., p. 183.

³⁴Ibid., p. 176.

³⁵Harbison, op. cit., pp. 84-86.

Such attitudes by the government created among the workers a weak sense of commitment to the job and to the firm and a readiness to move out on the slightest promised improvement in their incomes. This, in reverse, created a situation in which secure employment was unlikely. At this point, it is not useful to argue that, were management to offer better terms, workers would become more firmly committed, and therefore, more likely to reach a higher level of productivity.

Workers felt that they were at the mercy of both the government and management, mostly because of the abundant supply of unskilled workers which can be drawn upon if workers and labor unions were difficult to handle. The pressure of supply weakened the bargaining power of the workers to improve their low incomes and wages, which provided little over the minimum level of subsistence. That is why the workers always have a suspicious attitude toward the government.

Impact of the Socialist Laws on Economic Development

The exact process of economic development must necessarily be unique to every country which experiences it. The great number of initial variables involved makes it highly unlikely that one nation will recapitulate the experience of another country.

In 1960 the Egyptian government introduced a comprehensive five-year plan for economic development from 1960-1965. In late 1960 and in 1961 and 1962, the government started the trend toward socialism. That trend had an impact on the economic-development process and the plan performance. The socialist laws in the industrial relations system had a far-reaching impact on economic development because they directly affected the workers' productivity.

The five-year plan aimed at increasing the GNP from LE 1.285 million in 1959 to 1.795 million in 1965, an increase of 40 percent, with an average of 8 percent per year. This was to be achieved by investing LE 1.577 million during the five-year period. The plan proposed an annual compound rate of growth of 8 percent, compared with about 4.5 percent in previous years.³⁶ The plan's objectives are shown in Table XVII.

Analyzing the actual performance of the five-year plan will reveal that the socialist laws had certainly constituted a brake on industrial growth, which is directly related to workers' productivity, and on economic development.

³⁶Issawi, *op. cit.*, p. 67.

TABLE XVII

TARGETS FOR INVESTMENT, VALUE ADDED,
EMPLOYMENT IN FIVE-YEAR PLAN*
(LE Million, Worker per 1000)

Sector	1959-1960			1964-1965		
	Investment	Value Added	Employment	Investment	Value Added	Employment
Agriculture	392	400	3245	412	512	3800
Industry	574	273	632	555	540	847
G. Services	49	40	92	60	54	119
P. Services	--	89	511	--	108	553
Transportation	272	97	219	255	117	226

*Source: Charles Issawi, Egypt in Revolution (New York, 1963), p. 67.

Official Egyptian reports said that the GNP rose from LE 1.285 in 1960 to LE 1.762 million in 1965, which was about 86 percent of the level projected, as shown in Table XVIII. The average annual growth rate of income was 6.6 percent, as compared with the target of 7.0 percent. In the industrial sector, production increased an average annual rate of 8.5 percent, far less than the planned growth of 14.6 percent.³⁷

³⁷National Bank of Egypt Economic Bulletin (Cairo, 1968), Table 7/1, p. 10

TABLE XVIII
CHANGE IN STRUCTURE OF GNP*
1960-1968 (Current Prices)

Sector	1961		1965		1968	
	LE.MN.	%	LE.MN.	%	LE.MN.	%
Industry	256.3	20.0	469.1	21.7	495.8	21.3
Agriculture	405.0	31.5	608.5	28.7	688.3	29.5
Others	623.7	48.5	1046.5	49.6	1147.2	49.2
Total	1285.0	100.0	2124.1	100.0	2331.3	100.0

*Source: National Bank of Egypt Economic Bulletin (Cairo, 1970), Table 3, p. 10.

But most economists³⁸ agree that the average annual rate of growth in GNP was between 3.4 percent and 4.0 percent from 1960 to 1965 and was about 5.0 percent between 1966 and 1967, as shown in Table XIX.

TABLE XIX
GROSS NATIONAL PRODUCT 1960-61 to 1966-67*

Year	Annual Percentage of Change
1960-61	6.1
1961-62	3.5
1962-63	8.9
1963-64	8.7
1964-65	5.5
1965-66	5.0
1966-67	0.7

*Source: National Bank of Egypt Economic Bulletin (Cairo, 1969), Table 7/1, p. 15.

³⁸ See B. Hansen, Development and Economic Policy in the U.A.R. (Amsterdam, 1965); E. O'Brien, The Revolution in Egypt's Economic System (London, 1966); and D. Mead, Changes and Structure of the Egyptian Economy (New York, 1966).

The growth rate of 8.5 percent in the industrial sector does not represent the real picture. If one keeps in mind the inadequate corrections of price changes in that sector, it could be concluded that there was no significant increase in the growth rate. Also the cost of living increased from 305 to 391 in 1967, which means that the actual rate of growth in industry was around 3 percent during the plan years and 4.2 percent in 1966-1967.³⁹

Table XX shows that during the five years of the plan, employment increased by 22.5 percent, a compounded rate of 4.1 percent. The increase in the industrial employment was not caused by the high rate of investment, but was a result of the governmental employment policy after nationalization which compelled the public industrial firms to engage more workers than they actually required. Industrialization did not increase the number of jobs created, in spite of the high rate of capital formation. The expansion in employment had affected industrial growth. In spite of the increase in employment, there was a high rate of unemployment, averaging 7.5 percent; it rose from 6.9 percent in 1964-1965, to 7.1 percent in 1965-1966, to 8.9 percent in the following year, and then to 11.4 percent in 1967.⁴⁰

³⁹E. Kanovsky, The Economic Impact of the Six Days War (New York, 1970), p. 229.

⁴⁰Ibid., p. 267.

TABLE XX
POPULATION AND EMPLOYMENT*

Year	Population	Employed	Unemployed	% of Unemployment
1960	26,397,000	6,512,000	428,000	9.2
1961	27,122,000	6,655,000	512,000	7.2
1962	27,874,000	6,868,000	541,000	7.3
1963	28,650,000	7,085,000	572,000	7.5
1964	29,456,000	7,374,000	544,000	6.9
1965	30,294,000	7,606,000	581,000	7.1
1966	31,162,000	7,714,000	752,000	8.9
1977	32,059,000	7,744,000	1,008,000	11.4

*Source: E. Kanovsky, The Economic Impact of the Six Days War (New York, 1970), p. 341.

Worker Productivity

What was the impact of the increase in employment and the socialist laws on workers' productivity and economic development? It is certain that the productivity of the Egyptian worker has risen during the last fifteen years. But there is also no doubt that the average worker's productivity is still far below that to be found in the developed countries.⁴¹ Table XXI shows the numbers of workers employed in industry during the 1960-1967 period and the percentage of increase for each year.

A comparison of the Egyptian workers' productivity with that in another country is risky. Apart from the technical difficulties of measurement to be encountered in industrial

⁴¹Harbison, op. cit., p. 136.

comparison, there are technical, organizational, and managerial differences in the economy of each country. Nonetheless, it is possible to say that the Egyptian workers' productivity is low. In many industries six to eight workers are employed to produce what one with comparable machinery and equipment would turn out in the United States.⁴²

TABLE XXI
INDUSTRIAL EMPLOYMENT*

Year	Number of Employed	Increase over Previous Year
1960	625,600	--
1961	638,700	4.2%
1962	694,100	8.7%
1963	740,300	6.7%
1964	784,180	6.0%
1965	825,000	6.0%
1966	890,100	15.0%
1967	910,200	2.0%

*Source: A. Gerokis, "U.A.R.: A Survey of Development During the First Five-Year Plan," International Monetary Fund Staff Paper, XIV (November, 1967), 456-475.

