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Labor and Politics Under Oligarchy

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In recent years, working-class actors have become a more visible presence in Indonesian politics than in the past. Sustained political mobilization since 2009 has resulted in numerous policy victories for organized labor. Unions have broken free of the confines of Suharto-era ideologies that stressed apolitical unionism and that encouraged labor to focus its energy exclusively on workplace issues.¹ Now, even avowedly apolitical unions incorporate large-scale collective protest as an integral element of their activities. More overtly political unions have gone even further and are engaging actively in electoral politics, making political contracts with political parties and candidates for local executive office. Political parties and local executives, in turn, have shown increasing interest in wooing working-class voters by making political compacts with unions and running union cadres as candidates for legislative seats. The question for this volume, then, is how to make sense of these phenomena within the context of oligarchic theory? As a consequence of their analytic focus on how the extremely rich use the political process to defend their wealth, theorists of oligarchy pay scant attention to working-class actors. This is not to say that they have nothing to say about organized labor. They do, and their theoretical apparatus provides some insight into why unions are disadvantaged in Indonesia's money-driven democracy. Moreover, both Jeffrey Winters and Vedi Hadiz and Richard Robison acknowledge that the disruptive power of labor has at times in Indonesia's modern history posed a significant threat to the country's power structures.² It is uncontroversial to say that the post-*Reformasi* period is not one of these revolutionary eras.

Aside from relatively convulsive and episodic revolutionary moments, oligarchic theorists do not consider labor's prospects in contemporary Indonesian politics to be good. For Winters, the rise of oligarchy has diminished labor's relative power. Faced with the overwhelming power of wealth, organized labor faces an uphill and probably losing battle.³ Hadiz and Robison emphasize labor's fragmentation, which they argue makes the working class an ineffective force against a dominant politico-bureaucratic elite that controls both wealth and political office. Consequently, "[i]ncremental demands for reform by individuals or groups can only be piecemeal ... a transformation of substance ... requires both the disintegration of

¹ For an account of such workplace issues, see Michele Ford, *Workers and Intellectuals: NGOs, Trade Unions, and the Indonesian Labour Movement* (Singapore: NUS/Hawaii/KITLV, 2009).

² Jeffrey A. Winters, "Oligarchy and Democracy in Indonesia," this volume, pp. 11–33; Vedi R. Hadiz and Richard Robison, "The Political Economy of Oligarchy and the Reorganization of Power in Indonesia," this volume, pp. 35–56; Jeffrey Winters, *Oligarchy* (Cambridge: Cambridge University Press, 2011); and Richard Robison and Vedi Hadiz, *Reorganising Power in Indonesia: The Politics of Oligarchy in an Age of Markets* (London: Routledge, 2004).

³ Winters, "Oligarchy and Democracy in Indonesia."

the old order and its social underpinnings and the forging of a new social order with its political forces."⁴

The implication of these perspectives is that Indonesia's democracy is a fundamentally uneven playing field upon which organized labor struggles even to register its presence, let alone present any meaningful challenge to the political order. We find little to disagree with in the assertion that material power gives oligarchs enormous political advantage in Indonesia. Indeed, we take as given that vast disparities in wealth necessarily lead to extreme political inequality. Despite this unfavorable structural position, however, it is evident that working-class actors in Indonesia have been significantly more successful in achieving their collective goals since the advent of democracy than in the Suharto years. The sustained nature of these accomplishments suggests that workers have found ways to create greater political space than would be expected given the disadvantages that workers face in a context characterized by vast disparities in wealth.

These working-class achievements do not necessarily invalidate the oligarchy thesis: theorists of Indonesia's oligarchy acknowledge that oligarchs do not win every battle. But, as Thomas Pepinsky observes, oligarchic theory cannot explain specific political outcomes.⁵ The theory operates on a macro level to provide the broad structural backdrop in which politics takes place, aligning actors by their comparative power resources. Oligarchic theory, in other words, does not explain the everyday trench warfare of politics. As a consequence, theorists of oligarchy not only leave the incremental change wrought by non-oligarchic actors unanalyzed empirically, they also dismiss it theoretically. In doing so, they overestimate the difficulties of mobilizing Indonesia's fragmented workers, and to some extent mischaracterize the potency of mobilizational power.

As Winters observes, "most manifestations of mobilizational power are episodic and very difficult to sustain due to the great personal demands mobilization places on participants"—the exception being when mobilizational power is "well institutionalized."⁶ Both Winters and Hadiz and Robison rightly note that Indonesian trade unions have struggled to maintain the size and level of militancy required to pose a serious threat to the oligarchy (understood respectively as the greatly wealthy or the politico-bureaucratic elite). Yet, though deeply fragmented, Indonesia's unions come together routinely to pursue collective goals through inter-union alliances that have proven to be formidably effective in achieving a subset of labor's political goals. When workers prove their capacity to mobilize repeatedly, such power generates a latent effect, as other actors come to know that trade unions' threat to mobilize is credible. Just as material wealth can be a silent presence, the credible threat of massive mobilization plays a similar role. In other words, once unions prove that they can deliver on their threats to mount massive protests, they may not actually have to exercise their mobilizational power in order to achieve desired policy outcomes. It is therefore not only wealth that can exert its power in a latent fashion—as Winters rightly claims—but also labor mobilization.

⁴ Hadiz and Robison, "The Political Economy of Oligarchy and the Reorganization of Power in Indonesia," p. 54.

⁵ Thomas Pepinsky, "Pluralism and Political Conflict in Indonesia," this volume, 79–98.

⁶ Winters, "Oligarchy and Democracy in Indonesia," p. 14.

In addition, in analyzing how oligarchs engage in electoral competition as a means of wealth defense, theorists of oligarchy pay insufficient attention to the fissures opened by intense inter-oligarch competition, which can be exploited by subaltern groups. In a situation where oligarchs back many parties, money alone is not decisive in determining who wins any given election. In Indonesia's democracy, money buys parties and individual oligarchs a chance to compete for power. Money is thus a vital precondition for electoral victory. It does not, however, guarantee it. In the context of intensely competitive elections, candidates must also garner votes. And in such a context, the prospect of an alliance with an organized constituency is alluring. In union-dense districts, labor is one of, if not *the*, largest organized interest group. Candidates for executive office and political parties have, therefore, increasingly looked to labor to give them a leg up in their competition with each other.

