
THE POLITICAL ECONOMY OF LABOR IN INDONESIA

Jeffrey A. Winters

Chris Manning. *Indonesian Labour in Transition: An East Asian Success Story?*
Cambridge: Cambridge University Press, 1998. xxii, 323 pages.

Jonathan Pincus. *Class Power and Agrarian Change: Land and Labour in Rural West
Java.* New York: St. Martin's Press, 1996. xii, 248 pages.

Vedi R. Hadiz. *Workers and the State in New Order Indonesia.* London and New
York: Routledge, 1997. 250 pages, with index and bibliography.

The political-economic literature on modern Indonesia has passed through several phases, driven in part by events, by the interests of powerful institutional and economic actors, as well as by trends in the disciplines of political science and economics. While some attention was paid to political institutions and electoral processes immediately after independence,¹ the strongest theme was from Cornell publications and focused on the interplay between culture and politics.² Beginning in the 1980s, the focus shifted to the relations between state and capital, with considerable attention paid for the first time to the influence of foreign actors and structures.³

¹ See Herbert Feith, *The Decline of Constitutional Democracy in Indonesia* (Ithaca and London: Cornell University Press, 1962); and Daniel S. Lev, *The Transition to Guided Democracy: Indonesian Politics, 1957-59* (Ithaca: Modern Indonesia Project, Cornell University, 1966).

² See Benedict R. O'G. Anderson, "The Idea of Power in Javanese Culture," in *Language and Power: Exploring Political Cultures in Indonesia* (Ithaca and London: Cornell University Press, 1990). [First published in 1972]. Benedict R. O'G. Anderson, *Java in a Time of Revolution: Occupation and Resistance 1944-1945* (Ithaca: Cornell University Press, 1972). Donald K. Emmerson, *Indonesia's Elite: Political Culture and Cultural Politics* (Ithaca and London: Cornell University Press, 1976).

Spawned by a brief upsurge in labor activism in Indonesia in the first half of the 1990s, a new phase has recently emerged focusing on the political economy of labor.⁴

Although all three books considered here acknowledge conflicts and power relations locally and especially at sites of production, they are written either in anticipation of a significant role for labor in Indonesian national politics in the decades to come (Hadiz and Pincus), or largely ignore the subject and focus instead on tracking changing levels of prosperity (Manning). These books, which were written in the years prior to the 1997 financial crisis in Asia, make a particularly useful contribution to an assessment of what regimes like Suharto's Indonesia produce economically and politically, and especially how fragile the gains of authoritarian "development" can be. All the new studies on labor in Indonesia, including these three, recognize that economic change after the late 1960s was real and sometimes breathtaking. And the evidence is clear that the numbers of Indonesians employed as wage laborers in agriculture, manufacturing, and services expanded dramatically.

But it is also striking how unempowering these changes were for labor. Wages improved—though unevenly across gender lines, very modestly for wage workers in the countryside, and only slightly better for laborers in the more advanced sectors. Workers were absorbed into new jobs and roles by the tens of millions during the New Order. And yet they were incorporated in ways that muted their material gains, subverted their capacity to form independent organizations, blocked their ability to place checks and balances on those controlling the state and economy, and thus contributed to the fragility and hollowness of the much-vaunted Indonesian development success story that was undone in a matter of months at the end of 1997.

According to all statistical measures, especially at the aggregate level, Indonesia seemed to be doing a good job. Suharto's economic ministers, who were roundly hailed as skilled technicians and savvy navigators of Indonesia's political scene, commanded much respect among powerful actors in the international arena. They were seen as guiding the country along a path toward greater prosperity through liberalization. And yet the system was rotting so thoroughly from within that it was unable to endure the shocks triggered by the collapse of the Thai baht. One of the key flaws in the Suharto model was that the edifice of development, including labor's role in it, had been built gleaming and tall upon an institutional foundation of sand. Risk lurked throughout the system because certainty was contingent on the stability of a classic patrimonial system of personalized guarantees, which were only thinly masked by surface appearances of being legal-rational. Capitalism moved forward, but without

³ See Richard Robison, *Indonesia: The Rise of Capital* (Sydney: Allen and Unwin, 1986); Andrew MacIntyre, *Business and Politics in Indonesia* (Sydney: Allen and Unwin, 1991); Jeffrey A. Winters, *Power in Motion: Capital Mobility and the Indonesian State* (Ithaca and London: Cornell University Press, 1996).