The low efficiency and productivity of workers in the industrial sector may be accounted for by the prevalence of low standards of health, bad housing, high rate of illiteracy, and by a high rate of absenteeism, tardiness, and industrial fatigue. The Egyptian worker also lacks

⁴²Ibid.

industrial experience and has little understanding of industrial production because of lack of training.

Hansen, in his analysis of the five-year plan, came to the conclusion that the workers' productivity in the industry increased by 7.3 percent in the first year (production per employed person). In the following years, it was 0.9 percent, and later it was nil. The reason was the employment drive which began in 1961 after the nationalization and which led to underemployment. The average annual growth in productivity per worker during the plan was 2 percent, which means a downward trend in the growth of workers' productivity. Another study stated that workers' productivity from 1961 to 1965 was 102.7, 98.1, 101.1, 94.1, and 98.3, respectively.⁴³ These figures indicate that productivity was falling by 1 percent across the board and by as much as 35 percent in the construction field. While employment increased by 22.5 percent, it did not add to real production. If zero (marginal) productivity of actually employed workers was to be found, it was mostly in the public sector. The trend of drops in productivity continued in the following years after the five-year plan, further reducing the rate of economic development, especially in industry.

⁴³Konovsky, op. cit., p. 231.

The Wage Structure and Worker Productivity

Some of the wage-structure features were responsible for the low productivity of the average worker. Wages, first of all, were low because of lack of differential between rural and urban areas, since cost of living is higher in urban areas. Also there had been no equality in wages. Wages paid to the unskilled were of such a wide range that the highest paid unskilled worker in one industry might be higher paid than the semiskilled or skilled workers in another industry.

Workers were paid according to their hours rather than output. Another weakness was the government's intervention to grant minimum wages and put a ceiling on wage increase, thus restraining management in using higher pay to increase productivity. That is why management was concerned only with getting the maximum productivity per machine and not with the worker's productivity.⁴⁴ Also the government, in the absence of strong labor union pressure, was able to maintain low wages and to resist any upward trends. The effect of such absence was to raise wage rates for unskilled workers above the scarcity level and restrain the pay of skilled workers at an artificially low level.⁴⁵

⁴⁴E. O'Brien, The Revolution in Egypt's Economic System (London, 1966), p. 250.

⁴⁵Ibid.

As mentioned before, the increase in total wages had been caused by the big increase in employment rather than the increase in the average wage of those employed. While the average money wage increased by 22.8 percent, the official cost-of-living index showed approximately the same rate of increase, 23.2 percent, which effectively wiped out any increase in wages.

The government wage structure introduced in the socialist laws was simply a form of unemployment benefits. The expansion in employment implied a transfer of payment to those persons who would otherwise have been unemployed, which resulted in negative marginal productivity per worker. The rate of increase in productivity per worker was low in comparison to the rate of increase in wages. While productivity per employed worker showed little improvement, his average wage rose more rapidly. In other words, the percentage of increase in average wage per worker was much higher than the average output per worker in industry. For the aggregate, wage per worker increased by 32 percent in the five-year plan, while output per worker rose by 12.3 percent. That wide divergence between productivity and wages had adverse implications on prices. The disproportionate increase in wage and productivity, as shown in Tables XXII and XXIII, was due to the increase in the employment of unskilled workers. The slow rate of increase in productivity is also no doubt tied to the problem of scarcity of skilled workers.

TABLE XXII
TRENDS IN WAGES AND PRODUCTIVITY PER WORKER*
1960-1965

Sectors		1959-1960	1964-1965	% of Change
Agriculture	O**	179.2	191.5	9.7
	W***	30.2	44.1	46.7
Industry	O	1,805.7	1,968.0	9.0
	W	147.6	181.3	22.8
Services	O	280.5	327.9	17.0
	W	167.1	211.4	26.5

*Source: U.A.R. Central Agency for Public Mobilization (Cairo, 1966), p. 186, Table 82.

**O = average output

***W = average wage

TABLE XXIII
AVERAGE ANNUAL GROWTH RATE OR PRODUCTIVITY,
WAGES, PRICE, AND EMPLOYMENT*
1959-1960 to 1966-1967

Industry	Product	Wage	Price	Employment
Food	3.5	4.2	4.8	3.6
Textiles	2.4	3.2	2.3	8.0
Chemicals	3.1	3.5	0.9	10.2
Minerals	1.2	4.4	1.1	5.6
Metals	2.6	2.4	7.2	9.8

*Source: G. Abed, "Labor Absorption in Industry: An Analysis with Reference to Egypt," Oxford Economic Papers, XXVII (November, 1975), 400.425.

Labor unions had contributed nothing to the development and the training of more skilled workers. The government left the training function to the educational system and the educational institutions of the A.S.U. Since workers are abundant and are cheap, there has been little incentive by the government and management to invest in training and development. In spite of the shortage and the need for skilled workers, government and management have tended to utilize the labor force carelessly and wastefully. Such attitudes affect workers' job satisfaction and productivity, both of which continue to be low. Table XXIV shows the shortage of and the need for skilled workers.

TABLE XXIV

THE NEED FOR AND SHORTAGE OF SKILLED WORKERS*

Workers	Need of Skilled Workers 1965-1966			Skilled Worker Shortage 1969-1970		
	Resource (in 1000)	Uses	Shortage or Surplus	Resource (in 1000)	Uses	Shortage or Surplus
Skilled	812	974.7	-153.7	873	1294.4	-421.4
Technicians	366	340.2	- 24.2	484	559.4	- 75.4
Unskilled	6444	5796.7	+647.3	7322	6409.5	+912.5

*Source: Institute of National Planning, Manpower Planning in the U.A.R. (Cairo, 1966), Table 18, Appendix 1.

Labor unions have been responsible for the shortage of skilled workers because they do not provide any technical training for the unskilled and semiskilled workers. Although labor unions are required by law to provide training for workers in order to stimulate productivity, they have not carried out that function because of their financial and technical weakness. As a result, this function was taken over by the government through the educational system and the A.S.U. training centers.

Summary

The socialist laws had a negative impact on the industrial relations system and on the economic development in Egypt. The socialist laws did not achieve their objectives simply because expectations were unrealistic. Labor unions were not involved in any way in the formulation and implementation of these laws. Such lack of involvement alienated and dissatisfied the workers who did not achieve any tangible benefits.

The economic-development process suffered from the socialist laws because of the low increase in average worker productivity. This was caused by the wage structure which did not work as an incentive system and which did not allow for wage differentiation. The socialist laws had caused high inflation, reduced savings, and increased prices, all of which reduced the rate of economic growth in the period of 1960-1967.

The negative impact of the socialist laws on both the industrial relations and on the economy is still felt at the present time. If the government had not acted alone, as the only member in industrial relations capable of making decisions and taking the necessary steps to stimulate production, there could have been a positive, initial step toward economic development, an efficient and productive work force, and effective industrial relations.

CHAPTER V

LABOR POLICY AND THE UNION'S GOVERNMENT RELATIONS

The function and definition of the labor unions, following the advent of socialist laws, had changed to fit into the new Egyptian socialism. The labor unions' function had been affected by their relationship with both the Arab Socialist Union and the government, in general. Such relationships had great impact on the industrial relations system and on collective relations.

Labor Unions' New Definition

The new definition of labor unions has been thus described:

They are no longer grouping for the seizing of rights or defense of interests in opposition to employers, but have become centers for the concentration of workers and parliament for the expression of their opinions. Labor 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.¹

According to this new definition, the labor unions were to play an influential role in promoting sound socialism and to assume a position of leadership in the national struggle of applying the socialist system. But absent from this

¹Al Ahram, December 1, 1961, p. 3.

definition was the traditional role of unionism, that of collective bargaining for better wages, hours, and working conditions. Instead they had become the vanguard in the socialist system.