In this essay, we show how these two dynamics—mobilization and inter-oligarch/ elite competition—have combined to enhance labor's political power. We do so through an analysis of the Manpower Act of 2003, minimum wage negotiations and elections for local executives in Bekasi and Tangerang, and the running of union cadres as legislative candidates. In demonstrating how unions have leveraged their mobilizational power to carve out domains of influence within Indonesia's polity, we provide an explanation of the capacity of non-oligarchic forces to act in the national and local political domains to achieve change and, in doing so, challenge some of the fundamental assumptions of the oligarchy thesis as it pertains to contemporary Indonesia.⁷

Mobilizing around the Manpower Act of 2003

Indonesia's unions have secured numerous policy victories at the national level since 1998. The Manpower Act of 2003 substantially increased severance pay for laid-off workers and set numerous restrictions on non-permanent work contracts. With its passage, Indonesia's labor laws became among the strongest in East and Southeast Asia.⁸ In the following years, unions beat back successive efforts by the Susilo Bambang Yudhoyono government to weaken these provisions of the law.

Unions have also scored other important policy wins at the national level. The Social Security Act of 2011, a top priority for many unions, required employers to make higher contributions for an array of social benefits.⁹ In 2012, protests by thousands of workers were integral in delaying the increase in fuel prices and in persuading the Department of Manpower to issue a new implementing rule for the Manpower Act that limited outsourcing to five types of work.

These victories are surprising, as Indonesia's national legislature is a particularly challenging political arena for unions. Since legislation is generally hammered out in the parliament's

⁷ This essay was written as part of an ARC Discovery Project entitled "The Re-emergence of Political Labor in Indonesia" (DP120100654). In-depth interviews were conducted in Bekasi and Tangerang in the first half of 2012 with representatives of all major unions, union candidates, party administrators, and members of local and national legislatures.

⁸ Teri L. Caraway, "Labor Rights in Asia: Progress or Regress?" *Journal of East Asian Studies* 9,2 (2009): 153–86.

⁹ See Edward Aspinall, "Popular Agency and Interests in Indonesia's Democratic Transition and Consolidation," this volume, pp. 117–37; and Rachele Cole, "Coalescing for Change: Opportunities, Resources, Tactics, and Indonesia's 2010–11 Social Security Campaign" (Honours thesis, University of Sydney, 2012).

various commissions,¹⁰ unions must convince multiple legislators on key commissions to support a piece of legislation. Most legislators do not represent union-dense districts. Even those who do probably have little reason to fear future punishment from voters since individual legislators or even parties cannot be identified as opposing or supporting specific pieces of legislation unless they make public statements to that effect. Moreover, battles over legislation are irregular and take place in Jakarta, which means that most voters do not follow them. Finally, since legislation is typically very complex, its effects are not immediate and apparent to voters. All of these factors make legislative politics the perfect venue for oligarchic domination. Unions also do not have the financial resources to purchase the support of individual legislators, whereas oligarchs do. The incentives for representatives in the national legislature to pacify labor with pro-worker policy are thus weak.

The passage of the Manpower Act and contests around subsequent efforts to revise it show that mobilizational power has been a surprisingly effective means of securing desired policy outcomes at the national level.¹¹ The Manpower Act was the second major piece of labor legislation enacted after the fall of Suharto. Both employers and workers rejected government drafts of the bill. After unions took to the streets to oppose its passage, Commission VII authorized Indonesian Democratic Party of Struggle (PDI-P, Partai Demokrasi Indonesia-Perjuangan) legislator Herman Rekso Ageng to bring unions and employers together in bipartite discussions to develop a mutually acceptable piece of legislation. The commission agreed to accept the version of the bill formulated in these discussions. While both sides made concessions, the final bill included many protective provisions, such as restrictions on outsourcing, limitations on contract labor, higher pay for workers suspended during the labor dispute-resolution process, and higher severance pay for most categories of dismissal.¹²

By bringing labor to the table, the government prevented another major wave of street protests.¹³ This was a vital achievement in a context where local and foreign investors had become increasingly vocal about the threat posed by trade union militancy to the viability of their Indonesia operations. Indonesia had witnessed a series of massive strikes in the late 1990s and early 2000s, which analysts blamed for destabilizing the business climate. Investors also felt that workers were exerting undue influence over government policy, going as far as to argue that it had become clear that “the government's policy could be dictated by ‘terror.’”¹⁴ The policy instrument referred to was Ministerial Decision No.150/2000 on Employment Termination, which employers argued provided too much protection for workers. When employers succeeded in having the decision modified, violent protests ensued, forcing the government to revoke the amendments in June 2001.¹⁵

¹⁰ Stephen Sherlock, "Decade of Democracy: People's Forum or Chamber of Cronies?" in *Problems of Democratisation in Indonesia: Elections, Institutions, and Society*, ed. Edward Aspinall and Marcus Mietzner (Singapore: Institute of Southeast Asian Studies, 2010).

¹¹ This paragraph draws on Teri L. Caraway, "Protective Repression, International Pressure, and Institutional Design: Explaining Labor Reform in Indonesia," *Studies in Comparative International Development* 39,3 (2004).

¹² Some unions rejected the law, but since many unions participated in its drafting, labor was split and the worker protests that followed its passage were relatively small and ineffective.

¹³ This paragraph draws on Michele Ford, "A Challenge for Business? Developments in Indonesian Trade Unionism after Soeharto," in *Business in Indonesia: New Challenges, Old Problems*, ed. M. Chatib Basri and Pierre van der Eng (Singapore: ISEAS, 2004), pp. 221–33.

¹⁴ "Labor 'Terror' a Blow to Investor Confidence," *Jakarta Post*, June 18, 2001.

¹⁵ For a more general discussion of violent protest in Indonesia, see Michele Ford, "Violent Industrial Protest in Indonesia: Cultural Phenomenon or Legacy of an Authoritarian Past?" in *New Forms and Expressions of Conflict at Work*, ed. Gregor Gall (New York, NY: Palgrave, 2013).