⁴ In addition to the books reviewed here, see the important early work of Gillian Hart, *Power, Labor, and Livelihood: Processes of Change in Rural Java* (Berkeley: University of California Press, 1986), and Diane Wolf, *Factory Daughters: Gender, Household Dynamics, and Rural Industrialization in Java* (Berkeley: University of California, 1992). See also the excellent doctoral theses by Douglas Kammen, "A Time to Strike: Industrial Strikes and Changing Class Relations in New Order Indonesia" (PhD Dissertation, Cornell University, 1997), and Teri Caraway, "Engendering Industrialization: The Feminization of Factory Labor in Indonesia" (PhD Dissertation, Northwestern University, forthcoming 2001).

lasting elements of control and regulation in place—important checks that workers and other groups in civil society helped implant in other earlier industrializers.

Indonesia charged ahead economically from the 1970s through the late 1990s without functioning courts or rule of law. Neither was particularly necessary as long as the Suharto regime remained in place to regulate justice and access according to its own fairly predictable rules and logic. Corruption widened while capital flows and financial liabilities became increasingly short-term and volatile. When the system began its crash, it occurred not as a result of mobilized social forces, but because of the actions of capital controllers as they increasingly perceived and then, by their reaction, compounded the frailties of the system over which Suharto and his allies presided. The punishment unleashed by capital controllers was rapid and brutal. Once the immediate damage of the crash had been done and the snap mass movement had toppled Suharto, Indonesia was in trouble. The New Order establishment could not be easily restored (though this has not stopped people from trying), but nor did any system of institutions exist that could quickly replace what had been destroyed.

Certainty went from being contingent to nonexistent. The latent risks of the system had become manifest, and nothing political or economic was stable. Meanwhile, power went from being highly focused to widely dispersed. In an overly coercive and centralized country like Indonesia, this can be a crucial opportunity for excluded actors and social strata to participate and campaign for change. But when accompanied by economic collapse and rising ethnic, religious, and regional conflict, it can also be a crucial opportunity for reactionary elements in society to seize control. A third possibility is prolonged political-economic dysfunction and decay.

Despite a brief burst on the scene in the early 1990s, labor did not play a significant role in the ousting of Suharto, nor has it emerged as a coherent, effective voice or actor during the three years since the New Order regime's ideological, distributive, and coercive apparatus broke down.⁵ The books under review provide an excellent overview for sorting through the puzzles and contradictions of Indonesia's rapid rise and even more rapid decline.

Indonesian Success Story?

Chris Manning is among the best contemporary scholars working on the Indonesian economy. Having conducted careful research on Indonesia for decades, his knowledge of the country is deep and subtle. His scholarship in the late 1980s on the Green Revolution in Java is some of the most insightful available on the subject anywhere.⁶ His most recent book, *Indonesian Labour in Transition: An East Asian Success Story?* (hereafter: *Indonesian Labour*), offers an ambitious survey of changing conditions for workers across all sectors. The strengths of this work are immediately apparent.

⁵ The contrast with the role of workers at parallel moments of transition in South Korea and the Philippines is notable.

⁶ See Chris Manning, "Employment Creation in Rural Java: Lessons from the Green Revolution and Oil Boom," *Population and Development Review* 14, 1 (1988): 47-80; and Chris Manning, *The Green Revolution, Employment, and Economic Change in Rural Java: A Reassessment of Trends Under the New Order* (Singapore: Institute for Southeast Asian Studies, Occasional Papers No. 84, 1988).

Manning not only presents a wealth of data on the Indonesian economy spanning the New Order, but offers useful comparisons with other countries in Asia.

Indeed, one of the key questions the author grapples with is whether Indonesia's economic development is best compared to that in countries like India and Bangladesh at one end of the spectrum, or to that in Malaysia and Thailand, or, at the other extreme, to cases like Taiwan and South Korea. This question is never resolved with finality, though the title hints that Manning wants to lean toward comparisons with the East Asian cases. The problem is that much of the data he presents prevents him from doing so.