On the basis of that new role for labor unions, a Ministerial Order was issued to control the labor unions' funds and specify how they were to be distributed. The total income of a labor union has to be distributed as follows: 30 percent for administrative expenses, 30 percent for health and social services, 25 percent for collective services, 10 percent to the general federation of labor, and 5 percent to the reserve fund of the general union.²

Such a distribution of the funds left nothing for training programs for members to improve their technical skills, for unemployment compensation, for collective negotiations, and for contracts, administration, and application. Labor unions were required to push forward the wheel of production, but were not informed how and with what funds and by what means they were to do that. Training as a traditional function of labor unions was not included in the functions of the Egyptian labor unions.

However, labor unions were blamed in 1966 for the low productivity of the average Egyptian worker, for his low technical skill and lack of training, and for the shortage of skilled workers. How could labor unions be blamed for

²Ministerial Order 90/1965.

not developing training programs to increase worker efficiency? They were not given the responsibility and the authority to develop any training programs without government permission and supervision. They were not allowed to participate in any policy and planning concerning vocational education and vocational training. Also labor unions were not responsible for and were not participating in the implementation or review of training centers and programs in the industrial firms. Such lack of participation and involvement by labor unions affected the average worker productivity, which already tends to be low. But the responsibility for the training function belonged to the A.S.U.

On the other hand, the requirement that labor union leaders must be employees of their respective establishments had deterred the development of strong labor union leadership able to promote effective union functions. Such new requirements, by law, had weakened the unions' ability to assume responsible and accountable activities for their members' benefits. Also such requirements affected labor union's leadership in the following ways.

(1) The government was able to control labor unions by influencing members in their selection of leaders.

(2) Because of the low rate of literacy among the Egyptian workers, there were relatively few members capable of assuming the function of leadership.

(3) It was difficult to find qualified people with enough time to deal with union problems.³

As a result of the new definition of the labor unions, they had become less mature than they were formerly in their role in the collective relations. It is difficult for a less-mature labor union to build the kind of bureaucratic organization required to press forward a consistent policy of activities.

Relations with the A.S.U.

Such semimature labor unions had to deal with the Arab Socialist Union in every aspect of their activities. But the continuous and direct contact between them was in the industrial establishment through the A.S.U. basic unit and the union representatives. Such contact was the main reason behind the conflicting relationship that existed between them. Beside the conflict in relationship, there were overlapping and duplication in both of their activities and functions in the establishment.

Article 9 of the Arab Socialist Union's Statute indicated that the A.S.U. basic unit's functions in the industrial establishment were the following:

- (1) enlightenment of workers politically and raising their awareness of the socialist system,
- (2) raising workers' awareness of public ownership of means of production,

³Walter Galenson, Labor and Economic Development (New York, 1959), p. 166.

- (3) stressing and encouraging the increase in worker's productivity,
- (4) preventing and eliminating antisocialistic behavior and individualism among workers,
- (5) presenting and implementing the A.S.U. policy, program, and plans in the firm, and
- (6) helping to improve the social, health, and educational standard of the workers.⁴

These functions were identically the same as those of the Ministerial Order 90/1965.

Within such a duplication in functions and responsibilities, a new-style relationship emerged in every firm that had a basic unit of twenty members and labor union representation. The A.S.U. basic unit had clear superiority over the labor union in terms of power and prestige, owing to the paternalistic relationship in the firm. The labor union was recognized as a kind of junior partner which should reflect the A.S.U. policies. The relationship was characterized by conflict and tension because the basic unit was strong politically and labor unions were weak and docile.

The A.S.U. basic unit was aware of the workers' aspirations for more economic benefits and freedom of action, both of which were potentially dangerous to the interest of the government. The A.S.U. policy was then to recognize but to contain labor union activities and to make every attempt to get labor union representatives to conform to the A.S.U.

⁴A. H. El Bouroi, Labor Relations in the Egyptian Law (Cairo, 1976), pp. 153-154. (Arabic)

policy and reflect the government's interest. The A.S.U. also was trying, and succeeded to some extent, to command the loyalty of the workers by taking action on a unilateral basis, which made it clear that the A.S.U. was sympathetic to workers' interests "as a father might be to the wishes of his children."⁵

In many cases, labor unions in such situations were trying hard to get as much as they could get by basking in the favorable sunshine of the government and the A.S.U. confidence. They did not make open demands, but instead submitted in respectful language requests for things to be done for the workers. Thus labor unions were petitioners rather than power centers. They articulated their members' interest through a petitioner system, using political contacts to place it before the right man and the right office.⁶

The A.S.U. basic unit was envisioned as the government agency which would provide public supervision over the utilization of publically owned means of production and which also would provide political education for the workers and rally their support for the government's economic and political policies. Such attitudes by the basic unit alienated the workers and the labor unions by breaching the

⁵M. G. Emam, "The Egyptian Federation of Labor--Fifteen Years Later," Labor, VI (December, 1971), 25-32.

⁶Richard Moore, "The Ecology of Egyptian Labor," Indian Journal of Industrial Relations, I (April, 1966), 442-456.

boundaries of the union's functions and becoming involved in handling workers' grievances. To gain some favor with the workers and to be elected again, the unit member had many times publicly embarrassed management as well as worker representatives. The basic unit was an instrument to ensure that the labor union would not capture the loyalty of the working masses.⁷

To achieve that goal, the basic unit had worked out a philosophy of administrative "revolution," which stated that the firm management must include members from the basic unit to assist, not in the creation of efficient management, but rather to promote personal and party objectives. Also, there must be public self-criticism at all levels of management, in line with the fact that the essence of socialism was that a public enterprise and its management do not mean personal gains. This was done to gain workers' support for the basic unit and to alienate the labor unions.

Another way to achieve the goal of preventing labor unions' capture of workers' loyalty had been the fact that A.S.U. membership was a requirement for the representation of the labor union in the firm. The obvious reason was to control the union representative and to purge any anti-socialists from the unions. The union representatives were picked indirectly by the A.S.U. to assure their loyalty to the government and to the party. On the other hand, the

⁷Ibid.

A.S.U. was given sufficient power to enforce discipline among workers on the shop floor and not to the union representatives.⁸

The basic unit in most cases took over the union functions in terms of providing educational chances for the workers; discussing labor policy with management; discussing labor relation procedures, production targets, and plans; and making recommendations for changes in working conditions, development of policies regarding training of workers, work-incentive plans, and employment policies. Such action by the basic unit created tension and conflict in the firm, which affected workers' morale and productivity.

Another source of tension and conflict was the A.S.U. intervention in the election of worker representatives in management and other elections. The A.S.U. was manipulating the election process to eliminate "trouble makers" and was influencing the selection of candidates to prevent the infiltration of "dangerous thoughts" into the labor unions. The A.S.U. was seeking the election of those persons who believe in and are committed to the socialist system. There was little or nothing which the labor union could do.

Tension and conflict existed in the relationship between the basic unit and labor union also because of the A.S.U. intervention in the selection of workers to attend a training program. Having the chance to go for a training

⁸Emam, op. cit., p. 27.

program is the lifelong goal of every worker, since it provides him an opportunity to increase his technical skill which means an increase in his wage. The workers to be selected for the training program, however, had to satisfy not the firm's requirements and not the production requirements, but the basic unit's interests and requirements, requirements which could influence the firm's decision of who should be trained.⁹

The industrial relations in the firm were on a tripartite basis, with the A.S.U. filling the third and the most influential and powerful position. In spite of such power, the A.S.U. failed to establish rapport with the workers; thus it tried to force its opinion and decision upon the workers. It attempted, with some success, to control workers' opinions and their right to dissent. The A.S.U. and the labor union representatives were elected; thus they all appealed for the same constituency and competed with one another for power and influence. Such a situation created conflict, and the workers were the losers.

