CHAPTER – 3
TRADE UNIONS AND POLITICS AND IMPACT OF ECONOMIC REFORMS ON DEVELOPING AND DEVELOPED COUNTRIES

In the preceding chapter we understood about the origin and evaluation of trade unions and beginning of political involvement in Indian trade unions. In this chapter, an attempt is made to understand political relation of trade unions in the light of economic reforms in developed and developing countries. India being a developing country and having observed the political character, it is necessary to compare it with the other developing countries to see whether there are any similarities or not.

Developing countries constitute a large group they are spread over Asia and Africa and Latin America. There are amongst them religious differences. In spite of all these differences there was one common feature about the developing countries, that they are industrially backward when compared to other developed countries. Another common feature was that most of them were under colonial domination and have become independent only in recent years. Some countries like India became independent only after Second World War. Many countries in Africa became independent in the 60’s. They are all independent nations. Some among them are not politically stable. They are in the process of establishing themselves as a political community, as a nation.

As we have already discussed most of the developing countries were under colonial role particularly under France or England or developed under the control of these colonial countries. Another common feature is wherever colonial countries had been struggling for national independence are struggling to-day for the same and the trade union movement has been
an integral part of the national movement.\textsuperscript{1} Hence, it is futile to expect the trade unions in such countries to maintain an attitude of political neutrality when the basic issue of an independent national existence itself is in question. Under the conditions of colonial domination when national aspirations are striking for independent recognition, trade unions can neither afford to be cut-off from the main stream of political struggle for independence nor operate successfully in isolation. An alliance with political parties under such conditions is conducive to both the trade union movement; and the struggle for national independence.

This tendency was natural, inevitable and also desirable. Thus trade unions provide the political parties easy channels of communication for the spread of political ideologies and dissemination of political ideas.

In most of the developing countries in Africa and Asia, the trade unions are part of that which carries on the day-to-day political processes of a nation. Therefore, whether their role is supportive of political force currently in power or, for reasons valid or invalid, in opposition to it, they are frequently able to influence the course of political and economic development by various means.

3.1 **Trade Union movement in Ceylon**

"The trade union movement in Ceylon has been affected not only by Politics but also by communal politics. Ceylon has a sizeable minority of Tamils who are Ceylonese nationals of South Indian Origin. In the trade unions as well as political field this fact has led to the organisation of the Sinhalese and the Tamils separately. Ceylon Labour Party was established in 1922 by a political leader. Most of the members of Ceylon Labour

\footnote{G.P. Sinha, P.B.N. Sinha, "Indian Trade Unions, Political parties and problem of leadership, in Industrial Relations and labour Legislations (1977) p. 178.}
Union were Sinhalese workers. This was the All Ceylon Trade Union Congress (A.C.T.U.C.).

The labour wing of the Tamil workers was at first the Ceylon Indian Congress party. This trade union had changed its name-to Ceylon Workers Congress (C.W.C.), when its parent political party assumed the name of the Ceylon Democratic Congress.

The Ceylon Democratic Congress suffered an ideological split in 1955, when a splinter group led by one of its leaders was expelled for espousing Communist-oriented ideas and programmes. After this development in the party organisation, the C.W.C. took a strait anti-communist stand. In 1956, it joined the ICFTU as its Ceylonese affiliates a position which had been held by the ACTUC between 1950 and 1955.2

The Communist Party affiliated trade union (Ceylon Trade Union Congress) CTUC, had enjoyed the support mainly from Tamil workers. The present ruling party set-up its Labour Organisation as United National workers' Congress (UNWC). Thus organised labour in Ceylon has had a continuously splintered existence like India that the rivalry between political and communal contributed for its development as well as adverse consequences like in India.

3.2 Sri Lanka (Ceylon) Trade Unions & Economic Reforms

The Sri Lankan Government was the first in the South Asian region, and one of the first in the developing world, to implement a program designed to build an open trade regime and to achieve export – led growth.

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2 N. Pattabhiraman, Political Involvement of Trade Union (1967) p. 177.
In response to economic stagnation, high inflation, and high unemployment in the 1970, the united National Party of Julius Richard Jayawardene promoted, beginning in 1977, currency devaluation, trade liberalization, foreign investment and exports, reduction of government expenditure and money supply, and privatization. The shift towards a more open economic regime coincided with a shift toward a decidedly was liberal political regime.³

Under Jayawardene and his successor, President Ramasinghe Premdasa, there was much political violence which led to international interdependence than all other south Asian Economies. The Sri Lankans Public Sector was extensively privatized. Despite a very high unemployment rate, privatisation in Sri Lanka involved voluntary retirement schemes, comparatively generous compensation packages, and future employment guarantees. The export led Industrialization strategy generated new employment.

Unlike India the degree of international economic interdependence and influence of International Financial Institutions such as I.M.F and the World Bank and donor governments helped Sri Lanka’s privatization pattern and there was no much conflict between trade unions and SriLanka Govt. in case of increasing productivity and new employment, and generous V.R.S. Schemes.

Because of special circumstances in Ceylon such as Political and ethnic violence Sri Lanka Government was compelled to adopt privatization steadily and effectively when compared to India and trade unions which have strong political affiliations did not exercise much

resistance against privatization as they have received more handsome severance packages and employment guarantees.

Among south asian countries Sri Lanka is unique in several respects. It has the highest union density in the region (19 percent). Here, unionisation and industrial relations began with plantations and then extended to the manufacturing sector.

In 1948 there were 100 trade unions. By the late 1990s there were about 1800 registered trade unions in Sri Lanka which has a workforce of 5.36 million. The number of trade unions is large, partly because most of them are organized at the plant level\(^4\).

In some well-known firms in Sri Lanka joint councils and consultative committees have been established over the past few decades to foster harmonious relations. Similar arrangements existed in government owned companies too.

The governments continued preoccupation with economic reforms and privatisation and labour market reforms had increased the job insecurity among workers. The national worker’s charter, designed to enhance worker protection and worker rights, was futile in the wake of opposition from employers, thus shattering the hopes of workers.