The breadth of this book is impressive, and it should be studied carefully by anyone seeking to understand the political economy of Suharto's New Order. Across eight substantive chapters, Manning tracks changes in labor mobility and migration, regional issues, employment in agriculture, productivity in the formal and informal sectors, trends in wages, and unemployment. All of the chapters are strong. But the one entitled, "More Women in the Workforce: Regress or Progress?" is particularly nicely presented and helps fill a huge gap in the literature on gender and economic change in Indonesia.

The real centerpiece of the book is the chapter on "Wage Growth in a Labour Surplus Economy." This chapter also presents some of the greatest obstacles to the key arguments Manning wants to make. Several points emerge from the wage data the author provides for Indonesian workers during the New Order. First, it is evident that wages rose for all sectors during the Suharto years, including in agriculture. But real wage gains were hardly impressive for an economy that posted average annual growth rates of between 6 and 7 percent for three decades. The gains were lowest for agricultural labor, but even in the modern sector Indonesian workers never experienced the rapid real increases in wages seen in Northeast Asia from the 1960s forward.

The debate over changes in real wages in Indonesia has been largely technical in nature and has centered on the choice of deflator and the comparability of wage data within and across sectors over space and time. Manning sets out the issues clearly and concisely. His preferred deflator is the Minimum Physical Needs (MFN, or in Indonesian, *Kebutuhan Fisik Minimum*, KFM) since this index "is more realistically weighted in line with consumption patterns of lower-income wage workers." (p. 127) The results show that real wage gains for workers were significantly lower than comparable estimates based on the more general Consumer Price Index (CPI).

A second point that emerges concerns the impact of states and markets on wage gains for workers. Most economists, including Manning, argue that aggressive liberalization and an export orientation are beneficial to workers. But the data for Indonesian workers yield no easy correlation. Real wages rose fairly strongly during the dirigiste 1970s, stagnated throughout the 1980s despite the country's sweeping liberalizations, and then began to rise again in the early 1990s. Manning tries to downplay the wage gains of the 1970s as a "one-off effect" of the oil boom years. (p. 123) Like the Bretton Woods institutions, he steers clear of the problem of aggregate demand management and in doing so fails to address the question of the distributional impact of macroeconomic adjustment. His analysis of wage trends during

liberalization is also difficult to square with Indonesia's widely trumpeted reduction in poverty rates during the adjustment period.

While Manning hesitates in grouping Indonesia with the success stories of East Asia, he leaves no doubt that he believed in the mid 1990s that the country was on the right path toward greater and more rapid economic prosperity. The Suharto regime's record of economic development had transformed the author from a skeptic in the 1960s who doubted that Indonesia's endemic poverty could be alleviated in anything less than a lifetime, into a believer who was awed three decades later by all that the dictatorship was accomplishing. While admitting the country still had a way to go before living standards were raised to acceptable levels, Manning declares in the opening paragraphs of *Indonesian Labour* that, "The Indonesian story of labour market transformation is remarkable" (p. xviii), adding that the Indonesian economy had been "among the top ten achievers in the developing world since President Suharto came to power." (p. 6)

He continues: "given economic fundamentals and policies in the mid 1990s, there are no longer grounds for pessimism—which even the most sanguine observers felt when Suharto came to power—concerning better job prospects for most Indonesians as the country approaches the twenty-first century." (p. 10) While noting "very genuine concerns" about the concentration of economic power and wealth in the hands of a tiny elite, Manning concludes that "the momentum of sustained economic growth transformed the labour market, ridding it of many of the signs of classic labour surplus, which were all too obvious at the beginning of the New Order." (p. 277)⁷

The author is aware he is being provocative. He writes,

I suspect that many from disciplines other than economics might be sceptical of the "success" implicit in the findings of much of the [book's] analysis—although the results by no means suggest that labour market processes have benefitted all workers, or benefitted them optimally at all times. In my view, a more fruitful dialogue is much needed between seemingly optimistic economists and other social scientists who hold less sanguine views on the processes of economic development, and their implications for social and political change. (pp. xviii-xix)⁸

It is fair to ask what went wrong. This question applies as much to the Indonesian success story as to the analyses offered in *Indonesian Labour*. It should be said that Manning's "success theme" is not the most important aspect of the book, even if it does

⁷ Perhaps reminded that the data make over-enthusiasm impossible, Manning repeatedly tempers his upbeat image with a much darker assessments: "Yet wage rates remain low, a small proportion of workers are employed in non-agricultural or skilled occupations and the ubiquitous informal sector abounds in major cities, just a few minutes walk from the modern centres of business." Manning, *Indonesian Labour*, p. 7.