Government Control of Labor Unions

Labor unions in the developing countries are different from those in the Western world. The first and perhaps the most interesting difference is that the former did not develop in a classic capitalistic environment. While some

⁹Harbison, op. cit., p. 84.

form of private enterprise exists, the greatest concentration of social and economic power is held by the government. Also the Western pluralism in which parties, employers, labor unions, and other groups operate independently and reach a voluntary consensus is not accepted in the developing countries.

One of the fundamental human rights is to form and join labor unions. But to enable unions to protect the interests of their members, their administration must be free from control, domination, and interference either from employers or the government. But, on the contrary, in most of the developing countries, including Egypt, the government controls the content of unions by laws, specifies the qualifications of candidates for offices, supervises elections, scrutinizes the conduct of meetings, audits union funds, defines the scope of union activities, requires the submission of a variety of reports, and decrees what the structure of unions should be.¹⁰

The political changes and political developments play havoc with labor unions, causing them to look for ways to mitigate the effects of such changes and developments on their functions and responsibilities or at least to make the changes bearable. Such political changes and developments result from the political ideology of the government, and

¹⁰Miles Galvin, Unionism in Latin America (New York, 1962), p. 25.

that ideology influences the government attitude towards labor unions. According to Dunlap,

The attitude of the government towards [capitalism or socialism] tends to [affect] the way the government legislates and regulates labor unions. The rise of [reactionary movements] . . . [has] led to an excuse for increased government surveillance of labor organizations and in [socialist] countries, the use of labor organizations as an instrument for party policy and party education among workers.¹¹

Within this environment, the trend towards a consolidation of political power over labor unions is a universal theme in virtually all developing countries. But there is a wide variation in actual experience. The developing countries differ considerably in the actual degree of control by their governments over their labor unions.¹² Within this range of variation, there are basically three broad categories.

1. Relative autonomy--Describes those developing countries where labor unions have retained a fairly high degree of associational freedom. In these countries, the activities and orientation of the labor union movement correspond somewhat to the classical pluralistic model of the Western tradition. Two of the chief characteristics are the right to strike and the freedom to change their leaders. This

¹¹John Dunlap, Industrial Relations System (New York, 1955), p. 310.

¹²Willard Beling, The Role of Labor in African Nations Building (New York, 1968), p. 9.

also implies that the internal management and organization of the labor unions are free from governmental scrutiny.¹³

2. Semiconrolled situation--Includes those countries where a certain amount of government supervision and control over labor unions has been established, but where this control falls short of full integration of the labor union movement into the political system. The main characteristic is that several forms of government regulations have been employed to limit the labor unions' autonomy. The most frequent methods of control are through the selection of union leaders and the need for official approval and recognition for a labor union to operate. These measures can introduce subtle and indirect pressure on the internal conduct of labor union affairs.¹⁴

3. Controlled unions--Describes those countries where the effort to bring about political dominance of labor unions has resulted in the full integration of labor union movements into the administration and the dominant political system. Here such integration has enabled the government and the political leadership to exercise full management and policy control over labor unions. Management and policy control are supplemented by a range of legislative actions affecting such labor activities as the right to strike and the internal conduct of union affairs.¹⁵

¹³Ibid., pp. 9-13.

¹⁴Ibid.

¹⁵Ibid.

The relationship between the Egyptian unions and the government falls in the third category, where there has been more government control of the labor union movement and activities between 1961 and 1967 than in previous times. This relationship between labor unions and the government seems to fall into four patterns:

- (1) single or predominantly single political party with a compulsory centralized labor organization,
- (2) predominantly one party state with labor unions as cooperative partner,
- (3) independent but government-favored labor movement, and
- (4) partyless states with compulsory centralized unitary labor movement.¹⁶

The first pattern applies to the Egyptian labor unions in which there had been direct control and supervision of unions by the Egyptian government after the socialist system was adopted. The labor policy established by the government provided for compulsory affiliation of all unions with a single confederation of labor unions whose activities were prescribed. The rationale was that a multiplicity of labor unions had an adverse effect on the whole labor movement. However, there was a conspicuous absence of legal procedures whereby the position of intra- and interunion rival factions may be determined.¹⁷

¹⁶Ali Raza, "Emerging Trends in Public Labor Policies and Union Government Relations in Asia and Africa," California Management Review, IX (Spring, 1967), 25-38.

¹⁷Ibid.

Once the government in Egypt started its political changes toward socialism, it needed the support of the masses. Such support was sought from the labor unions because they are a mass movement, a fact which added to their political attractiveness. On the other hand, while the government was seeking the support of the labor unions, it tried to prevent them from becoming involved in political activities.

Egyptian labor unions are forbidden by law to engage in political activities. Nevertheless, the government tried to sponsor a nonpolitical labor movement. Obviously, there cannot be a nonpolitical labor union movement in a one-political-party government. The tendency of the government to identify socialism with its control of any political, social, and economic organization made it clear that the initiation in all matters related to the industrial relations system was to be administered by the government bureaucracy and to be approved and implemented by these organizations, including labor unions.

It is virtually impossible to have government control of labor unions as well as to ensure that these unions should not be involved in political activities. The political leadership in Egypt was aware of the economic, political, and social significance of the labor unions. Because of their strategic location in the economic development and their strategic location in the centers of the urban

population, the labor unions constituted a potential threat to the political leadership, especially since they are traditionally oriented towards channeling workers' discontent.¹⁸

Because of the labor unions' potential threat to the political leadership, the government succeeded in paralyzing the unions politically and economically as a matter of first priority and then got them involved in the political and social transformations towards socialism. Nasser said in one of his speeches in 1962,

We all know about the old social relations which prevailed in the (labor relations) and how they were based on exploitation and coercion. Can we as an executive authority put an end to these social relationships by means of speech making and the passing of labor laws only . . . only by work and incessant struggle (by) every labor organization . . . will we be able to put an end to this state of exploitation through participation in the political actions.¹⁹

This statement reflected the government's realization that political development and political changes could not be achieved effectively without the political involvement of the labor unions. As a result, the labor unions were controlled more harshly and were converted into docile political tools of the government. Labor unions were no longer protest movements in the classical sense--demanding more for the workers. They became organs of the government in the political system, designed to discipline the work force.

¹⁸Beling, op. cit., p. 22.

¹⁹Al Ahram, May 10, 1962.

The right to strike and to bargain had been restricted and later outlawed, and the privileges regarded as vital to the functions of free labor union movement were being curbed.²⁰

The labor unions were paralyzed economically and politically, since any action undertaken by the intelligentsia without labor union participation was easy to isolate. Similarly, any revolt of the disinherited worker, undertaken without the labor union's support, was doomed to fail and remain fruitless. The government-induced political paralysis of the labor union was also directed especially against the urban working people who have contacts with the intelligentsia. These were the people whom the government was trying to isolate politically, since any antiregime activities without their support and participation would never prevail. Involving the labor unions in the political developments and political changes towards socialism was done to make sure that labor unions would support the political system; furthermore, controlling them by isolating them from involvement in any antiregime political activities ensured political and industrial peace which could affect the socialist transformation and its consolidation.