About 8 percent of the privatised units seem to have failed and were rehabilitated by the government. As in most other countries where privatisation occurred, in Sri Lanka also there was concern about the lack of transparency in the process. The most critical problem in privatisation

\(^4\) C.S.Venkata Ratnam, D.P.A Naidu, Industrial Relations & Collective bargain in South Asia, Trade Union perspective, ILO Publications, p.102

78
concerns workforce redundancy World Bank estimates put surplus labour in some state-owned units at around 40-50 per cent, except in plantation\textsuperscript{5}.

Estimates of workforce reductions on account of privatisation ranged from 20,000 to 50,000 until 1994. Studies indicate that most of the retrenched or voluntarily retired workers were unskilled and above 45 years of age and could not find an alternative source of livelihood. In recent years there has been an increase in vulnerable employment and it is feared that the tendency towards unprotected employment may threaten certain basic rights of workers as enshrined in national legislation and stipulated by the ILO standards. The legal and institutional frame work to deal with labour and social issues of workers affected by privatisation provides that employees not absorbed in the conversion from the public to private sector be compensated on such terms as are determined by the cabinet ministers.

Human resource and industrial relations in Sri Lanka with regard to globalisation have largely been based on cost based competitiveness with a focus on keeping wages low, pursuing anti-union strategies by multinationals especially, non-compliance with labour laws, reducing labour force, increasing job insecurity, greater resort to subcontracting or casual labour, work force reductions without social safety nets is another matter of serious concern which remains to be addressed by the government of Sri Lanka.

Economic liberalization is resulting in corporate restructuring. This in turn is having an adverse impact on formal sector jobs. Therefore present restructuring downsized the trade unions and trade union unity is the crying need of the labour.

\textsuperscript{5} C.S.Venkata Ratnam, D.P.A Naidu, Industrial Relations & Collective bargain in South Asia, Trade Union perspective, ILO Publications, p.115
3.3 Pakistan trade union movement

Before formation of Bangladesh, there were two wings. The majority of the unions in the eastern wing of Pakistan (now Bangladesh) were with the Communist led AITUC and bulk of trade unions in the western wing of Pakistan were affiliated to IFL which has formed by M.N.Roy in 1942.

The trade union in the western wing formed another federation, under the leadership of M.A.Khan which was named as Pakistan Federation of Labour (PFL). From PFL the radicals established another federation in 1948 which was called Pakistan Trade Union Federation (PTUF).

In East Pakistan most of the unions joined together on 28th September 1947 to form East Pakistan Trade Union Federation (EPTUF) under the leadership on Dr.A.M.Malik. The West Pakistan and East Pakistan Federations joined themselves to form All Pakistan Confederation of Labour (APCOL) on 9th September 1950. The Pakistan Mazdoor Federation, the second largest trade union federation was formed in 1951 under the leadership of Moubarik Saghar of Pakistan Socialist Party.

In 1962, a new central body was organized by the name of Pakistan National Federation of Trade Union (PNFTU) and in the same year National Federation of Labour was formed. Both began to work parallel to APCOL. In the later part of 1960 political parties began to organize central bodies in order to influence the decision making authority of government⁶.

In the forty years of their existence in Pakistan, the trade unions mostly were non-political. There is numerical increase of trade unions

which were approximately 600 in 1969 and has gone upto 8000 in 1987. The multiplication of the unions has been without any purpose, direction and target. The workers in Pakistan despite their numerical strength have not been able to get their due place in the society. The few political parties organized labour federations that do exist such as Pakistan People’s Party’s People Labour Bureau have few members and little credibility.

Pakistan’s trade unions have been comparatively amenable to privatization. The All Pakistan State Employees Workers Action Committee secured an agreement that gives workers of privatized enterprises severance pay of 25% the last year’s salary for every year worked, a guarantee of one year of future employment and option to take shares in the privatized company.

Extensive and rapid privatization in Pakistan was achieved through labour’s political exclusion. After 1968 at the time of martial law, new labour laws promulgated to limit political unionism and to promote enterprise unionism, that is, factory based unions without political affiliations. Article 17(1) of Constitution also recognises citizen’s right to form associations or unions. ILO conventions concerning freedom of association (87) and right to collective bargaining (98) were ratified by Pakistan. Yet public servants, teachers, hospital workers and some sections of railways cannot be members of trade unions.

3.4 Pakistan Trade Unions and impact of Economic Reforms

With regard to Pakistan unions, there was no incorporation of labour during the 1940-47 independence movement. Weak left political tradition during 1951 because of Rawalpindi conspiracy Pakistan Govt. banned the communist party of Pakistan. There is not only feeble political system but also deep ethnic divisions in which trade union movement will not be
developed. Like other South Asian countries, Pakistan too followed import substitution and industrialization for over three decades after independence. For the past years it has embarked upon structural reforms of its economy, which have aggregated social and labour problems.

Benazir Bhutto began the privatization process in December 1988. Sharif announced, when he succeeded Bhutto in 1991, that he would speed up the privatization process and he did. Nearly all state-owned enterprises have been sold in auction. These include all public sector factories and most banks. The pace of privatization in Pakistan is among the world quickest, whereas in India after the announcement of the economic policy and an IMF agreement in July 1991, finance minister Manmohan Singh announced that within two years subsidies to state owned enterprises would be eliminated and non-performing public sector enterprises would be privatized. But several years later not a single government PSE had been privatized, despite repeated government attempts.

The current process of privatisation, which began in 1991, resulted in the divestment of 106 public enterprises, besides partial sale of shares (6 to 12 percent) of Pakistan international airline, Pakistan Tele communications. Restructuring in some banks resulted in the loss of about 10,000 jobs, in most others employment declined. The census of manufacturing industries data indicates a 9.7 percent decline in employment in the large scale manufacturing sector over the period 1990-91 to 1995-96. 7

With only 3 percent of workers being unionised and the mounting unemployment, enforcement of core labour standards and legal provisions

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7 C.S.Venkata Ratnam, D.P.A Naidu, Industrial Relations & Collective bargain in South Asia, Trade Union perspective, ILO Publications, p.94, 96
is becoming difficult. More than two-thirds of the workforce is not covered by labour laws, and even in sectors which are covered, enforcement is weak.