⁸ The author is troubled that the New Order's record of achievement remains unacknowledged, and he is concerned that misperceptions about the Indonesian success story have resulted in unhelpful attacks on the policies of the technocrats. He seeks, then, to explain why there is "a general feeling that in the area of labour the Indonesian government has performed poorly," leading some observers to conclude incorrectly that "Indonesia needs to rethink its development priorities and programmes, especially the recent phase of economic liberalisation since the mid 1980s." *Indonesian Labour* promises to answer "why the benefits to wage workers have not been more visible or pronounced in terms of conventional indicators." *Ibid.*, p. 3.

dominate the discussion in the opening pages. The real value of this book lies in the author's deeply intelligent presentation of complex information about a complex economic system. He shows that growth rates across all sectors were impressive, job creation rates were strong, and children got access to schools, if not always education. Meanwhile, population growth was slowed, irrigation infrastructure in rural areas was built, and patients got access to clinics, if not always health care. Had it been possible for these trends to continue for several more decades, Indonesia might have achieved a classic Lewis "turning point," resulting in a more enduring form of economic transformation.⁹ Moreover, although there were serious problems with Indonesia's political economy, it would be mistaken to suggest that nothing was accomplished. Indonesia was kleptocrat heaven, but of the Asian, not African, variety.

Still, the question remains: how could Indonesia both produce the record Manning so capably traces and yet not only defy his expectation for continued success, but actually crash and burn? Some, particularly those in Indonesia searching for a scapegoat, might want to blame exogenous forces like foreign investors and casino capitalism. But the highly uneven pattern of the "Asian" crisis proves that internal factors determined the degree to which countries were vulnerable to disruption or even collapse.¹⁰

Few observers in the 1990s were predicting an imminent crisis in Indonesia, and it would be unfair to criticize Manning and others for not anticipating the country's economic and political collapse. But the problem with neo-liberal analyses, including *Indonesian Labour*, is far more subtle. It is that they substitute empiricism for theoretical analysis. The problem is not in the mountain of data that excellent scholars like Manning present and interpret. It is in the questions not asked and the aspects of the system not examined. That is, there is a great deal that a veteran scholar like Manning knows about Indonesia that is simply not in this book. And a stream of observations that end up demonstrating that markets go up and markets go down is no substitute for political-economic analysis and theory. Demographics and forces of supply and demand in labor markets are, as Manning shows, important considerations in determining real gains for workers. But so is power.

A core question glossed over for the Suharto regime is: what institutional foundation had been laid that could reasonably be expected to endure beyond the personalistic guarantees Suharto and his power group supplied? The answer lies not in what Suharto built, but in what he aggressively dismantled or prevented from being considered seriously. Manning focuses too much on the former—the macro policies and the fundamentals—and not enough on the latter. Ironically, the book is both right and wrong. The New Order did produce some remarkable changes. But the regime did

⁹ See W. A. Lewis, "Economic Development with Unlimited Supplies of Labour," *The Manchester School of Economics and Social Studies*, vol. 22 (1954): 139-91.

¹⁰ Two useful works on the crisis are T. J. Pempel, ed., *The Politics of the Asian Economic Crisis* (Ithaca and London: Cornell University Press, 1999) and Richard Robison, Mark Beeson, Kanishka Jayasuriya, and Hyuk-Rae Kim, eds., *Politics and Markets in the Wake of the Asian Crisis* (London and New York: Routledge, 2000).

not produce an enduring system for development that could maintain the country along the trajectory of success many believed it was on.¹¹

Class Power

In *Class Power and Agrarian Change* [hereafter: *Class Power*], Jonathan Pincus offers a very different angle on labor and change in Indonesia. While Manning's study provides a much-needed macro view that integrates insights from micro data where relevant, Pincus presents an analysis based on primary research conducted in three villages in West Java, referring where relevant to comparisons and contrasts at the macro and international levels. Like Manning, he reports a great deal of change during the Suharto years and acknowledges the role some government policies played in facilitating change. But for Pincus, the modest gains for rural wage laborers in Indonesian came more in spite of the Suharto regime than because of it.