In the case of the Manpower Act, employers accepted the bill at the time of its passage, but subsequently pushed for revisions. The Yudhoyono government obliged, making at least three attempts to revise the Manpower Act. The first, beginning in 2005 and ending in 2006, was a response by the administration to complaints by foreign investors and domestic employers.¹⁶ Among other things, the revisions aimed to reduce severance pay and restrictions on outsourcing and contract labor. Predictably, labor opposed these proposed amendments and mounted a series of escalating protests in major industrial areas throughout Indonesia, beginning in March 2006.¹⁷ Rattled by the protests, which were especially disruptive in Jakarta, the government promised not to send the bill to parliament until a tripartite forum agreed to proposed revisions.¹⁸ Unmollified, unions renewed their threat to mount a national strike on May Day unless the government called off plans to revise the law.¹⁹

On May 1, 2006, tens of thousands of workers from across the archipelago participated in rallies rejecting revisions to the Act.²⁰ Thousands more returned to the streets on May 3, blocking the toll road and pushing down the three-meter-high gate to the national House of Representatives, prompting the police to fire tear gas to quell the demonstrations. That evening, the leaders of the House announced that they would reject the government's plans to revise the labor law.²¹ By September, the Yudhoyono administration had largely given up.²² Further attempts were made to change the law in 2011 and 2012, when the government again tried to revise the law, but pro-labor lawmakers reminded their colleagues of the body's decision not to revise the law in 2006, and it was struck from the legislative agenda both times.²³

Despite these victories in the national legislature, the Manpower Act achieved less for workers than unions had hoped. Employers violated the provisions on contract labor and outsourcing with impunity, largely in order to evade paying the law's generous severance payments. The spread of contingent work in turn posed a serious threat to unions, since most of their members are permanent workers. Local governments tasked with enforcing labor laws looked the other way as employers fired permanent workers and replaced them with

¹⁶ Apindo (Asosiasi Pengusaha Indonesia, Indonesian Employers Association) publicly endorsed the proposed revisions and considered them a step forward in correcting perceived imbalances in the law that unfairly favored workers. See, for example, "Indonesia Dangles Pro-Investor Incentives," *The Straits Times*, March 4, 2006; "Tussle Ahead over Labor Law," *The Jakarta Post*, March 29, 2006; Heri Susanto et al., "Back to Zero," *Tempo Magazine*, April 11–17, 2006. For a discussion of the attempted revision, see Benny Hari Juliawan, "Extracting Labor from Its Owner," *Critical Asian Studies* 42,1 (2010).

¹⁷ For example, on March 24, about ten thousand workers protested in Bandung, five thousand in Cimahi, and thousands more in Bekasi. In the ensuing weeks, tens of thousands more protested in Semarang, Pasuruan, Jakarta, Medan, Surabaya, Riau, and South Sumatra. See "Bandung Workers Protest Revised Law," *The Jakarta Post*, March 24, 2006; "Workers Protest in Major Cities," *Jakarta Post*, April 4, 2006; "Workers Oppose Labor Law Changes," *The Jakarta Post*, March 28, 2006; Ridwan Max Sijabat, "Labor Rallies Spread, Business Counts Cost," *The Jakarta Post*, April 6, 2006.

¹⁸ Salim Osman, "Jakarta Puts Off Changes to Labour Bill," *The Straits Times*, April 9, 2006; Susanto et al., "Back to Zero."

¹⁹ Ridwan Max Sijabat, "Major Labor Unions Renew Opposition to Amendment," *The Jakarta Post*, April 19, 2006.

²⁰ "Around 100,000 Workers Take to the Streets for May Day," *The Jakarta Post*, May 1, 2006.

²¹ "Police Fire Tear Gas as Workers Push Down Gate of House Building," *The Jakarta Post*, May 3, 2006.

²² Shawn Donnan, "Indonesia Drops Plan for Labour Reform," *Financial Times*, September 13, 2006.

²³ Sandro Gatra, "Agenda Revisi UU Ketenagakerjaan Dihapus," *Kompas*, December 16, 2011. In late 2011, sympathetic lawmakers leaked to unions the information about government plans to revise the law; in response, union representatives reminded legislators of what would happen if they cooperated with the government.

fixed-term contract workers or temporary workers from labor-supply companies.²⁴ In the view of unions, one problem was that the implementing legislation was full of loopholes, which allowed employers to violate the spirit of the law. They demanded that the Ministry of Manpower and Transmigration issue a new regulation that more clearly defined the types of work that could be outsourced.

To increase the pressure, hundreds of thousands of workers throughout the country returned to the streets in a national strike on October 3, 2012. They promised additional mass strikes if the government failed to respond.²⁵ Negotiations in the national tripartite forum were tense, with Apindo (Asosiasi Pengusaha Indonesia, Indonesian Employers Association) rejecting attempts to limit outsourcing to certain categories of work.²⁶ In mid-November, the ministry nevertheless issued a new regulation that restricted outsourcing to five types of work. Frustrated, Apindo threatened to withdraw from the national tripartite commission and filed a request for a review of the new regulation with the Supreme Court, claiming that it violated the Manpower Act.²⁷

The battles over the Manpower Act demonstrate the means through which working-class actors have used their mobilizational power to achieve their national policy goals despite the unfavorable political terrain. This power comes from their capacity to shut down production and to mobilize in the streets, wreaking economic havoc in industrial areas and the capital. Crucially, their success depended not on constant mobilization but rather on the ability to exert pressure strategically and to make credible threats of future action if their demands were not met. Thus far, unions have not made revolutionary demands. Rather, they have fought for a fairer distribution of the pie and some decommodification of labor. Their ability to achieve these goals indisputably demonstrates that workers' mobilizational power is more influential in contemporary Indonesia than suggested by theorists of oligarchy.

²⁴ Juliawan, "Extracting Labor from Its Owner"; Caraway, "Labor Rights in Asia"; Indrasari Tjandraningsih and Hari Nugroho, "The Flexibility Regime and Organised Labour in Indonesia," *Labour and Management in Development* 9 (2008); Indrasari Tjandraningsih, Hari Nugroho, and Surya Tjandra, *Buruh vs. Investasi? Mendorong Peraturan Perburuhan yang Adil di Indonesia* (Bandung: Akatiga, 2008).

²⁵ Fusk Sani Evani, Bayu Marhaenjati, and Arientha Primanita, "Indonesian Workers Demand an End to Outsourcing," *The Jakarta Globe*, October 4, 2012; Ben Otto and I Made Sentana, "Indonesia Strikers Turn Out in Force," *The Wall Street Journal*, October 4, 2012; "Pekerja Siapkan Aksi Lanjutan Tolak Outsourcing," *Hukumonline*, October 17, 2012; "Pekerja Berencana Gelar Kembali Demonstrasi Massal," *Hukumonline*, November 14, 2012.