### 3.5 Trade unionism in Indonesia

In Indonesia trade unions have been intimately connected with political organisations for a long time. Previously Indonesia was under the domain of Holland Communists. Communists were quite active in the labour field. But the Communists were not the only active political element in the Indonesian labour movement. Nationalism too was a propelling force of trade union action and positive evidence of this was provided by the fact that a great many unions were brought into a federation by the leaders of the Sarikat Islam in the interests of that political movement.

"In Indonesia the early unions were swept away during the Japanese invasion. After independence workers began to build up new unions. The unions that grew were associated with various political parties, with parties like Nationalist Party, the Social Democratic Party and the Communist Party. There was differentiation on political lines. In course of time the communist unions became very powerful with the support of Dr. Sukarno, and their central organisation, the Centre of All Indonesia working organization (SOBSI) became the predominant organisation. It failed as soon as the communist party failed. "Non-communist and anti-communist trade union centres were also launched and the largest among them was the Serikat Buruh Islam Indonesia (S.B.I.I.) ……. The Army also entered the trade union field. It organised a labour front of its own called the Central Organisation of Indonesia workers” (S.O.K.S.I)\(^9\).

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\(^8\) V.B. Karnick, Trade Unions & Politics (1968), p.18.
\(^9\) N. Pattabhi Raman, Political Involvement of Trade Unions (1967) p. 179.
In general the roots of political involvement apparently extended beyond nationalism and reached into a set of complex political factors characterized by fierce struggles between groups professing conflicting political ideologies and aspirations. The concept of really independent trade unionism failed to take root and the union remained fragmented, weak, and subject to political expediency.

In 1959 the country returned to the Constitution of 1945 which guaranteed the right to form trade unions. In 1967 Sukano handed over all powers to General Suharto. Attempts were made to unite all unions in a central body, the KBKI, under government auspices, but this was unsuccessful.

There is no law governing trade unions. The decision of the minister of labour affairs No 90/1955 introduced compulsory registration for trade unions10. Since Independence the Indonesian trade movement has been very fragmented with each political party promoting its own national trade union center.

3.6 Unionism during the New – Order government

One of the biggest trade unions at that time, Center of All-Indonesia Workers Organisation (SOBSI) announced their affiliation with the Indonesian Communist Party. When the communist ideology was suppressed in 1966, the communist party and hence SOBSI were banned. Suharto came into power in that year, and styled his cabinet as the New Order.

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10 Cold Rick & Philip Jones, The International directory of the Trade union movement, Mac Millampress London – 1979
The main focus of the early years of the New Order was promoting economic “recovery”. In order to achieve it, the government started to control all kinds of mass-based organizations which were considered radical, including political parties and trade unions that were suspected as the main factors to be blamed for the chaos during the old order period. Thus, the early years of new order government was characterized by its effort to amalgamate the existing non-communist trade unions into one workers organization. It started by sponsoring the establishment of the MPBI (Indonesian Workers Consulative Assembly) in 1969. Twenty two trade unions became members of this assembly. The government gradually directed the MPBI to form a single, easily controllable trade union. In 1973, the government finally succeeded, establishing the FBSI (All Indonesia Workers Federation), which claimed itself as the only workers’ organization officially recognized by the government (ibid).

The FBSI submitted itself to HPP (Pancasila Labour Relations), under the auspices of a government initiated industrial relations approach. Under this model, FBSI was operated as a tool for safeguarding political security and stability, by involving the FBSI officers in OPSTIB (Operation Security) under the military. The heads of central or regional FBSI bodies were those who had been actively involved in OPSTIB. Moreover, the selection of the executive leadership of local FBSI committees had to go through an examination by Korem (Military Command post) and Kodim (District Military Command), and the Mispida (Local Government Assembly).\(^\text{11}\)

However, after several years, the 22 sectoral trade unions which were members of FBSI became more independent, as they had built direct

\(^{11}\)http://www.asia-pacific-action.org/southeastasia/indonesia/publications/doss1/teten.htm
affiliation with international trade unions. Trying to stop the greater independence of the unions, the government changed the form of labour organization from a federative to a unitary form. FBSI was renamed SPSI (All-Indonesia Trade Unions) in 1985. The industrial relations policy was renamed Pancasila Industrial Relations (HIP), even though there were no changes in the substance of this model.

The form of SPSI was later changed again into a federation in 1995, due to negative critiques from domestic and international labour activists on the government policy that made trade union formation and recognition impossible. It became the FSPSI (All-Indonesia Trade Union Federation), but government control over this organization was scarcely different. (Hadiz, 2000; p.248). In practice, this new form did not change the number of recognized trade unions, as the government did not withdraw the regulation on the union establishment; the Ministry of Labour Decree No.05 (1987). This decree stated that the precondition that should be met by a union to be officially accepted and recognized was that it should have a Unitarian structure, branches in no less than 20 regions at the sub-provincial level and in 100 bodies at the district level and in 1000 units at the workplace level.\textsuperscript{12}

SPSI/FSPSI could not be independent labour organizations as they got their funding from the government as well as from their members. Therefore, their concern over labour welfare and other issues were subordinated to the government’s interests. Moreover, the heads of SPSI/FSPSI were company owners or politicians.

\textsuperscript{12} Ibid.
3.7 Economic reforms in Indonesia and trade unions

There have been significant developments in Indonesia trade unionism since the fall of Suharto on May 21, 1998. Despite Department of Manpower figures estimating rises in total unemployment between 1996 and 1998 of over eighteen million and ILO estimates of 1333,395 dismissals in the industrial sector in 1998 alone, number of unions which registered with the department during Habibie period is quite impressive. The transitional government’s departure from the effectively single-union model of the late Suharto period is major policy change. The fall of president Suharto in the mid-1998 was an indication of the greater desire of the people to experience a more democratic and transparent political life.