In reality, labor unions in Egypt were actively involved in the process of the government and its political development. The political strategy of the government was to get labor unions involved in providing a popular myth regarding

²⁰Hussein, op. cit., p. 136.

freedom for the workers of the "ideal" society which would follow the political changes towards socialism. Nasser described the ideal society he hoped to create by a catch phrase, "democratic, socialist, cooperative democracy." The hard realities of life did not permit much appreciable realization of such a society; yet, the labor unions had been obliged to adjust to their new political function in order to exist and operate.²¹

It is known that, once national and political power is consolidated in any developing country, including Egypt, other organizations and movements, including labor unions, are left with no power that is of any consequence to the political system and the political leadership. Labor unions during the period of uneasy political developments were feared by the government because of their potential power of protest and their power position in the urban centers. Considering such a threat, the government in Egypt had made many half-hearted attempts to emasculate labor unions through political control, such as purging the union leaders. The government's intention had been to prevent the capture of labor unions by intellectuals or those with political ambitions; otherwise, unions' power would assure a national dimension not possible to control. The government did not allow the labor unions' power to become cumulative for fear

²¹Sidney Sufirin, Unions in Emerging Societies (New York, 1964), pp. 46-47.

that it would add to the power capital of the national leader, i.e., the government.²²

To prevent labor union leaders from accumulating political power and/or being captured by those with political ambitions, the government had manipulated the election process of union leaders and representatives to eliminate the infiltration of "dangerous thoughts." Such intervention provided the government with good opportunities to designate their favorite candidates as union leaders and representatives.²³ On the other hand, governmental intervention in elections and subsequent control of labor unions was reflected in the absence of strikes, the decrease in the number of labor disputes, and the compliance with the government's rules. It was also reflected in the collective relations whose character was sharply defined by the governmental legislation. Such legislation outlined the nature of the relationship between the government, the employer (management), and labor unions. This kind of legislative limitation of the unilateral authorities of management and labor unions demonstrates that the really effective countervailing power rested with the government.²⁴

²²Iliya Horik, "The Single Party as a Subordinate Movement: The Case of Egypt," World Politics, XXVI (October, 1963), 80-105.

²³Ibid.

²⁴Galenson, op. cit., p. 151.

Thus the government's and labor unions' relationship was paternalistic in nature. But, with regard to paternalism, it goes hand in hand with control. So while, on the one hand, there had been a certain measure of concern by the government with the welfare of the workers and of anticipation of workers' needs and interests, on the other hand, there had been a great reluctance to let labor unions mature and look after their own interests through the development of strength and independence with the power to bargain under certain conditions and to strike if necessary. The Egyptian government showed a great deal of paternalism, placing itself over labor unions and taking over their power to make their own decisions and demands.

This combination of paternalism and control placed the labor unions in an awkward position. On the one hand, they could not object strongly to their status, without running the risk of being accused of being antiregime and thus suffering even greater control and suppression. On the other hand, they were reluctant to accept paternalism without reservation because it tended to slow down the pace of their maturity. Such attitudes antagonized the labor unions and the workers by creating the feeling among them that they were being deprived of the privileges of having a strong bargaining position in the context of the country's economic condition.

Thus, in reality, the Egyptian labor unions were actively involved in the government's political activities. The political strategy of both sides from 1961-1967 had been to cultivate the good will of the socialist system.

Labor Unions Seeking the Government Support

In spite of the labor unions' reluctance to accept the government's control and paternalistic attitude, their relationship with the government had been of crucial importance to them because their power to advance the interest of their members and the workers was directly proportionate to their ability to influence government officials at all levels and to get their support. The labor unions found out that to be able to carry out their economic activities, a strong political relationship and political support from the government were necessary since the government, as the center of the economic power and the main employer, had the power and authority to determine the solution to union problems and member's demands.²⁵

Every major function of the labor union was established by the government through legislation, and worker grievances were adjudicated by the labor court. So, of necessity, the labor unions were constantly seeking the government support. The market mechanism in the West is an efficient mechanism using collective bargaining; this simply has never existed

²⁵Ibid., p. 179.

in Egypt in the same fashion. The government has been the substitute for the economic market, making decisions for the labor unions. For that reason, labor union efforts were directed toward political support rather than toward economic concern.²⁶

Labor unions during the 1961-1967 period were concerned with the members' problems and the demands of wages because of the rising cost of living. On the other hand, they were wrestling, often heroically, with the question of social justice and economic development. As George Kimbel wrote,

broadly the interests which the labor union of [Egypt has been seeking to further] were two kinds: defensive and aggressive. There were grievances to be settled, wrongs to be righted. There were also rights to be won; the right to strike, the right to be heard, and the right to form their own laws, which implied the right to be autonomous.²⁷

On the contrary, instead of seeking these rights, labor unions, knowing that every spirit of their movement was affected by political development and political changes, reached out to the government to find support, stability, and mechanisms to get things done. On its part, the government reached out to the labor unions in order to have an arm to lean on in the maelstrom of political developments and political changes and an arm to control the work force.²⁸

²⁶Sufrin, op. cit., pp. 28-30.

²⁷George Kimbel, Topical Africa (New York, 1961), p. 218.

²⁸Sufrin, op. cit., pp. 44-45.

Labor unions, sensing their weakness in direct negotiation and confrontation with the government, were ready to cooperate with it and had consistently played politics. In a country where powerful interests have traditionally wielded great influence and where there was only one recognized political party, this strategy had offered the best, if not the only, course for the labor unions to follow.

As a result, labor unions had never fought the government's control on fundamental grounds. That is, while they obviously had no love for those who controlled them, they seemed to be content with the governmental support they could get as long as their social and material welfare was being looked after and they had some symbols of representation. Therefore, the strength of labor unions was dependent on the extent to which they were able to develop a supportive relationship with the government.²⁹

Union-Government Relations and Economic Developments

Labor unions in the developing countries must perform a substantially different and more varied role than those in their Western counterparts. As opposed to Western labor unions, which perform an almost exclusively "consumptionist" function--seeking improved wages and benefits and working conditions for their members--developing countries' labor

²⁹Iaan Davis, African Trade Unions (Baltimore, 1966), p. 222.

unions, if they want to be effectively involved in economic development, must play a broad "productionist" function. That is, they bear a major responsibility for increasing overall economic output while accepting conditions of austerity.

It was not surprising that the Egyptian labor unions saw their future in alliance with the future of the government. They saw their role as a spur to the government in the promotion of economic development. They, therefore, accepted the stress on productivity with greater willingness. The government, to solve the conflict between increased consumption and capital accumulation, was forced to suppress most of the consumptionist demands of union members.³⁰

Because of the economic hardship of the country, the government required the labor unions to accept a compromise (choice) between consumption and production. To do otherwise would play into the hands of the government to use forceful measures to curb all union members' demands. The labor unions, therefore, campaigned for increased industrial output and efforts and for the stabilization of the work force.³¹ Labor unions were given some measures to use to enforce discipline on the shop floor. The government did that because it was seeking an obedient labor force to achieve economic development. To rely solely on the

³⁰Ibid., p. 226.

³¹Ibid.

"socialist spirit" of the workers would be inexcusable romanticism--such a spirit did not exist at all.

The labor unions carried out the "productionist" function in order to earn the government's confidence and trust. In their attempt to earn the government's confidence, the union leaders signed a new constitution in 1965 in which they required all the workers to work an extra hour daily without an increase in pay and in which they prohibited work stoppage for any reason. The government reluctantly refused to accept such initiative suggested by the constitution, fearing workers' reprisal. That constitution reflected the political role and involvement of the labor union in economic development.

In spite of the lip service paid to productivity, the government had been reluctant to loosen its control of labor unions during the economic-development process by yielding to workers' consumptionist demands; however, it had to elicit their support for the new economic policy and for the economic-development process. The government also had been reluctant to recognize labor unions as a major element in the drive towards economic development. The first and only reason was political. The government in Egypt was worried about encouraging the growth of labor unions' roles in economic development which might easily become a challenge to the government's supremacy. By maintaining labor unions under control and denying them the freedom of action, the

government was seeking to minimize labor unions' power and restrict the possibilities of political unrest and industrial conflicts which might affect the economic-development process.³²

Summary

Political scientists have concluded that one of the dangerous flaws in the developing countries is the absence of viable intermediate associations. This fact tends to strengthen the monopolistic position of the government. Effective and strong labor unions can be useful intermediate associations to diffuse power, thus enforcing the prospects for democratic political development.