²⁶ "Pekerja Berencana Gelar Kembali Demonstrasi Massal." Apindo is headed at the national level by Sofyan Wanandi, a prominent oligarch. It would be an overstatement to claim that Apindo represents oligarchs as a unified group, but its role as the voice of capital *vis-à-vis* labor should also not be underestimated. In the early transition years, Apindo was an ineffective organization. The main figures in Apindo were usually heads of personnel departments; prominent industrialists ignored it. But after a round of significant minimum wage increases and the issuance of a ministerial regulation in 2000 that increased firing costs, Sofyan Wanandi took over Apindo's reins and transformed it into a more effective voice for capital. Since then, Apindo has been a vocal advocate for the collective interests of capital in its confrontation with labor on matters of wages and other labor-related policies. It strives to limit the size of wage increases, to increase the flexibility of Indonesia's labor markets, and to oppose social welfare programs that require sizable contributions from employers—all of which play an obvious role in wealth defense.

²⁷ "Ancam Hengkang dari Tripartit, Apindo Dipanggil DPR," www.hukumonline.ccm/berita/baca/lt50ed5b2fc0cl3/ancam-hengkang-dari-triparti-t-apindo-dipanggil-dpr, January 9, 2013, accessed February 4, 2014; and "Pengusaha Harap MA Batalkan Permenaker *Outsourcing*," www.hukumonline.ccm/berita/baca/lt512f71998afd7/pengusaha-harap-mabatalkan-permenaker-i-outsourcing-i, February 28, 2013, accessed February 4, 2014.

Mobilizational power and local executive elections

Minimum wage negotiations and local executive elections vividly demonstrate the combination of inter-oligarch competition and strategic mobilization that have allowed unions to achieve some of their goals. Despite labor's fragmentation, candidates for local executive office have actively cultivated union support and made political deals with unions. In these deals, candidates have both promised and delivered policies that benefit workers. In this section, using case studies of local elections and minimum-wage-setting in two localities, Bekasi district and Tangerang municipality, we analyze how unions have been able to achieve these gains despite a political process that so dramatically disadvantages them. Before we present the case material, however, some background information about local executive elections and how it opens avenues for labor influence is necessary.

In 2006, Indonesia transformed its process of electing local executives from one of indirect to direct elections. Previously, the parties elected to the local legislature chose local executives, which meant that the selection of the district or municipal head was entirely the result of horse-trading among parties in the legislature, lubricated by copious amounts of cash. Soon after the onset of direct elections for local executive office, the Constitutional Court ruled in 2007 that independent candidates must be permitted to run for executive positions at the district, municipality, and provincial levels.²⁸ As a consequence of this ruling, local power brokers can now run for office without the backing of a political party, meaning that a larger number of candidates can contest elections. As before, parties often combine in coalitions to back pairs of candidates, but direct elections and the possibility of independent candidacies have heightened competition in these elections, creating more of a winner-take-all approach.

Intense competition in these races has created incentives for candidates to develop links to organized constituencies rather than to party representatives in the legislature. In union-dense districts, an obvious constituency is labor. Deal making between unions and candidates for local executive office does not obviate the claim of theorists of oligarchy that material power is a determining factor in winning Indonesian elections. But candidates must find ways to tap into constituencies via local networks that can deliver votes. Here, it is also important to note that political elites in political parties and mass organizations—we follow Winters in designating elites as those with political influence that does not stem from material wealth—often provide an essential conduit between wealth and votes. Unions are one possible conduit between candidates and voters,²⁹ and their leverage increases as races become closer.

Of course, deal cutting between unions and candidates also fits well within analyses that emphasize Indonesia's transactional model of politics. The process that unions typically follow, however, differs from typical transactional politics because unions have insisted on policies that benefit workers alongside conditions that benefit unions organizationally, or union cadres personally (for example, support for training and secretariats, or raising

²⁸ Michael Buehler, "Decentralisation and Local Democracy in Indonesia: The Marginalisation of the Public Sphere," in *Problems of Democratisation in Indonesia: Elections, Institutions, and Society*, ed. Edward Aspinall and Marcus Mietzner (Singapore: Institute of Southeast Asian Studies, 2010).

²⁹ See Michael Buehler, "Elite Competition and Changing State-Society Relations: *Shari'a* Policymaking in Indonesia," this volume, pp. 157–75, for a discussion of the influence of Islamic elites in South Sulawesi, which provides another example of non-oligarchic influence.

honoraria for those who serve on tripartite committees). More often than not, the policy payoff at stake has been a significant increase in the minimum wage.

Mobilizing around the minimum wage

In Indonesia, minimum wage negotiations take place annually. Tripartite committees—comprising unions, employers, and the government—at the district (*kabupaten*) or municipality (*kota*) level set minimum wages. Raises for most workers depend more on these negotiations than on collective bargaining at the plant level. By law, minimum wages apply to all employees regardless of the size of the firm and the sector of employment, so the impact of this wage-setting mechanism extends beyond unionized workers.³⁰

Localities vary in terms of how they determine worker representation on these committees, but typically the largest unions dominate. Which unions sit on the committees depends on the dominant industries in a particular locality. In most places, the federations affiliated with the former state-backed union, the Confederation of All-Indonesia Workers Unions (Konfederasi Serikat Pekerja Seluruh Indonesia, KSPSI), hold a number of seats on the committee, but they rarely have the majority of seats in union-dense areas. Unions affiliated with the Confederation of Indonesian Trade Unions (KSPI, Konfederasi Serikat Pekerja Indonesia)—including the powerful Metalworkers Federation (FSPMI, Federasi Serikat Pekerja Metal Indonesia) and the Chemical, Energy, and Mining Federation (KEP, Kimia, Energi dan Pertambangan)—as well as federations affiliated with the Confederation of Indonesian Prosperous Workers Unions (KSBSI, Konfederasi Serikat Buruh Sejahtera Indonesia) and a number of independent federations, including the National Workers Union (SPN, Serikat Pekerja Nasional) and the Indonesian Prosperous Workers Union–92 (SBSI–92, Serikat Buruh Sejahtera Indonesia–92), are frequently represented. Some localities, such as the city of Medan in North Sumatra, also allow small unions to participate. Essential to labor's success in these negotiations is presenting a unified labor voice. Unions that sit on the committees, therefore, usually coordinate prior to the annual round of negotiations to agree on a targeted wage and negotiating tactics.