The evidence in this book from village surveys is marshaled in support one of the author's central claims—that "locally specific historical, political and economic factors influence the bargaining power of the poor and in turn help to shape the organisation of production and patterns of change." At the heart of this study is change in class power at the village level, which, the author emphasizes, "is not simply a reflection of national or regional trends." (p. 14)¹² Pincus does what Manning does not—he emphasizes that, in addition to the standard market factors economists tend to highlight, there is a power dimension to wages. He thus produces a study in political economy in the classical sense.

Standing in the way of class interpretations of rural labor and production, particularly on Java, is a tenacious "agrarian myth" based on a largely egalitarian image of "homogeneous, small-scale producers cultivating primarily on the basis of family labour and living in 'traditional', corporate communities." (p. 188) This image of the Indonesian countryside is not only inaccurate, but has stunted analyses of the dynamics of economic change in rural areas. Instead of focusing on class power, class conflict, and processes of proletarianization, the preoccupation of mainstream economists has been on market and demographic factors as the key variables in economic change at the village level.¹³

¹¹ It is remarkably easy to find profoundly incorrect conclusions about the nature of Indonesian development. In a recent book by Cole and Slade published just as Indonesia's banking and financial system was undergoing one of the most spectacular meltdowns of the twentieth century, the authors observed: "The Indonesian experience with implementing policies for the banking sector demonstrates that freeing up direct controls over prices, allocation and entry of new institutions need not lead to crises and chaos as it has in some countries, but instead can result in reasonably healthy growth, expanded services and improved efficiency." See David C. Cole and Betty F. Slade, *Building a Modern Financial System: The Indonesian Experience* (Cambridge: Cambridge University Press, 1996), p. 140.

¹² Along the way (see especially pp. 30-32), Pincus presents a number of sharp methodological insights on the "village" as a unit of analysis.

¹³ Pincus disputes the role of demographic arguments outright, particularly with regard to wages for rural laborers in different parts of Asia. Indeed, data he presents show "no close correlation exists between population density and wage rates" (p. 14, emphasis in original).

Class Power argues that substantial inequalities exist in terms of cultivated as well as owned area in a range of Javanese villages. It also shows that, depending on the village, by the early 1990s between 30 and 70 percent of the population was landless in the absolute sense. Pincus's work in the Subang villages of West Java demonstrates that "households controlling small amounts of land are not a homogenous group, but instead are strongly differentiated in terms of economic well-being and their involvement in the labour market both as hirers and sellers of wage labour." (p. 189) With the landless as well as significant numbers of small holders working for wages, it turns out that the countryside across most of Indonesia has a much higher degree of proletarianization than is commonly thought.

Despite recording some of the highest average paddy yields in rice cultivation in Asia, daily wages for male agricultural laborers in Java ranked among the lowest in the region. Thus real wages for rural workers in most parts of Indonesia were not only low in absolute terms, and exceedingly low by international standards, but also could not be accounted for by poor productivity. (p. 12) Moreover, the explanation for suppressed wages in the countryside during the New Order cannot be found in weak growth rates for wage jobs. Although technological advances slowed the capacity of agriculture to absorb new entrants into the labor force, the average annual growth rate of the wage labor force in Java was above 6 percent for most of the New Order, far exceeding the average annual growth rate of the working age population of 2.5 percent. (p. 11)

Manning argues that the aggregate data show that under Suharto the "employment record in agriculture in Java is remarkable." (p. 91) But the worm's-eye view in *Class Power* suggests that gains achieved during the dictatorship were not only abjectly low, but very unevenly distributed, with the upper strata in the countryside capturing the most, while considerably less went to small-holder and landless wage laborers. "Changes in the forms of wage labour arrangements and in real wages," Pincus argues, "are shown to be strongly influenced by class structure, the relative bargaining power of classes and historical factors specific to each village." Echoing the earlier work of Brenner on France and England,¹⁴ he adds that "the hypothesis that changes in labour arrangements and real wages represent adjustments toward equilibrium in the labour market is rejected in favour of a less deterministic approach which views these changes as part of an ongoing struggle between classes at the village level over the division of agricultural surpluses." (p. 93)¹⁵

Rather than approaching the distribution of incomes as essentially technically given, where "wages and institutions adjust to changes in the marginal productivity of

¹⁴ Pincus cites Robert Brenner, "Agrarian Class Structure and Economic Development in Pre-Industrial Europe," in *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe*, ed. T. H. Aston and C. H. E. Philpin (Cambridge: Cambridge University Press, 1985).