This has not been the case in Egypt in regard to labor unions. They are weak, and the government has clearly asserted its leadership and prominent power position in the industrial relations system. It is the government that is primarily responsible for the current status of the labor unions and the collective relations in Egypt.

Any change and/or improvement in the status and conditions of the worker have not emanated from labor union activities, but have come about because the government has promulgates and enforced a far-reaching code of labor legislation. Labor unions are, in effect, bodies which administer welfare programs and social services.

³²Ibid.

Labor unions' weakness is not solely the result of their novelty; it stems also from the inescapable onus of poverty and illiteracy of the average Egyptian worker.

CHAPTER VI

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

In most of the developing countries, labor unions are a part of the mechanism that carries on the day-to-day political process of the nation. Therefore, whether their role is supportive of a political force, unions are frequently able to influence and be influenced by the course of political development. When labor unions are linked to a sound political force, they usually reinforce its soundness and its progressive tendencies and contribute a dynamism that occurs in part from their representational mass base. Their participation in the political activity of their countries is at present an established reality.

The findings of this study show the outcome of the attempt by Nasser to transform Egypt into a socialist state by means of a crash program. He wanted to imitate the socialism in Tito's Yugoslavia, not considering the socio-economic differences between the two countries. The result of his attempt to introduce socialism into the area of the industrial relations system was failure. The failure came about because the government did not take into consideration the background and attitudes of those involved: labor unions, workers, management, and the Arab Socialist Union.

Nasser's dependence on socialism as an acceptable substitute for sound economic development and an efficient industrial relations system was short-sighted. The socialist laws, created overnight, caused a major change in the industrial relations system in Egypt. The laws tried in a crash attempt to transfer Egypt into a socialist state, but this attempt failed. The socialist laws brought along some positive results, but only in the short run. They failed to achieve their major objectives because the government did not prepare a preliminary study of these laws and their prospective outcomes and impacts. No attempt was made to share the opinions of the members of the industrial relations system concerning these laws.

On the other hand, the socialist laws were failures because of the following reasons.

1. The laws failed to take into consideration the traditions and characteristics of the Egyptian society, in general, and management and workers, in particular. The participation in drafting management laws which was successful in other countries did not work in Egypt because of management's attitude toward workers and workers' fear of management.

2. The socialist laws were introduced with no clear-cut objectives, which left the door open for those who were involved in the laws' implementation to define the objectives according to their own perceptions and interests.

This caused not only conflicts and friction, but also the laws' failure.

3. The government, acting alone and as the only strong member in the collective relations, did not consider and project what could be the reaction and attitude of all parties involved in these laws. Egyptian management is autocratic in nature and will never accept that it must treat workers as equals and as partners in production. The government did not solicit labor unions concerning the applicability of the socialist laws. On the other hand, workers enjoyed being the center of benevolent attention, but never cared about the laws.

4. The government's lack of understanding of the nature of the industrial relations system is evident in its creation of a tripartite representative structure in the industrial firms: the workers' representatives, union representatives, and the Arab Socialist Union's basic unit representatives. These tripartite representative structures appealed to the same constituency and competed with each other for power and influence; this, in turn, caused conflict and tension. The losers were the workers who became dissatisfied and, consequently, less productive.

5. Some of these laws failed to take into account the economic situation at that time. The profit-sharing law, as an example, had a negative impact on the economy. The average worker who had average low wages immediately spent his

share of the profit to provide his family with its basic needs. Such action affected national saving, caused high inflation, and increased prices, none of which the country could afford during its economic-development process. The government was forced to suspend that law.

6. While introducing the socialist laws, the government raised the workers' expectations: no more exploitation and deprivation. They believed that they were to become the owners of the means of production and the partners in management. This had never happened; the Egyptian worker, as a result, was disillusioned.

The socialist laws had many shortcomings, in relation to economic development. The government had expected, as a result of implementing the socialist laws, a great increase in the average worker's productivity. Such increases in productivity would stimulate the economic-development process. But there was no sound increase in average productivity per worker, thereby defeating one of the main objectives of these laws. Neither was there any significant contribution by these laws to the economic development. The wage structure and the minimum wage law, for example, were rigid and unrealistic; they did not consider the nature of the worker's job and did not have any built-in incentive system. Raises in wages were based on seniority, not productivity. Incentive pay was limited to once every two

years. The wage structure did not permit a differentiation in wages between skilled and unskilled workers.

The negative impact of the socialist laws on economic development became apparent when Egypt was faced with high inflation, reduction of average worker productivity, drain on national saving, and a high rate of unemployment. Thus the government quietly withdrew its support for these laws. Profit sharing was suspended, no election for participation in management took place after 1964, and wages were frozen. This withdrawal of support continued until 1967 when Egypt was defeated in the war against Israel. Part of the land was occupied, and the liberation of this land became the main concern of the Egyptian government overshadowing any other issues.

What was the impact of the socialist laws on the working class? The working class was the least sensitive to these laws. The workers were only touched by issues involving national honor. They were ready to be mobilized spontaneously whenever the Egyptian pride was involved. On the other hand, they had been left practically untouched by the social populism and they were not concerned with the July socialist laws simply because the regime was unable to provide any real hope to improve their living conditions.

The government intention behind the socialist laws and the 1962 constitutional provision that at least 50 percent of the members of any elected legislative or executive body

must be workers and farmers was first to get the working class support for the new socialist system. Second, the working class was uneducated and could be easily controlled and persuaded to accept the government directives and to consolidate the new system. Besides that, the government hoped and expected that the socialist laws would give the workers a feeling of security and protection from the unilateral actions of management. Also it was expected that these laws would bring about more interest on the part of the workers in the efficiency and the effectiveness of their production. The government, along with the Arab Socialist Union, had the feeling that these laws emphasized to the workers social justice and economic equality, eliminating class difference and eliminating the isolation of management from lower-grade workers.

With these expectations in mind, the government felt that workers would be inclined to devote more effort to increase their productivity. However, these same expectations and feelings did not exist among the workers who were restless and dissatisfied because of their low wages and the weakness of their unions. None of the government expectations came into existence because the socialist laws failed to obtain their objectives. As a result, there was a confidence gap between the workers and the government. This gap caused enough worker alienation and dissatisfaction that there was no increase in average productivity per worker.

The workers did not see and did not feel any real improvement in their social and economic standard of living. The average Egyptian worker did not satisfy his basic economic needs during the period of 1960-1967 as a result of the socialist laws. Intangible benefits meant nothing to him when he did not see any improvement in his economic status.

In terms of protecting workers from the unilateral actions of management, the fact is that the Egyptian worker accepts authority without question; he even accepts authority that goes beyond the customary limits. He accepts slow advancement and promotion. Workers' acceptance of management authority derives from the privileged social and economic position of management which leads to general acquiescence on the part of workers. This fact existed before 1960, during the 1960-1967 period, and exists still.¹

Egyptian workers under the socialist system discovered that, in spite of the existence of the tripartite representative structure in their firms, a combination of seniority and favoritism, rather than good performance, was regarded as the key to advancement. Passivity and patience, rather than productivity and initiative, were believed to be the necessary qualities for rewards.²

The existence of a surplus of unskilled workers affected the workers' feelings about job security; too they had a weak

¹Harbison, op. cit., pp. 154-158.