In order to gain domestic and international support, Habibi and Abdurahman Wahid, who were subsequently second and third president, took a radical step towards labour policy. Habibie ratified ILO convention no.87, year 1948 on freedom of association and protection on the rights to organize. Wahid followed his step by enacting law 21(2000), which enabled the establishment of unions with a minimum of 10 members.

The absence of an independent trade union movement, which has been an attracting factor for foreign investment certainly could not be provided anymore by the Indonesian, as hundreds of unions were formed after the enactment of Law 21. The fact that unemployment as well as the inflation rates remained high, created a situation where by an employee would be conscious of keeping his/her job and hence being reluctant to engage in union activities.

13 Michele Ford, Lavom and Management in development journal volume 1, Number 3, Asia Pacific Press, 2000, p.3.
All above developments paved the way to introduce economic reforms such as inviting foreign capital in the form of multinational industries and privatisation etc.

On December 1974, the Indonesian Government introduced an industrial relations system which confirmed its attempts to become more friendly to foreign investment. The system was known as Pancasila Labour / Industrial relations (HPP/HIP)\textsuperscript{14}. According to which the trade unions in order to go on strikes get permission from regional committee for the settlement of labour disputes. Without this permission strikes could incur labour sanctions.

Multinationals have been viewed as the major actors of making the world become one integral part in terms of economic activities. Indonesia enjoyed both political stability and political support for economic reform. Its reform was purposive and faster\textsuperscript{15}.

However, the attractiveness of Indonesia as a foreign investment destination declined sharply in 1998, owing to political instability, national insecurity, legal in security, and the changing labour policy and industrial relations system. These changes were triggered by the Asian Financial Crisis in 1997 caused by the collapse of regional currency. Among countries affected Indonesia was the most severe. There have been massive layoffs as a result of closures of companies, or a result of their liquidation by the government for their failure to repay debts or for other economic reasons, pushing the proposition of the population living below the poverty lines to rise almost 40%.

\textsuperscript{14} Riani Rachmawati, Trade unions behavior towards multinationals – A thesis – The university of Birmingham, 2009, p.29.
\textsuperscript{15} C.S.Venkata Ratnam, Michael Sebastian, D.P.A Naidu, Trade Unions and Structural Adjustment, ILO Pub. 1999, p.60.
After the downfall of President Suharto in the middle of 1998, the policy and regulations upon the trade unions underwent dramatic changes. The new government under Habibie’s presidency ratified eight ILO conventions of which one of them was convention No.89, (1948) on the freedom of association and protection on rights to organize”. These changes resulted in massive union establishment nationally, but the growing number of unions were not followed by a high willingness of workers to join unions. Many workers formed unions to gain public support for a particular political party, a more recent estimate (2006) showed that the union density of much lower, with only around 6-7 percent of formal sector workers (3.4 million union members out of 40-50 millions formal sector workers\textsuperscript{16}.

Radical changes such as inviting foreign capital, introduction of multinational corporations and changes designed to push the country toward goals of development and production did not help Indonesians trade unions in bringing job security to workers. Economic reforms could not create any class consciousness among the workers. There was greater fall in the former workers with regard to membership and challenges on par with other developing countries.

3.8 Philippine trade unions and economic reforms

Philippine unions have followed the American model. They are independent unions, oriented towards collective bargaining and looking after the economic interests of the workers. This was the unique feature of Philippines trade unions unlike other developing countries in the world.

The country prior to the coming of the new dispensation was in a sad state of confusion and disorder. The mass discontent and social unrest

\textsuperscript{16} Riani Rachmawati, Trade unions behavior towards multinationals – A thesis – The university of Birmingham, 2009, p.32.
were the immediate offspring of hunger and want. The inequitable distribution of wealth intensified the people’s longing for social justice. Meanwhile, the atmosphere of the country’s labour front was thick with hostilities. Statistics from the department of Labour showed 40 percent of the strikes in those days were not caused by employer and employee relations but by union rivalry\textsuperscript{17}. The situation was reconcilable with the presumption that trade unions played a vital role in the economic growth of nations, particularly developing ones like the Philippines.

On 21 September, 1972, Martial law was declared. Prominent trade union leaders and nationalists were detained. The next day general order No 5 prohibited rallies, demonstrations and strikes and the Philippine Republic took its first step toward self – redemption, the labour front was not spared with the radical changes designed to push the country toward goals of development and production.

Finally on 14 December 1975, after a series of delicate deliberations, a new coalition, officially called the Katipunang Manggagawang Filipino (Trade Union Congress of the Philippines, KMP – TUCP) was formed. The KMP-TUCP came into being after the countries top labour leaders representing an organized force of 300,000 agreed to form a unified body to represent the Philippines organized labour\textsuperscript{18}.

On May 1, 1986 the biggest all trade union-gathering was celebrated in Luneta. These trade unions converged under the banner of LACC to mark the 100\textsuperscript{th} year celebration of International Labour Day. Between 1992 and 1998 trade unions challenged Fidel Ramos economic program “Phillippines 2000” and its laws fro neo-liberal globalization. The movement

\textsuperscript{17} V.S. Matur, Changing role of Trade Unions in Developing Economies KFTU, 1976 p.35
\textsuperscript{18} Ibid., p.36.
however lost in its campaign to delay the country’s notification of the GATT argument.

3.9 Impact of the Economic reforms on Philippine trade unions

The Philippine economy is itself weak and there are high-value industries that allow productive activities to boost prime and domestic market. To a large measure, the comparative advantage of the country in international trade has been its cheap labour. To maintain cheap labour employers have resorted to hiring flexible labour resulting in the division of workers into small workforces that are very difficult to organize unions.

Because of the difficulty of organizing small workforces trade unions tend to complete and over whatever is left of the bigger companies. ‘Globalization’ has irrevocably altered the Philippine economic landscape of free trade. The main instrument globalization expedited the integration of Philippine economy with the world economy. An application in the Philippines forced the shift in economic development strategy from “Import substitution” to one that is ‘export led’.

The utilization of more efficient technology means that industries have to downsize or right size their operations. This in turn entails dismissal of a substantial number of regular employees on grounds of redundancy.