¹⁵ One of the crucial flaws in the equilibrium theory is the assumption that villages are closed corporate communities. In those moments when members of different classes are in direct conflict over the division of surpluses—for instance when wage laborers in agriculture attempt to demand higher pay—the ability of landlords to hire outsiders is decisive. "Once it is recognised that rural labor is highly mobile," Pincus writes, "and that levels of mobility vary from village to village—the analytical link between demographic pressure on land resources and changes in production relations and real wage levels can no longer be sustained." Pincus, *Class Power*, p. 189.

labour, which is itself a product of demographic pressure on land resources," Pincus argues that income distribution and hence rural poverty "can no longer be separated from the *political* capacity of classes and groups at the village level to institute changes consistent with their interests." (p. 190, emphasis in original) This, in turn, implies that any realistic discussion of change for rural wage laborers in Indonesia would have to consider "the effects of the state's rigid control over autonomous political activity, and the effects of repression on the organisation of production and wage levels." (p. 191)

Once we tally up the aggregate data, and we learn the remarkable rate at which output grew in Indonesia under Suharto, Pincus presses us to ask who got shares of the surplus, how much they got, and, as important, how they got them. The repressive state in Indonesia not only influenced the terms of class conflict in the countryside, but did so with even greater intensity and effectiveness than in the modern sectors. Pincus notes that state control in rural areas "has on the whole been remarkably effective in stifling organised class action in the Javanese countryside," while "the potential for organised resistance has proven to be much greater in the industrial sector." (p. 191) This excellent study closes not with an assessment of the regime's economic successes or failures, but instead with a prediction that the New Order would help bring about its own demise if it continued to try to use the same rigidly repressive controls against a rising labor force in the modern sectors that it used so pervasively for three decades against rural workers. Finance capital sank Suharto before this prediction had a chance to be played out.

Workers and the State

In *Workers and the State in New Order Indonesia* (hereafter: *Workers and the State*), Vedi Hadiz offers the most comprehensive overview of the struggles of organized labor in Indonesia currently available. This impressive book is not only highly readable—and certainly appropriate for advanced undergraduates were it available in paperback—but searchingly comparative in its approach to the Indonesian case. The narrative across the six substantive chapters of *Workers and the State* stretches from the 1910s and 1920s through to the mid 1990s. Hadiz does not just present history for the sake of breadth of coverage, but rather because the legacies of labor's experiences from the 1920s and 1960s supplied the broad contours and constraints of labor-state relations during Suharto's New Order.

The author advances several important theoretical arguments in this study. One is that there is no necessary correspondence between the processes of industrialization and the emergence of strong and effective working-class movements. If anything, Hadiz's evidence from Indonesia and other countries in Southeast Asia suggests "the relationship between the two tends to be weaker the later that industrialisation has begun." (p. 183) It matters, for instance, whether labor has emerged as a significant political and social force at a time when the state's institutions and power base is being formed.

For Indonesia, labor organizations appeared very early, but were also brutally and thoroughly crushed at key historical junctures when they attempted to play a more dominant political role than their actual power would permit. The legacy of the defeats of organized labor at the hands of the Dutch colonial regime in 1926 and by Suharto

and the Indonesian armed forces again in 1965 was to solidify the New Order's hostility to organized labor and to undermine the potential of labor to regroup and regain a political foothold.

This did not mean that organized labor could make no gains. But the forms union activism assumed were direct adaptations to the extreme conditions in which labor leaders operated. Hadiz points out, for example, that the new unions that sprang up in the early 1990s (e.g., SBSI [Serikat Buruh Sejahtera Indonesia, Indonesian Prosperous Workers' Union] and *Setiakawan* [Solidarity Independent Workers' Union, also SBM, Serikat Buruh Merdeka]) to confront the monopoly position of the state's single corporatist union (SPSI, Serikat Pekerja Seluruh Indonesia, All Indonesia Employees' Union) were blocked from organizing at the site of production, and instead were forced to "confine most of their direct contact with rank-and-file workers to the community." (p. 136) This adaptation had the perverse impact of giving the labor movement a more NGO-like flavor rather than that of a traditional trade union. While it "made organising among workers, even in the context of a vastly inhospitable political terrain, a much more viable activity in the 1990s than it was twenty years earlier," (p. 186) Hadiz notes that these alternative forms were unlikely to form the basis for a stronger and more effective independent union movement. (p. 155)