The process of setting a minimum wage creates multiple opportunities for horsetrading within the committee structure and with executive officers at the *kabupaten/kota* and provincial levels, both for members of Apindo, who can offer financial rewards for a favorable outcome, and for unions, which can threaten to bring their members out into the streets. Given that labor and capital seldom agree on wages, the government's vote on tripartite committees is decisive. Government representatives on the committee are drawn from a variety of local offices (for example, Manpower and Trade and Industry), but all are accountable to the district or city head, not to the local legislature. Knowing that they are unlikely to convince each other, both Apindo and the unions concentrate on convincing government representatives to side with them. Apindo's strength lies behind the scenes, where money can be used to influence government representatives. Unions, knowing this, typically mount protests warning the government that there will be more trouble if wage increases are too stingy. The number and intensity of the protests depends on the extent to which unions think

³⁰ Of course, many employers violate the minimum wage laws, and they are more likely to do so if workers are not represented by a union.

the government is accommodating their wishes. Ultimately, the district head or mayor makes the final call in the form of a minimum wage recommendation, which is forwarded to the provincial governor for approval. There, unions and employers have one last chance to affect the outcome. If unions are disappointed with the results at the local level, the governor typically becomes the target of protests.

Minimum wages and local executive contests

When wage negotiations take place close to the date of a local executive election (*pilkada*), they present an opportunity for unions to exert political pressure on local executives, especially when candidates expect a tight race. While the links between the actions of particular elected officials and particular policy outcomes are largely illegible in Indonesia, this is not the case when it comes to the minimum wage. Given the executive's control over the local budget and its key role in determining minimum wages, it is not surprising that wage negotiations more often than not become the focus of pre-election bargaining—there are definite incentives for candidates for executive office to trade commitments on wages for political support.

Although unions have yet to prove their capacity to deliver votes consistently, candidates for local executive positions have two reasons for cutting deals with them in union-dense districts. First, the specter of a tight executive race encourages incumbents to woo workers, who are unlikely to vote for an incumbent who refuses to sign off on a substantial wage hike. Minimum-wage-setting is an issue that union members follow closely; the process happens at the same time every year and the results are highly anticipated. The effects of the policy are immediately apparent to workers. If wage increases are disappointing, voters know whom to blame: the mayor or district head in the region concerned. But if the increases are healthy, workers may remember the fatter paycheck when they enter a voting booth. Second, in union-dense districts where unions have proven their capacity to paralyze industrial areas with massive actions, mayors and district and provincial heads have an interest in accommodating some wage demands to preserve industrial peace. Even if the candidate does not deliver in the end, the candidate may buy a period free of industrial conflict while unions give the newly elected executive a chance to fulfill campaign promises.

The links between minimum wage negotiations and *pilkada* are nowhere more evident than in Bekasi and Tangerang, two major industrial areas adjacent to Jakarta. To the east, in the province of West Java, Bekasi has an industrial base dominated by heavy industries such as chemicals and metal. Tangerang, to the west in Banten province, has a lighter industrial base, with the production of footwear and textiles predominating. In late 2011 and early 2012, minimum-wage-setting in both localities involved a direct confrontation between employers and unions. In both, unions emerged victorious. Although the chronologies vary slightly, in both cases unions utilized their mobilizational power and exploited inter-oligarch competition in the political arena to achieve significant increases in minimum wages.

In Bekasi, negotiations for the 2012 minimum wages took place in the last quarter of 2011, just months before the *pilkada* for Bekasi district. The incumbent district head, Prosperous Justice Party (PKS, Partai Keadilan Sejahtera) member Sa' dudin, was up for reelection in March. Facing what looked to be a close election in this union-dense district, Sa' dudin made

a last ditch effort to win labor votes. Although he had not been an especially close ally to labor during his tenure, his administration supported workers in the 2012 minimum wage negotiations. Ignoring the protests of Apindo, which walked out of the negotiations and refused to sign the committee's wage recommendation, Sa'dudin forwarded a minimum monthly wage recommendation of Rp. 1,491,866 (US\$157)—the figure demanded by unions—to the governor, Ahmad Heryawan, who, like Sa'dudin, was a member of PKS. The governor approved the district head's recommendation.

Having lost the battle locally, Apindo went to the courts, where money mattered more than votes. Suspecting that Apindo would bribe the judges, unions mounted a series of protests, with the largest occurring on January 27, 2012, after the court in Bandung ruled against them. They shut down production in all seven of Bekasi's industrial zones and blocked the toll road between Jakarta and Bandung. Proximity to Jakarta and the scale of economic disruption captured the attention of the national media and central government. In effect, workers succeeded in shifting the conflict to a third arena, from the courts to national politics, where their mobilizational power could be exerted more effectively. The central government quickly moved to facilitate a settlement. Unions agreed to accept a tiny reduction of Rp. 1,000 to the minimum wage set by the tripartite committee, a face-saving gesture for Apindo. Once again, workers had prevailed.

The *pilkada* took place almost immediately after the massive protests in January 2012. A number of candidates approached unions asking for their support. Despite Sa' dudin' s support for unions in the minimum wage negotiations, none of them opted to back his candidacy. Given his weak track record on labor issues in the district, they interpreted his siding with unions late the previous year as an insincere attempt to capture worker votes. Unions therefore looked to strike deals with other candidates. One union, SPN, formalized its backing of PDI-P in a political contract that promised operational support for the union if the PDI-P candidates won.³¹ Bekasi's largest federation, FSPMI, was reluctant to risk backing a losing candidate, fearing that the winner would punish them once elected. Since no clear leader had emerged in public opinion polls, FSPMI hedged its bets by adopting a two-track strategy. While it placed union activists on the campaigns of all of the candidates, behind the scenes it concluded an unwritten political deal with the candidate who ultimately won, Golkar's Neneng Hasanah Yasin, and her Democrat Party (PD, Partai Demokrat) running mate, Rohim Mintareja. No official announcement or written commitment was issued by either side, but union leaders agreed to speak favorably about her to members, and Neneng indicated that she would be amenable to issuing a moratorium on outsourcing, tightening up labor law enforcement, and building a more permanent home for Omah Buruh, a makeshift gathering place for workers that FSPMI had erected in one of Bekasi' s industrial zones. In the subsequent minimum wage negotiations for 2013, the government sided with unions and signed off on a minimum wage increase of nearly 35 percent.