The use of more flexible labour force caused an alteration of employment relation in the Philippines where regular employment declined and new trilateral and bilateral employment relations emerged. These consist of labour contracting, jobs, and service contracting, home workers,

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casual workers etc. Therefore with the impact of neo-liberal globalization, there will be great difficulty in organizing strong trade unions.

3.10 Trade Unions in Egypt

So far as Egypt is concerned the problem is very simple. All trade unions are under the direct control of Government. Government has decided that there should be a certain number of trade unions and workers are directed to join them. Trade unions do not have any independent existence.

By the above discussion, it is obvious that the unions of Egypt closely resemble the trade unions in USSR which have to go according to the instructions of the Government and which are productive oriented and directed towards the development of nation as a whole, but not a development of working community alone.

The same pattern repeats in Ghana. There the Government insisted that the trade unions should be subordinate to the Government. In Ghana also the trade union movement was controlled by the Government.

It is evident in developing nations that most of them are associated with political parties or ideologies. But we could see independent unions in Malaya and Philippines unlike India and Ceylon.

Until 1987 it was customary for the president of Egyptian Trade Union Federation (ETUF) to hold the post of the minister of labour simultaneously. Since 1987, the two posts have been held by separate individuals, but it has become the tradition that the Minister of labour selected from the past presidents of the ETUF\textsuperscript{20}. By this practice ETUF is part and parcel of the government.

The office bearers and members of Board of management are being elected under the supervision of labour ministry. We can conclude that elections of trade unions are conducted by the labour ministry of Egypt. The ministry has the power either to accept or reject the nomination of representative of trade union.

The trade union movement in Egypt is state bureaucratised. In March 1995 Law 12/1195 was passed that is now trade union law. The union organization is arranged in a pyramidal structure to ensure the unity of organization. At the apex of the Trade union organization is a single federation, The Egyptian Trade Union Federation (ETUF).

The extent to which ETUF control the trade union structure is demonstrated by the fact that the ETUF has much discretionary power. An example of this is demonstrated by the issue of the ban on formation of more than one union committee per enterprise. Another example of this is the recent ruling that the minimum number required to form union was increased from 50 member to 250.

The true challenge to trade unionism in Egypt now is twofold that because there are so many marginalised workers who do not belong to the trade union structure increasing as its existing trade union organization is a marginal organization. Second, there seems to be real threat that the political movement of Islamists is incorporating the urban poor and workers and thus workers are joining the social and political movement of the Islamists, which claim to support the interests of these marginalised workers more than the trade union organization is. In case of Egypt it is failure of the trade union movement to address the interests of workers that has led to the search for the islamist alternative.

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21 Ibid Page 361
22 Ibid Page 362
23 Ibid Page 39
3.11 Impact of economic reforms on trade unions in Egypt

Workers are impacted by structural adjustment reforms at two levels, in the workplace and in their livelihood. Within enterprises, the impact of reform has been a drive to ‘rationalise’ the reforms made workers more vulnerable. Furthermore, adjustment measures at the macro level included cut backs in subsidies, which led to a decline in the standard of living of workers.

Many unionists are opposed to this situation but there is no objection to it from the official union organization. Workers particularly public sector workers are among the groups most adversely affected by reforms. The workers thus impacted constitute a large segment of the unionised workforce. Nevertheless trade unions have not been able to reduce the costs born by the workers. In part, this asserts powerlessness of trade unions because of their corporatisation. While there is some resistance to the reforms, trade unions are not able to initiate substantial changes. Indeed unions often have to justify to workers the reforms and subdue worker's misgivings. The law 203/1991 was issued paving the way for privatization of enterprises, despite protests from workers and some unionists. Concerning sales of some public sector enterprises and their transfer to the private sector, no action was taken to prevent such sales.

An examination of the impact of economic reforms on trade unions and workers reveals that the changes that came about with SAP and which challenged the ideological basis of the labour relation system in existence have not led to its modification but led to dismissals and unemployment. The trade union movement in Egypt is state controlled. At the same time there is struggle within the trade union movement, but they are not strong to influence the government and they are not able to challenge the institutionalised structure.

Most of the developing countries in the World are undergoing structural adjustment reforms. A structural adjustment programme (SAP) covers several aspects of the governance of the economy and of the enterprises with in it. As a result certain group of workers and certain unions may lose many privileges and SAP have a great effect on very existence of trade unions in the long run. On some occasions certain groups of workers and unions may lose and some workers may be unaffected. For instance, certain adjustment measures may have adverse effects on unskilled workers while skilled workers may benefit. In cases where both groups of workers are represented by different unions, the impact of such adjustment would be perceived differently by different unions. Organized labour in many developing countries de trust economic reforms, for political parties seem to oppose economic policies when in opposition and follow them when in power.

Within South Asia there are some similarities among India, Indonesia, Philippines. All three countries have been good at formulating principles. But there is wide gap between precept and practice. In Pakistan, the country is to some extent successful in developing skills and development programmes with regard to economic reforms. In Malaysia economic development has been achieved through policies that restricted trade union formation in the important sectors and prevented national union from becoming powerful, particularly in the low-cost phase of their development. A number of other countries in the region, notably South Korea and Taiwan, have followed a model where labour rights have been curtailed to facilitate rapid economic development\(^{25}\).

\(^{25}\) C.S.Venkata Ratnam, D.P.A Naidu, Industrial Relations & Collective bargain in South Asia, Trade Union perspective, ILO Publications, p.27
Key challenges facing trade unions as a result of economic reforms

1. Trade unions in the developing countries have to face unemployment and poverty. It is difficult for trade unions to improve the most vulnerable sections of the workforce. Here employment is in the sense of promoting remunerative, productive and freely chosen employment.

2. Job loss is due to enterprise restructuring in the name of enhancing enterprise competitiveness. Workers and trade unions do realise that restructuring is necessary. Yet, they find it difficult to accept changes if these take away their jobs and livelihood. There is no credible system of social security and compensation in most of the developing countries.