²Ibid.

bargaining position which conversely strengthened the authority and power of management. The workers had little to fall back on if they challenged management's unilateral actions. Under such working conditions, management's main concern was to find the docile worker "who will not talk back."³

Political Developments and Labor Unions

Any political development in most of the developing countries has a serious impact on the industrial relations system, with special reference to labor unions. C. Kerr, J. Dunlop, C. Myers, and F. Harbison developed a theory which categorized the members of the industrial relations system and their relationships in the context of the political and economic developments. The theory tends to explain the roles, status, and functions of both labor unions and the state (government) in the industrial relations system. They distinguished among five types of elite groups who customarily and variously take the leadership position in the industrial relations system. These are (1) the dynastic elite, (2) the middle class, (3) the revolutionary intellectuals, (4) the colonial administrators, and (5) the nationalist leaders.

Each of these elite groups includes several subelites such as political leaders, military leaders, labor leaders, and so forth. Each of these shapes and determines the rules

³Ibid., p. 157.

related to the industrial relations system.⁴ The characteristics and decisions of those elites are shown in Figure 5.

The nature of the industrial relations systems in Egypt in the period from 1960 to 1967 corresponds to that of the fifth group of the elites: the nationalist leaders. The nationalist leaders, as explained by Myers and his associates, may rise to the leadership position in the course of a revolt against an old system. Nasser, as a nationalist leader, came to power in 1952 as a result of a coup d'état against the monarchy. Nationalist leaders have a great impact on the industrial relations system, by having the state control and direct every social, economic, and political organization. The state is the mechanism to achieve national goals which are established and implemented by the leaders. There is a tendency to have state-controlled and planned economy. The nationalist leaders stress economic development.⁵

In relation to the labor unions, the nationalist leaders use diverse methods, including nationalist appeals to consolidate their regimes and developing a well-organized and loyal labor union organization. The ideology of labor organizations under the nationalist leaders is that of paternalism.

⁴C. Kerr, J. Dunlop, C. Myers, and F. Harbison, Industrialism and Industrial Man: The Problem of Labor Management in Economic Growth (Massachusetts, 1960), p. 50.

⁵Ibid., p. 115.

<u>Issue</u>	<u>Dynastic-feudal Elite</u>	<u>Middle-class Elite</u>	<u>Revolutionary and Nationalist Elites</u>
1. How do the elites regard industrial workers?	Paternal wards.	Another citizen.	The special class to be led and guided.
2. What is the relation of workers to plant managers?	Personally dependent industrial worker.	The independent worker.	A class of dependent industrial workers.
3. What is the function of workers' organizations?	Social functions at the plant level; little constraint on management. Provides minimum industry condition to preserve relative market power of managements. Political activity is regulative in details of management and also challenges the elite.	Regulate management at the local and industry level. Independent political activity accepted. Does not challenge the survival of the elite.	Instrument of party to educate, lead workers, and to stimulate production. No political activity except through the party.
4. How much competition shall take place among workers' organizations?	Limited rivalry at the plant level and over the distribution of functions between the local and industry level. No exclusive representation.	Exclusive representation makes for keener competition. Some rivalry between plant and industry levels over allocation of functions.	No rivalry or competition allowed.

Fig. 5--Decisions of an industrializing elite establishing an industrial-relations system.*

Revolutionary and Nationalist Elites

Middle-class Elite

Dynastic-feudal Elite

5. What shall be the structure of the labor movement?

A relatively large number of industrial unions. A centralized confederation is often limited by rival confederations. The unions perform a relatively narrow range of functions.

A variety of structural forms. The confederation is not as centralized as the other types. The unions perform a very broad range of functions.

A few industrial unions. A centralized confederation uninhibited by rivals. The unions perform a very narrow range of functions.

6. How shall labor organizations secure their funds?

Meager resources secured by dues which may not be regularly paid and by some indirect allowances from government. Financial success not highly regarded by labor organizations.

Substantial resources secured by regular dues; regulatory functions require administrative organizations and large budgets.

Substantial resources secured by assessments levied upon all workers; fine buildings; financial resources present no problems.

7. What is the source of labor leadership?

The intellectuals and those ideologically oriented toward political activities. Their income position may be insecure.

The ranks through lower levels of labor organizations. They have an established career.

Reliable party leaders with experience working in labor organizations. They have an established career.

8. What attitudes shall be adopted toward industrial conflict?

Industrial conflict is regarded as a moral challenge to the paternal view of industrial society. Conflicts often take the form of demonstrations.

Industrial conflict is an extension of the market; some conflict has affirmative value; society established rules of conflict.

Industrial conflict is regarded as a challenge to ideology and a threat to the elite. Industrial conflict is repressed.

<u>Issues</u>	<u>Dynastic-feudal Elite</u>	<u>Middle-class Elite</u>	<u>Revolutionary and Nationalist Elites</u>
9. How are disputes settled, and who holds the balance of power?	Government decisions are extensive and substantive. Decisions are expressed in the traditional legal system.	Great effort is made to secure settlement by workers and managers directly. Government intervention is often procedural, and substantive decisions are infrequent. Public opinion plays a major role. The language of decisions is pragmatic.	There is limited machinery which is not extensively used. The party determines unresolved issues. Decisions are expressed in terms of the ideology.

Fig. 5--continued.

The leaders use suppression to deal with nonloyal labor unions and to deal with industrial conflicts. Labor unions have little direct impact on the formulation, administration, and implementation of labor policy.⁶

These conditions of the industrial relations system and the difficult relationship between the government (state) and the labor unions prevailed in Egypt in the period from 1960-1967 when Nasser served as the head of the government and as a national leader of the masses. Under his leadership, the government was in full control of industrial relations and suppressed labor unions' authority.

Through central planning and nationalization measures, the government headed by Nasser controlled and planned the economic-development process and stressed a high rate of growth and increase in productivity in the industrial sector. The government issued the socialist laws with the hope of boosting workers' productivity. It completely took over the formulation, administration, and implementation of these laws, preventing any labor organization participation. The government after 1959 was carrying out Nasser's policies and administering these policies and rules at the national, regional, and the firm level through the Arab Socialist Unions. On the basis of the theory developed by Myers and his associates, the industrial relations system in Egypt in

⁶Ibid., p. 226.

the period from 1960-1967 was dominated by the government headed by a nationalist leader, Nasser.

The domination of the government resulted in the shaping of the industrial relations system to fit in the new political changes (transformation to socialism). Such shaping aimed at increasing the base of political participation and the politicalization of labor unions. The impact of the shaping of the industrial relations system and the domination of the government was reflected in the absence of strikes, the decrease in the number of labor disputes, the reduction in the unions' consumptionist demands, and their compliance with laws.

The labor unions' functions under such an environment were largely reduced to a minimum. They were given an impressive role on paper, while losing their freedom of action to the government and losing their members' respect. The labor unions' role in the industrial firms was terminal in nature because of the government redefinition of their role, which weakened rather than strengthened their influence and control over their activities. Wages, working conditions, work standards, and all work-related matters were dominated by the Arab Socialist Union basic unit, with no role played by the union. Handling workers' grievances did not depend on elaborate grievance procedures, but rather on personal relationships with the Arab Socialist Union representative.

The Arab Socialist Union did not carry out its main political function, political education of the workers, as shown in their low level of productivity. On the contrary, the Arab Socialist Union interfered in handling workers' grievances and all work-related matters, creating tension instead of harmonious relationships with the labor unions. Neither management nor workers saw the need for the Arab Socialist Unions or a substitute for labor unions in handling workers' grievances and demands, but owing to the labor unions' weakness, the Arab Socialist Union was the only alternative left.⁷

In spite of the labor unions' weakness, most of the workers wanted to see their unions involved in determining disciplinary politics, wages, and working conditions. They supported the idea of an increase in unions' power and influence in the industrial firm and an increase in their freedom of action with a decrease in government control. On the other hand, the limited freedom and limited influence are blamed on the government's paternalistic attitude toward labor unions.⁸

The government, through introducing the socialist laws, thought to substitute labor unions as viable organizations to protect workers' interest and meet their demands. This proved to be a fallacy. Further assuming that these laws would achieve their objectives without union involvement

⁷Kamel, op. cit., p. 147.