In Bekasi, then, we see that an incumbent facing an imminent reelection bid tried to win labor's support by backing unions in the minimum wage negotiations. Labor's victory,

³¹ This deal was of little political consequence because SPN has few members in Bekasi. The agreement was shepherded by Waras, who had been expelled from SPN for running a labor outsourcing business. The existence of this political contract was leaked to the press, causing much embarrassment, since it was perceived to be a crass attempt by local SPN leaders to feather their nest by exchanging votes for an organizational payoff. Even so, the striking of the deal demonstrates that political candidates are eager to secure support from unions.

however, might have been undone if unions had not again exerted mobilizational power. Having lost at the local level, Apindo tried to shift the arena to the courts. The lawsuit provoked massive protests that led to the intervention of the national government, which also sided with workers. These mobilizations, in turn, demonstrated to all of the *pilkada* candidates that unions were a force to be dealt with in Bekasi, and the eventual winner reached a tacit political deal with them.

The means through which workers secured a sizable increase in the minimum wage for 2012 in Tangerang was more serpentine. But, once again, the decisive factors were intense political competition and massive, disruptive protests. In Tangerang, the *pilkada* preceded the 2012 wage negotiations, which also took place in the last quarter of 2011. In this case, it was the gubernatorial race in Banten in October 2011 that shaped the outcomes of the wage-setting process. In the gubernatorial race, the two top candidates were the mayor of Tangerang, Wahidin, and the incumbent, Ratu Atut Chosiyah.³² In exchange for support in the 2008 mayoral race, Wahidin had made commitments that Tangerang's minimum wages would not be lower than Jakarta's, that he would work toward establishing sectoral minimum wages in the city, and would take action on outsourcing. Although Wahidin had largely accommodated these demands, the large unions that sat on the provincial tripartite committee in Banten province ultimately backed Atut in the gubernatorial race. Unions chose her for pragmatic reasons. They surmised that, given her strong provincial network and incumbency advantage, she was the candidate most likely to win. Many of the large unions that sat on the provincial tripartite council subsequently signed a political contract with Atut. In this agreement, concluded in May 2011—prior to the election—the incumbent governor, Atut, pledged to side with them when unions and Apindo split during wage negotiations.

In the 2012 negotiations, which followed soon after Atut's victory, Tangerang municipality's tripartite wage council agreed to a minimum monthly wage of Rp. 1,379,000 (US\$145), which the governor approved. With the governor's approval, the wage-setting process should have ended for the year. But when neighboring Jakarta announced that its minimum wage would be set at Rp. 1,529,000, an alliance of smaller unions that did not participate in the wage council demanded that Wahidin raise the municipality's minimum wage, since he had promised that it would not be lower than Jakarta's. However, union representatives on the municipal wage council were reluctant to ask for more money. Their unions, which dominated both the municipal and the regional tripartite committees, had prioritized negotiations for sectoral minimum wages, which are set above the general minimum wage. They had finally succeeded in setting sectoral minimum wages in the 2012 negotiations, but the price for doing so was that they had accepted a relatively small increase in the general minimum wage. Small unions, which benefited less from sectoral wages, were unhappy with this trade-off, and their dissatisfaction ultimately drove them to the streets.

Politicians, meanwhile, had overestimated the extent to which the labor representatives on the wage council spoke for Tangerang's diverse unions, and the deal unraveled when the smaller

³² Atut is the daughter of local strongman Tubagus Chasan Sohib, a feared and respected martial arts champion whose family's business and political interests run deep in the province. Although Chasan Sohib himself is now deceased, his family continues to run Banten in classic strongman fashion. Atut and a number of her close family members are members of Golkar, but she has allies in all the major parties, most of which formally supported her candidacy in 2011. In addition, several other members of the clan have held executive or legislative positions.

unions began to pressure Wahidin to raise the minimum wage to the same level as Jakarta's. They mounted protests in front of his office, even at his residence. By this time, Wahidin knew that his attempt to contest in court the outcome of the gubernatorial election had failed, and that he would have to finish his term as mayor. Possibly out of spite, Wahidin issued a new minimum wage recommendation, setting it at the same level as Jakarta's, and sent it to the governor for approval. In doing so, he redirected the swarm of protestors outside his office to Atut's provincial headquarters in Serang. The large unions remained reluctant to renege on their promise to Atut that they would assure labor peace if she sided with unions during wage negotiations. But by this time, they could no longer exert control over their members, who joined in protests against the governor.

Workers by the tens of thousands made their way to Atut's office by motorcycle, causing a complete shutdown of the toll road on December 29, 2011. Facing a membership revolt, the large unions now urged Atut to agree to the higher minimum wage. When the alliance of smaller unions threatened to mount further protests at her inauguration, she reluctantly agreed to raise the minimum wage. But the saga was to continue. As in Bekasi, after losing in local politics, Apindo tried to shift the conflict to the courts. In response, workers from all unions in Tangerang returned to the streets. As in Bekasi, these protests attracted the attention of the national government. Representatives of Yudhoyono's administration persuaded Apindo to withdraw its lawsuit and to accept the revised minimum wage, which it finally did in early February 2012.

In both Tangerang and Bekasi, then, tight elections led candidates for local executive positions to enter into political bargains with unions in which candidates promised support in wage-setting in exchange for a combination of political support and labor peace. In this context, labor's mobilizational power had two critical effects. First, it is this power that captured the attention of candidates in the first place, providing evidence that workers were a significant political force and could unleash mayhem when vital interests were threatened. Second, when executives were reluctant to support unions, or when employers tried to shift the conflict outside of local politics, unions effectively mobilized large numbers of protesters to increase the pressure on local executives or to persuade the national government to intervene on the side of labor. It was this combination of openings provided by political competition and unions' ability to mobilize in the streets that was, in the end, decisive.