3. Casualisation and contractualisation of labour due to new strategies of employers in reducing labour costs. Here in the name of economic reforms employer is always looking for flexible deployment of workforce as per business needs, by taking undue advantage of the vast employment. Therefore the trade unions have to face unsafe conditions of work and more exposed to unsafe work practices.

4. Rapid technological changes are resulting in rapid obsolescence of skills. Unskilled workers, particularly women in developing countries are more vulnerable. Skill renewal and upgradation is the key to job and income security.

5. Before liberalisation, labour was protected in the labour markets and capital in the product markets. Now both feel less protected, or even unprotected. Consumer protection is gaining greater attention from government and employers, and trade unions are making efforts to align their interests with those of consumers.

Respecting rights at work, making enterprises competitive, protecting workers from the adverse effects of restructuring and paying
attention to occupational health and safety are identified as the four key elements of decent work (ILO 1999).

Trade unions now understand that it is not enough to oppose policies of liberalization, globalization and privatisation and structural adjustment measures. The need to come up with alternative programmes is being realised. But the militant unions oppose privatisation particularly in India even though they are finding hard to overcome present world’s adjustment measures. In the name of restructuring measures workforce have been already divided into two parts. One is permanent employment other is flexible employment under which there are part time worker, casual worker, home worker etc. Therefore in the coming days one cannot think of strong trade unions which will fight the rights of workers.

3.12 Unions in developed countries

It was argued that true trade unions in developing countries take to politics because they are weak and they are of recent origins. Now the position of the trade union movement in industrially advanced countries such as Britain, US and USSR etc. shall be examined in order to find out differences or similarities between developing and developed countries.

3.13 Trade Unions in Britain

The British Trade Union Movement started about two centuries ago among the skilled craftsmen and later spread to general labouring and unskilled classes. Each union is a self-governing body with its own organization, the basis of which is local branch. Each branch elects its won officers and committee and deals with all issues which can be resolved locally. The unions are of different types. Some of the unions cover a single craft or a group of crafts, while others cover all grades and classes of workers in a particular industry or range of industries. The British Trade
Union Congress was established in 1868 as there was a desire to form unions on a national basis. At the initial stage 186 unions affiliated with TUC and the largest of all were two great general unions, viz. the transport and general workers union and the general and municipal workers union.

The TUC has no authority to deal with any wage issue or dispute arising within a particular union. The TUC in the main, is an advisory body in relation to affiliated unions, it has no executive control over them.

The national council of labour serves as a link of the trade unions of the labour party and is composed of representatives of the general council of TUC, the parliamentary labour party and the cooperative union. The council of labour is concerned with questions which have both industrial and political implications. The trade unions in U.K have political functions as well as industrial functions.

The unions in U.K believe political power is essential in order to implement industrial functions. The object of the T.U.C in U.K is to promote the interests of all its affiliated organizations and generally to improve the economic and social conditions of the workers.

British trade unions, rather than trying to pursue political objectives directly, have sought to pursue them through an associated political party, the Labour Party. Table.1 shows the number of Labour Party members of Parliament sponsored by trade unions between 1970 and 1987. From the table it can be seen that in 1987, 139 of the successful Labour Party candidates were sponsored by trade union. The unions also affiliate members to the Labour Party. In Britan many times, Labour Party came to the power and the policies, programmes made by the government are always favourable to the trade unions.

27 Ibid
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amalgamated Union of Engineering workers</td>
<td>17</td>
<td>22</td>
<td>21</td>
<td>21</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Transport and General Workers Union</td>
<td>19</td>
<td>23</td>
<td>22</td>
<td>20</td>
<td>25</td>
<td>33</td>
</tr>
<tr>
<td>National Union of Mine Workers</td>
<td>20</td>
<td>18</td>
<td>18</td>
<td>16</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Association of Scientific, Technical and Managerial Staff</td>
<td>7</td>
<td>9</td>
<td>12</td>
<td>8</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>General Municipal Boiler makers and Allied Trade Unions</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>14</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>National Union of Railway men</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>12</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>National Union of Public Employees</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Union of Shop, Distributive and Allied Workers</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Association of Professional, Executive, Clerical and Computer Staff</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Transport Salaried Staff Association</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>*</td>
<td>2</td>
</tr>
<tr>
<td>Union of Post Office Workers</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>*</td>
<td>1</td>
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<tr>
<td>Electrical, Electronic and Telecommunications, and Plumbing Trade Union</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>2</td>
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<tr>
<td>Union of Construction Allied Trades and Technicians</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Post Office Engineering Union</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Iron and Steel Trades Confederation</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other Unions</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>10</td>
<td>11</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>114</strong></td>
<td><strong>127</strong></td>
<td><strong>129</strong></td>
<td><strong>133</strong></td>
<td><strong>115</strong></td>
<td><strong>139</strong></td>
</tr>
</tbody>
</table>

Three basic types of branch organization can be highlighted. The work place based branch where all members are employed at the same factory, plant or other work place, the single employer branch, where all members work for the same employer but do so at different locations and the multi-employer branch, where membership will usually be drawn from a geographical area, but with members being engaged by a number of different employers. Of these three basic types, the multi-employer branch is the most common.

There are significant differences in the use of the types of branch organization between unions. For example, in the amalgamated engineering union multi-employer branches are the most important form of organization, in the national union of public employees. On the other hand, the single employer branch is dominant, with a reflection of the concentration of that union on the public sector. In the largest union in the U.K., the transport and general workers union, all three types of branch organization are used, but it is in that union that work place branches have had the greatest impact.\(^28\)

Only in Britain, whose trade unions have united to form the Trade Union Congress (TUC) in 1868, did the unions antedate the political party the TUC was in existence and politically active fully seventeen years before it voted to create its own party.\(^29\) Elsewhere in Europe and in other developing countries, it was the parties who created the unions.

### 3.14 Impact of globalization and economic reforms on Britain

New trends such as globalisation, liberalisation, privatisation not only damaged the strength of trade unions in developing countries, but also effected developed countries such as Britain and USA. “Although

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\(^{29}\) Gary K. Brush, the political role of international trade unions, 1983, p.8
unionisation remains an important feature in public sector employment, unions decline in private sector has been rapid. Britain is no exception. It has seen a substantial decline in the propensity of workers to join unions and a fall in the incidence of work place level union recognition by employers for pay bargaining. It is often assumed that the union decline is an inevitable consequence of structural change in the economy. The following table-2 shows the decline of trade union members.