⁸Ibid., p. 195.

proved to be another fallacy. This was evident in the low productivity per average worker. The Egyptian worker was disillusioned by these laws simply because his labor unions were not consulted and were not asked their opinions concerning these laws and the workers' reactions and needs. Enforcing these laws was inversely related to labor unions' functions. That is, unions were not informed sufficiently to be prepared for the radical changes in the labor laws and were not given the time to adjust to these changes before their implementation. Such planning could have helped in the success of the socialist laws.

On the other hand, the government's continuous limitation of labor unions' freedom of action and its prevention of the unions' freedom to carry out traditional activities, because of fear that powerful unions would present a threat to the political system, was a major obstacle to a successful implementation of the socialist laws. An exertion of leadership on the part of labor unions accompanied the successful implementation of some of these laws, such as worker participation in management in countries like West Germany and Sweden where such programs have been fruitful.

Thus any attempt to introduce a change in the industrial relations system and in labor laws without allowing labor unions to gather perspective on the laws, to formulate their objectives, to prepare the workers, and to anticipate the possible outcomes of these changes is bound to be fruitless.

Suppression of labor unions and not allowing them to share in the formulation of labor laws resulted in the negative attitude and lack of compliance by workers. As a result, the attempt to change the industrial relations system to a socialist system in Egypt in 1960-1967 failed.

Government intervention and a change in the industrial relations system through legislation should not be considered the only means of preventing the labor unions' potential threat to the political system nor a means of providing a permanent way to solve industrial conflicts and ensure industrial peace. All aspects of the industrial relations system, including wages, working conditions, fringe benefits, grievance procedures, were prescribed by legislative actions, and labor unions could not change these, but could only make sure that management was adhering to labor legislation. Such action by the government did not induce harmony of interest between workers and the government and between labor unions and the government. It evaded the basic issue of industrial conflict, which is between the wage earners who want to increase their wages and the employers who want to reduce cost and increase profit. Rather, through its intervention, the government became the only body responsible for the industrial conflicts and the agency towards which all grievances had to be directed, which should not be the case.

On the other hand, the labor unions' leaders were aware that their movements, if isolated from the political

leadership and political relationship of any sort, were primarily reactive instruments. They knew that pure labor unions did not write the book of politics. They may influence events, but the major decisions were made elsewhere. Thus it is understandable that labor union leaders in Egypt considered it desirable and helpful and even necessary to have political affiliations with the government.

Labor union leaders, as a result of their political affiliations, were not able to fight government control over their activities and functions on fundamental grounds. Labor union leaders, while they obviously had no love for those who controlled them, seemed to be perfectly content with their lack of autonomy as long as their material welfare was being looked after and union members had some symbols of representation. The unions did not have to struggle for their member's gains; these were decreed by the government. The Egyptian labor unions were actively involved in the government's political activities because their political strategy in 1960-1967 had been to cultivate the good will of Nasser's socialist system.

Labor unions in Egypt were weak in their relationship with the government, a fact which leads to the conclusion that

labor unions in Egypt were not the result of the development of a free labor movement. On the contrary, they were by formal design government-made labor organizations--hothouse plants grown in a greenhouse of special legislation from seeds carefully selected and transplanted from the industrialized nations. The Egyptian government had worked

hard to create the type of unionism which they deem to be most consistent with its [Socialist System].⁹

It can be then taken for granted that any political development in most of the developing countries will exert a tremendous impact on the industrial relations system, especially on labor unions as was proved in Egypt in 1960-1967.

In most of the developing countries, the leaders of political developments will expect continued support and cooperation from the labor unions. In such an environment, the thinking of the labor union leaders, the attitude of their members, their structure and behavior, and the very spirit of the labor union movement are affected by the ongoingness of the political process and political changes with their myriad of force. The element which is at the center of the political development is always the government. Consequently, labor unions, as expected, reach out to the government to find help and support and a mechanism to get things done. On its part, the government reaches out to the labor unions to have an arm to lean on in the maelstrom of political development, a source of political support, and an arm to control the work force.¹⁰ A conflict may happen here if the union desire to press for benefits for its members runs counter to the government's policy for economic

⁹Galenson, op. cit., p. 159.

¹⁰Sufrin, op. cit., pp. 44-45.

development. In such a case, the government has many ways to bring the labor unions under control.

In reality, the Egyptian labor unions have been going through the transitional period with its concomitant confusion, maladjustment, discontent, and perplexities. They have been in a state of evolution which is the product of the general economic, social, and political condition of Egyptian society. Therefore, labor unions will not likely be completely mature and responsible and acquire the power to carry out their functions unless the underlying economic, social, and political realities permit the transformation. This is not likely to happen in the near future.

Meanwhile, labor unions will continue to depend on the government for support and protection and will continue to accept control. But such protection is potentially unsafe because worker and labor union dissatisfaction with the government policies and its intervention can be turned against the government itself and against the political system. It also can cause open strikes and bloody demonstrations as happened on January 17-18, 1977, when about sixty persons were killed and hundreds were injured.

Conclusions

1. The role of the labor unions in the industrial relations system, especially in formulating the socialist laws, was minimized in Egypt in the 1960-1967 period.

2. From an economic point of view, the socialist laws in the 1960-1967 period restrained the economic-development process by reducing savings, not supplying the economy with skilled productive workers, causing inflation, and failing to provide an incentive system to stimulate productivity.

3. The socialist laws did not achieve any of their expected objectives partly because no one except the government was involved in these laws' formulation and implementation.

4. Except for the small increase in wages, the average worker did not achieve any tangible benefits that could improve his economic and social status.

5. The existence of political control over labor unions and over the industrial relations system will continue and persist as long as labor unions do not have effective leadership and as long as there is no political opposition to the government.

Recommendations

1. The government should give the economic units (industrial firms) the freedom to develop their own wage structure and incentive systems, which are congruent with each firm's internal and external environments, to stimulate worker productivity. The firm should establish the wage structure that fits its needs. In that firm a committee should be formed, including the labor union representative, to develop the specific firm's wage structure,

reflecting productivity and rewarding good performance. The government should only establish the minimum wage to prevent exploitation of unskilled workers.

2. The firm should be free to manipulate its wage structure and incentive policies to reflect worker productivity and performance, providing it abides by the minimum wage standard. In such situations, worker grievances concerning wages and industrial conflicts will fall on both management's and labor unions' shoulders. The government will not be responsible for solving workers' grievances.

3. The national wage structure should be reevaluated, if not abolished, to allow for wage differentials according to skill, education, experience, training, and productivity. That will help to supply the economy with the skilled workers needed for economic development.

4. Labor unions should be the only responsible authority to handle worker needs, demands, interests, and complaints. That should be accompanied by a well-defined grievance procedure, a well-organized union structure, and well-defined union administrative policies and activities. That will promote a sound and effective industrial relations system.

5. The labor unions should be involved in the formulation and implementation of any labor policy (law) that may have an impact on the workers and could cause their dissatisfaction and alienation. The government should seek labor

unions' opinions and advice concerning the development of any labor policy and any change in the industrial relations system because unions can give a practical picture of what workers' aspirations are.

6. Labor unions should acquire political and economic freedom from the government. To be able to achieve that, labor union leaders should focus more attention on developing wider sources of leadership, especially at the local level; unifying membership; systematizing internal administration and procedures; and developing the necessary skillful leaders who can maintain mutual respect and trust, but who can also maintain an autonomous relationship with the government. The development of effective union leadership should be, on the other hand, accompanied by an increase in workers' average income, a fair degree of employment stability, and a strong bargaining position.

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