These case studies illustrate two dynamics that we believe point to ways that oligarchic theory could sharpen its analysis of contemporary Indonesian politics. First, the local minimum wage struggles in Bekasi and Tangerang show that inter-oligarch conflict—a dynamic that is highlighted in both versions of the oligarchy thesis—provides political space that working-class actors can exploit to their advantage. Theorists of oligarchy have thus far focused primarily on the role that inter-oligarch contests for power play in the oligarchs' efforts to defend their wealth from lateral threats (from other oligarchs) and threats from above (from the state). These dynamics are undoubtedly crucial to an understanding of Indonesia's politics. But so, too, are the ways that this bruising political competition opens avenues for political bargaining by materially disadvantaged groups with strong mobilizational capacities. This political bargaining is substantively important because it illuminates a facet of oligarchic politics under-analyzed by theorists of oligarchy. It demonstrates that, in order to capture the state, oligarchs or the parties that they support may

have to form alliances with organized constituencies from below. The need to capture these constituencies, in turn, has implications for the evolution of oligarchic politics.

Second, these case studies also suggest that the mobilizational power of unions has been stronger than anticipated by theorists of oligarchy in their commentary on post-Suharto Indonesia. The labor movement has found ways to mobilize effectively despite its fragmentation into many competing unions; it has sustained a steady stream of mobilizations for many years and secured significant policy victories. Key to the ability of unions to coalesce effectively is the annual rite of minimum wage negotiations, which has led to the formation of networks of unions at the local level. Many different unions sit on wage committees, and cooperation in this forum has facilitated the development of local and even regional networks of unions. In Tangerang, there are even rival networks that sometimes work at cross-purposes, but also come together when employers threaten to undercut policy victories, as occurred when Apindo challenged the increased minimum wage in court. These networks generally lie dormant for most of the year but are revived annually during wage negotiations.

Importantly, unions' exercise of mobilizational power has not depended on workers being in a state of constant mobilization. Instead, it has leveraged periodic massive actions that demonstrate the credible threat of further disruptive actions. In other words, unions did not have to exercise constantly their collective mobilizational power in order to achieve these gains; rather, they used mobilization selectively and strategically both to demonstrate their collective power and to make threats of further disruptive mass protest credible. These credible threats of future mobilizations in turn caused executives to seek out political deals to stop or to prevent mass protest. Mobilizational power, then, has been critical to labor's policy victories at both the national and local levels. This mobilizational power, in turn, has attracted the attention of some of Indonesia's political parties.

Engaging in electoral politics

There is also a demonstrable link between the mobilizational power of unions and party recruitment of union leaders as candidates in legislative elections. Political parties began to approach leading union figures as the 2004 legislative elections drew near.³³ Their interest intensified in the lead-up to the 2009 legislative elections, when large parties like PKS, Golkar, PDI-P, and the United Development Party (PPP, Partai Persatuan Pembangunan) wooed trade unionists in the hope of securing the labor vote in union-dense districts. Numerous smaller or newer parties, including the Great Indonesia Movement Party (Gerindra, Partai Gerakan Indonesia Raya) and the People's Conscience Party (Hanura, Partai Hati Nurani Rakyat), have also courted prominent union cadres. One party, PKS, concluded agreements with two of Indonesia's largest unions, FSPMI and SPN, under which they agreed

³³ For examples of this cooperation, see Michele Ford and Surya Tjandra, "The Local Politics of Industrial Relations: Surabaya and Batam Compared," paper presented at the Indonesia Council Open Conference, Melbourne, September 24–25, 2007).

to place numerous union cadres as legislative candidates at the *kabupaten/kota*, provincial, and national levels.³⁴

Although initially suspicious of what they call "practical politics,"³⁵ within a few short years a number of influential union leaders had embraced this model of political engagement. The reasons why unions have agreed to partner with political parties are obvious. Political parties are central in most democracies, since they are the main vehicles through which political actors compete in elections. In Indonesia, political parties are especially powerful gatekeepers because its electoral system prohibits independent candidacies from running for legislative office and for the presidency. Individuals who wish to run for these offices must therefore do so through a political party. It is possible to establish new parties, but onerous registration requirements make it difficult, and electoral thresholds mean that most first-time entrants are excluded after competing in just one election. In the absence of an effective labor party, unions have thus had little choice but to turn to mainstream players.

The question is, then, why did parties reach out—however tentatively—to unions? It goes without saying that in Indonesia, as in all democracies, those seeking to control government offices must win elections. Vast sums of cash are a necessary condition for competing in Indonesia's elections, but money alone does not guarantee victory. Parties must therefore find the means, in addition to money, to persuade voters to select particular candidates.

Unsurprisingly, parties therefore also consider features of candidates that may broaden their appeal to voters, for example, ethnicity or religion. Cultivating working-class voters has the potential to both expand the party's appeal and to tap into one of the largest organized constituencies in Indonesia. Doing so can help to defeat other parties in the electoral arena.

In Thailand, Thaksin created a mass constituency through populist programs and has thrashed the competition ever since. Indonesia's parties have not made serious efforts to replicate this strategy. The courting of labor has not been accompanied by the development of a coherent policy platform that appealed to workers or to poor voters. Given that labor had not proven its ability to deliver votes, the tentativeness of party outreach to unions is understandable. Still, where parties anticipated tight races and where unions had significant membership, some party leaders believed that workers might deliver the small margins of victory necessary to win seats in local, provincial, and national races. Parties were therefore strategic and selectively placed union cadres on their lists in major industrial areas. Even PKS, the party that most assertively courted labor in the lead-up to the 2009 election, offered only a small number of spots on their slates to union candidates.

This reluctance reflects the thorny internal politics of candidate selection. Most union activists are not party cadres, so the decision to include them on a party ticket means fewer spots for loyal party members. Under a closed party list system, the order of candidates on the ballot paper determines which candidates receive seats in local and national legislative

³⁴ PKS signed a formal political contract with SPN. Its agreement with FSPMI neither bound the union exclusively to the party nor was backed up by a formal contract. The deal with FSPMI nevertheless resulted in the placing of several trade union candidates with the party in Tangerang municipality and elsewhere, including West Java, Banten, and the Riau Islands.