Table-2
Union decline in Great Britain - Union membership

<table>
<thead>
<tr>
<th>Year</th>
<th>Private %</th>
<th>Public %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>24.0</td>
<td>64.4</td>
</tr>
<tr>
<td>1994</td>
<td>22.8</td>
<td>63.6</td>
</tr>
<tr>
<td>1995</td>
<td>21.5</td>
<td>61.4</td>
</tr>
<tr>
<td>1996</td>
<td>20.7</td>
<td>60.9</td>
</tr>
<tr>
<td>1997</td>
<td>19.8</td>
<td>60.8</td>
</tr>
<tr>
<td>1998</td>
<td>19.5</td>
<td>61.0</td>
</tr>
<tr>
<td>1999</td>
<td>19.3</td>
<td>59.9</td>
</tr>
<tr>
<td>2000</td>
<td>18.7</td>
<td>60.0</td>
</tr>
<tr>
<td>2001</td>
<td>18.5</td>
<td>59.0</td>
</tr>
<tr>
<td>2002</td>
<td>18.1</td>
<td>59.3</td>
</tr>
<tr>
<td>2003</td>
<td>18.1</td>
<td>58.8</td>
</tr>
<tr>
<td>2004</td>
<td>17.1</td>
<td>58.4</td>
</tr>
<tr>
<td>2005</td>
<td>17.1</td>
<td>58.2</td>
</tr>
<tr>
<td>2006</td>
<td>16.5</td>
<td>58.5</td>
</tr>
</tbody>
</table>

Another reason for “union decline is due to the death of old industries and large work places which were once bastions of unionism. The global structural change introduced new system of production. For example there is Unilever, an MNC operating in India. Unilever is an

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30 Union Decline in Britain, David G.Blanchflower and Alex Bryson, CEP discussion paper No.864, April 2008, LSE Publications.
Anglo–Dutch MNC and is known in India as Hindustan Lever Limited (HLL). “We can take the case of the company’s largest unit, namely, the factory at Sewri in Mumbai (company). In 1985 this unit employed around 4,000 worker. By 1996, the workforce has shrunk to 1800. By 2003 and the workforce was further reduced to around 1200 workers\textsuperscript{31}. Simultaneously, we find, the production of HLL products manufactured has increased substantially.

This is mainly through outsourcing production through other units. The same practice is going on in Britain and there also new work places have been introduced which downsized the workforce. This ultimately led to non union work places.

The new economy is perceived to have altered company and work place structure, Giant “Fordist” factories are replaced by complex sub-contracting networks. “In the UK construction industry, many nominally small firms are actually single employees redefined as tax dodge\textsuperscript{32}. Globalisation throws workers in different places and countries in to ever sharper competition with each other. This new economy makes physical labour less important and some skilled workers do well but as not collectively so the question of forming unions in new work places does not arise. Another development in the countries like UK and Australia is increase in white collar employment.

“There has been rapid increase in white collar employees with industrial growth. In UK and Australia they form about 40 percent of total employees. In advanced countries white collar unions occupy strong

\textsuperscript{31} Kameswara Chowdary, Globalization, Governance, Reforms and development in India, Sage Pub. 2007, p.289.

\textsuperscript{32} Bill Durr Article on International Socialism, Myths of Globalisation and the new economy, issue, 121, 2 Jan 9.
position in trade union movement. In these white collar unions employees who are highly educated would behave in balanced way between government and public which would defeat tendency of militant trade unions they ultimately damage the aims ad objects of the trade unions. Increasing globalisation of the economies and increasing competition among national and international companies have affected and changed the attitude and perspective of the trade unions.

3.15 American Trade unions

All American trade unions are grouped under two federations. One is American Federation of Labour (A.F.L.); other is Congress of Industrial Organisations (C.I.O.).

"In the United States of America the trade union movement functions as a pressure group. The role of labour in politics took on a new significance with the new deal. With Government interventions in industrial relations on such a broad scale, the maintenance in office of a national administration and Congress sympathetic toward labour aspirations became of more vital importance than ever before."

In the United States of America, the trade union movement functions as a pressure group concerning itself with industry relations and other legislation, and general economic policy, particularly where this effects employment. Although there is no formal connection between the trade unions and any political party, the unions take an active part in congressional and presidential elections, usually supporting the candidates of the Democratic Party.

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33 Busudeb Sahoo, Labour movement in India, Rawat Publications, 1999, pp.251
34 Foster Rhea Dulles, Labour in America (1960) p.312.
It is true that in recent years the Democratic Party has been regarded as more congenial to labour interests and the Republican Party to business interests. The A.F.L.-C.I.O., through C.O.P.E, continued the forms of ‘Welfare State’ programme and a de-facto alliance with the Democratic Party.\(^{35}\)

The pronounced swing towards more extensive participation in politics was not however entirely due to the desire "for effective enforcement of labour laws. There was growing awareness of larger issues involved in Roosevelt Programme"\(^{36}\).

But we shall not conclude that the A.F.L. and C.I.O. are affiliated to Democratic Party or they shall give continuous support to the Democratic Party. When the A.F.L. (American Federation of Labour) was formed, one of its major principles was avoidance of political alignments and concentration on economic action. It did not side with either of the two great political parties and believed in supporting candidates who supported labour aspirations. No doubt, one of the A.F.L. functions was favoured by the federation, but this was to be achieved by persuasion of legislators. The C.I.O. from its inception adopted a policy of vigorous activity in political affairs and has not been entirely adverse to the idea of launching a new Labour Party.\(^{37}\) From the above reference, it is clear though the A.F.L. (American Federation of Labour) and Congress of Industrial Organisations (CIO) supported the Democratic Party in the past elections, we cannot conclude that the above two federations always give support to the Democratic Party.