This helps account for why the labor movement lost much of its momentum during the second half of the 1990s, even though this was a time of destabilization for the Suharto regime, marked by a sharp upsurge in student activism. On the other hand, the NGO-like character of the labor movement should have facilitated labor alliances with the broader NGO movement and with the students opposing the Suharto government. And yet the role of organized labor in the overthrow of Suharto and his cronies was almost zero. Perhaps even more puzzling, however, is the apparent inability of the labor movement to establish itself as a significant political force since the collapse of the New Order regime. A key explanation in *Worker and the State* for the continuing weakness of labor in Indonesia was the overwhelming strength and determination of the exclusionary Suharto dictatorship. Were the regime to break down, labor ought to have considerably more political space to develop organizationally and politically.

Indeed, Hadiz makes precisely this point when he notes that, "the fragmentation of state power can only work in favour of Indonesia's fledgling independent workers' movement." And by extension, a breakdown of the military should also operate in labor's favor. "Any retreat from the security approach [by the armed forces] will clearly create greater space for the development of an independent workers' movement." And finally, he argues that "a turbulent process of political transition will almost certainly involve attempts by contending elites to mobilise sections of society, including workers, presently excluded from the officially delineated realm of politics." (p. 188)

None of these things has occurred. The necessary space was created by the fall of the regime, and the state's ban on the formation of independent labor unions was lifted just six days after Vice-President Habibie replaced Suharto as president. And yet after nearly three years of openings, labor had failed to step into the new political space. It is quite true that contending elites tried, most prominently during the 1999 election campaign, to woo different segments of society. But not only did no major parties try

to mobilize workers qua workers, the word “*buruh*” (worker) was scarcely ever mentioned by any political elites during the election campaigns. Labor issues have not been a preoccupation of the new constitutional government since it came to power at the end of 1999, despite the fact that the extended economic crisis gripping Indonesia was severely hurting union constituents. It is not clear why labor has been so slow to mobilize, and the Hadiz study offers no clear guidance on where an explanation might be found.

Despite these questions, *Worker and the State* remains a superb contribution to the political economy literature on labor in general and Indonesian labor specifically. One theme that comes through quite profoundly in this book is the military state’s obsession during the New Order with dismantling any countervailing societal forces that might be able to place checks and limits on the patrimonial exercise of power. The efforts against organized labor were especially aggressive and brutal. But the story Hadiz presents makes it clear that what was done to subvert labor was characteristic of the approach used toward all potentially independent societal groups.

As long as the definition of “development” was based narrowly on economic and material measures without regard to the existence of even the most basic independent social and political institutions, it would be possible to survey Indonesia toward the end of the Suharto regime and be favorably impressed. This was certainly the case for the World Bank, which even at the late date of September 1997 released a report arguing that Indonesia would be one of the economic powerhouses that would likely “redraw the economic map of the world” by the year 2020.¹⁶

Before the country crashed, it was still possible for many observers of Indonesia to interpret the regime’s exclusionary politics as a necessary, if regrettable, element for rapid economic development. These studies make it plain that excluding labor in the urban and rural areas was a key element of this strategy. But it has since become apparent that the politics of exclusion in Indonesia was a timebomb waiting to detonate. But not in the sense one normally imagines—where frustrated and angry social forces erupt and overwhelm the status quo. What exploded in May of 2000 was a personalized political infrastructure that set the rules of the game for the whole country. It was in that moment that the full dimensions of Indonesia’s *political-economic* development failure became visible. With their share of the economic surplus systematically suppressed during the entire New Order, and with the prolonged reversal in living standards and developmental prospects since the dictatorship ended, the Indonesian people have been done a double disservice by the model of development pursued by Suharto and his allies.

¹⁶ “World Bank Recognizes Indonesia as Emerging Market Giant,” *Kaleidoscope*, Lexis-Nexis, September 9, 1997, p. 1.