³⁵ Michele Ford, "Economic Unionism and Labour's Poor Performance in Indonesia's 1999 and 2004 Elections," in *Reworking Work: Proceedings of the Nineteenth Conference of the Association of Industrial Relations Academics of Australia and New Zealand, February 9–11, Sydney, 2005, Volume 1 Refereed Papers*, ed. Marian Baird, Rae Cooper, and Mark Westcott (Sydney: AIRAANZ, 2005).

contest. Parties can thus accommodate the contending imperatives of broadening their appeal and rewarding loyal cadres by allocating lousy spots (*nomor sepatu*) on the party ticket to trade-union candidates. Under such a system, labor candidates can deliver votes to the party without themselves being elected. In Bekasi district, for example, the major parties only offered cadres from FSPMI what were expected to be losing slots on their tickets in 2009.³⁶ Even those with long associations with a party were treated in this way. Waras, a union activist and PDI-P cadre in Bekasi, stood for a seat in the provincial parliament; he was also allocated a losing slot on the ticket. The same pattern was evident in Tangerang, where the candidates from KSPSI, FSPMI, and SPN who ran at the district/ municipality and provincial levels for PDI-P and PKS were all given *nomor sepatu*.³⁷

This established strategy was put at risk in early 2009. Just before the legislative elections, the Constitutional Court overturned the closed-list system, ruling that the number of votes received by an individual candidate rather than his or her place on the ticket would determine the winners of electoral races.³⁸ Parties still controlled the lists, but their strategy of recruiting "vote-getters" and placing them below party cadres on the ticket was now fraught. Popular figures who attracted votes might be elected rather than party cadres. Although none of the union candidates won, in Tangerang some received substantial shares of the vote in their districts, and in doing so jeopardized the chances of those higher up on the ticket.³⁹ Many union candidates suspected that the parties that had sponsored their candidacies responded to this unforeseen development by bribing electoral officials to reallocate some of their votes to candidates higher up on the list. For example, based on monitoring at the polling booths, an SPN candidate believes she had enough votes to win, but that votes were shifted to another PKS candidate at the regional electoral office, where she was not permitted to have her own monitors.⁴⁰

The shift to an open-list system had potentially fundamental consequences for the ability of outsiders to be elected, and therefore may well alter the closed nature of Indonesia's political system. Its impact in 2009 was mediated by the extent to which parties were prepared to support their "external" candidates during the campaign phase and by the parties' apparent practice of illegally shifting votes between party candidates at the district electoral commission offices. Labor's inexperience in electoral politics, which requires a different sort of mobilization than mass protests, also contributed to its poor showing in 2009. Unions learned a great deal from that experience. Despite their massive losses, they were eager to give electoral politics another shot in 2014. And, once again, parties lined up to place union candidates on their slates.

³⁶ It is for this reason that the branch decided to ignore the union's national-level push to mount candidates. Eight FSPMI members decided to run in Bekasi municipality despite this, but they ran for small parties.

³⁷ Elsewhere in Banten, a former high-level KSBSI official, Idin Rosidin, ran as a Gerindra candidate for a seat in the national legislature. In what was Gerindra's first national election, Idin nearly won a seat.

³⁸ Buehler, "Decentralisation and Local Democracy in Indonesia."

³⁹ This development was not confined to the local level. The president of FSPMI, Said Iqbal, nearly won a seat for PKS in the national People's Representative Council despite resistance from local party cadres; he stood for election in the Riau Archipelago, the province where the Batam industrial zone is located. For a detailed discussion of FSPMI's engagement with the 2009 electoral campaign in Batam, see Michele Ford, "Learning by Doing: Trade Unions and Electoral Politics in Batam, 2004–2009," *South-East Asia Research* (in press).

⁴⁰ Party cadres admitted during interviews that "pendudukan"-the transfer of votes from candidates low down on the list to the party's preferred candidates-might have occurred in some 2009 races.

Conclusion

Theorists of oligarchy have underestimated not only the labor movement's capacity to engage in effective and sustained collective action but also the links between collective action, policy outcomes, and the electoral strategies of Indonesia's power-holders. It is true that Indonesia's trade unions remain weak, fragmented, and divided in their views on the role organized labor should play in the political arena. But contrary to the expectations derived from oligarchic theory, trade unions have carved out a domain of influence in Indonesia's polity even in this weakened state. Mobilization in the streets—or a credible threat thereof—has forced politicians at the local and national level to make concessions to the labor agenda. Mass protests in union-dense districts have not only pushed local executives to support increases in the minimum wage but also thwarted employer efforts to challenge these increases in the courts. At the national level, the threat of sustained mass disruption in the capital has forced legislators and the government to concede to important policy demands put forth by labor.

The kind of mobilization needed in the streets is, of course, not the kind of mobilization required for electoral success. The individualizing logic of the ballot box demands a qualitatively different sort of mobilization, one that rests more on persuasion. In the Indonesian context, the importance of money politics, the varied political orientations of workers, and the absence of a significant party that advocates a social democratic agenda make this task extremely challenging for unions. Nevertheless, unions have experienced a degree of success in their attempts to influence local executive elections, which lend themselves to a combination of horse-trading and mass protest. As demonstrated in this essay, local executive candidates—many of them minor oligarchs in their own right—have proven keen to cultivate labor when facing tight electoral races, offering redistributive policies to unions in exchange for their political support. And even though parties have sought to use unionists as "vote-getters" and offered them little in return, the need for oligarchs to win elections has created new space for organized labor to begin to insert its agenda into the political realm. The incremental effects of these challenges to the distribution of resources are under-theorized in analyses of Indonesia's oligarchy, which mistakenly dismiss them as being inconsequential to the main game.

The critique presented here is not simply a matter of our saying that theorists of Indonesia's oligarchy "do not pay enough attention to the part [we] study" in "the division of labor that is academia."⁴¹ These theorists assert that the political realm is an important realm of wealth defense—in the case of Hadiz and Robison, for instance, the authors assert that it is, in fact, integral to the construction of the oligarchy itself. It is thus incumbent on them to ensure that their theory is sufficiently robust to explain not just transitions *between* different modes of oligarchy, but the nuances *within* them, in this case the extent to which the inherent contradictions within the political system create fissures within the oligarchy that can be exploited by marginalized actors incrementally over time. Without such an engagement, oligarchic theory not only ignores important empirical developments in contemporary Indonesia—the emergence of a dynamic working-class movement—but also undercuts its capacity to account for forces that provoke transformations in oligarchic politics. Thus, just as we cannot understand contemporary labor politics without some engagement with

⁴¹ Winters, "Oligarchy and Democracy in Indonesia," p. 30.

oligarchic theory, oligarchic theorists cannot possibly fully understand the mechanics of wealth defense and the forces that might transform it without a more serious consideration of the opportunities that inter-oligarch conflict provide for working-class actors to claim a bigger share of the economic pie.