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\(^{35}\) Irving Righter, Political Purpose in Trade Unions (1973) P. 221.

\(^{36}\) Foster Rhea Dulles, Labour in America (1960) p , 312.

American unions are economic rather than political, and they are the best examples of real bread and butter, pure and simple unions, unions devoted only to the pursuit of economic issues. Union members have more or less common economic aspirations but a multiplicity of other values. Among the 17.5 million members in the labour movement in the United States can be found all forms of religions a variety of views with respect to their country's proper role in world affairs, differing sectional interests, conflicting ideas of the proper spheres of government, and so on. But their economic aims are largely the same.

It is true that they are mainly concerned with economic issues. But in the changed conditions of the modern world even they can no longer restrict themselves only to those issues. They are required to undertake larger responsibilities.

Originally the unions were concerned only with bread and butter problems but in course of time they found that they had also to apply their minds to other problems and more particularly to labour legislation. So that the gains that they made through collective bargaining might not be taken away through the legislations.\textsuperscript{38}

So far the American workers did not establish their own political party. They thought that instead of forming their own political party and getting rigidly attached to it, it was better to remain free and work with the help of friendly politicians regardless of their party labels. “But they insist on their members giving votes to those who help the cause of the labour. With that object in view, they establish political departments and carry on propaganda amongst their members to educate them about the political issues and about the records of the legislators”\textsuperscript{39}.

\textsuperscript{38} V.B. Karnick, Trade Union and Politics, Bombay University Press (1968) p. 37.
\textsuperscript{39} V.B. Karnick, Indian Labour Problems and Prospects, Manaktalas Pub. (1972) p. 205
"A number of unions have a legislative department. The A.F.L. and C.I.O. have a committee of its own called the political education committee. The Committee tries to see that workers exercise their votes for the proper candidates. It conducts courses and publishes literature for the political education of workers.

Thus American Trade Unions kept themselves away from political field. Today the American trade unions are the most powerful and wealthy trade unions. The geographical conditions of America also contributed for wealthy and strong trade unions. In the first place the United States of America was a country with a large variety of plentiful natural resources. Secondly, it had a very limited population which turned out to be the most important factor helping the growth of the trade union movement.

However, in the U.S.A unions are regarded as non-political not because that they are disinterested but because that they are not closely aligned with political parties. Though American unions are not closely aligned, American workers and their unions have now become a significant force in politics at the federal, state and local levels in most part of the country. They have supplied to the Government and the community many able administrators and organisers.

In USA trade unions remain with Democratic Party. Today most unions are aligned with one of two larger umbrella organizations, the AFL-CIO and change to win federations which split from AFL and CIO. Both advocate policies and legislation on behalf of workers in the United States and Canada and take active role in politics.

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3.16 Impact of economic reforms on U.S.A

The relative strength and size of unions in the United States has receded since the 1970s. Although most industrialized countries have seen a drop in unionization rates the drop in union density has been more significant in the United States than else where.

President Jimmy Carter who held office from 1977 to 1981 initiated reforms which are market friendly. During the same period, the country witnessed deregulation of railways, transportation, airways, telecommunication and many other sectors of the economy … it led to

- People losing their jobs.
- Quality of the services being offered gets effected and generally deteriorates.
- The weaklings are usually eliminated.

There are several causes of union decline in USA. In USA there are currently twice as many former union members as there are current members. That means many workers passed through a phase of union membership at some point in their careers but do not retain their membership over their life course\(^\text{41}\). They do not take trade union membership as serious as Britain. Another reason of the union density is sectoral shift from unionised industries to nonunionised industries. “The sectoral shift in employment explains only 20 per cent of decline in the US and none of it in Canada”.

Another problem that faces US unions are employer opposition either through direct suppression of unions or substitution of the functions which unions have traditionally performed. US unions face further

\(^{41}\)Anil Verma and Thomas A Kochan, “Unions in the 21\(^{\text{st}}\) century. Prospects for renewal, Palgrave MacMillon, p.8
handicaps in using this model to organise because of strong employer resistance to unions and demonstrated inequities and failures of labour law to protect worker rights to unionise.

Above aspects show even in rich countries like USA the globalization and the structural changes brought greater effect on unions which are strong and known as bread and butter or economical unions.

In this chapter we can conclude that in most of the developing countries trade unions were created and controlled by political leaders. In developing countries like Ceylon, Indonesia trade unions are influenced by politics due to political involvement.

In developed countries also unions are not able to keep away from politics. In some cases, they began as pure and simple unions but in the process they had to undertake many political activities. Only in United Kingdom the trade union movement was able to create the Labour Party which gained power in 1945.

It could be the matured stage of the trade union movement. In India the situation is similar to most of the developing countries. In the USA trade union movement plays a significant role while dealing with politics. There, the unions will vote parties which in turn encourage the labour cause, as pointed out by Harold Crouch. “Trade unions in all countries are more or less political in the sense that they are affected by the decisions of the state and, therefore, try to effect those decisions”42.

The degree of participation has differed from country to country and in the same country from time to time. It should be remarkable that in the

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developed countries the unions allowed their members in politics only after establishing themselves as powerful organisations and that too in support of their economic demands. With regard to colonial countries even after achieving the independence the process of collaboration between political parties and trade union continued as developed during the period of the struggle for politics emancipation. This is a feature repeated in every country in Asia, Africa and Latin America. India has been no exception to this general trend.

Economic reforms and structural adjustment programs such as liberalisation, privatisation, globalisation not only damaged the strength of trade unions in developing countries, but also effected developed countries such as Britain, U.S.A., etc. What workers in the developed world want in a global economy is security. The trade union in Britain and Australia created governments in that country and in some of the developed countries. They were pressure groups and played vital role in the formation of industrial policies.

Now they are losing their identity, strength and could not play vital role in the governments of their respective countries.

For the last generation workers in the west have more or less had a safety net provided by a combination of the welfare state and strong trade unions. But as a result of structural changes such as globalisation, liberalization, privatisation affected their safety and security. Trade unions in these days losing their power, identity, safety, security because of structural changes and the governments are trying to improve their economies at the cost of workers.