

Exchange Relationship between Employee and Employer within the Context of Batik Industry

Beyond Social Exchange Theory

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Abstract

This article is part of an ongoing PhD-project at University Islam Indonesia which draws attention towards the exchange relationship between employees and employer within the context of batik industry. This exchange was portrayed and analyzed through the lens of social exchange theory (SET). The key tenet of social exchange theory is that human behavior is in essence an exchange, particularly of rewards or resource of mainly material character (wealth). This means that SET is built according to *homo economicus* assumption. This paper however goes beyond this conventional assumption. We assume that the exchange is based on *homo socialis* and *homo moralis* paradigm. Under these paradigms the exchange relationship is seen not merely for material purpose but rather for symbolic attributes. In addition, when religious perspective is incorporated in this context, such exchange is conceived as religious calling. Consequently, both parties – employees and employer, and particularly employees do not care much on the material rewards. This is the reason why employees are willing to earn lower wages compared to regional minimum wage standard and paradoxically they are still happy life.

Introduction

In the western industrialized countries, traditionally there is separation between workplace and home. These two places have different function. Manufacturing of goods and services are performed in the workplace which is called factory or firm. Meanwhile domestic unit is designed for family life not as economic unit. Today, however the function of home has changed; it is not uncommon that home is also function as workplace. To certain extent, people prefer to work at home because of flexibility and more convenient when family responsibilities make it difficult to meet the rules and schedules of an establishment job. In addition, people are ready to accept any type of work at home, even under poor conditions, probably because employment opportunities are scarce.

On the other side, as companies seek to lower production costs and improve their ability to compete on the world market, they utilize a variety of strategies, including flexible and cheap form of labor. One option that is increasingly popular is to subcontract certain task to a separate firm or to individuals working at home. By doing so, both labor and overhead costs are passed

down to subcontracting chain, while the subcontracted firms and homeworkers become dependent on the larger firms for work.

There are two types of home-based workers: the traditional or the independent home-based worker, and dependent homemaker. Independent home-based worker is people who work at their home, buy their own materials and bear the risk of selling the product to the final consumer. Home-based workers are also considered independent even though they may have a continuing and long term relationship both with suppliers of raw materials and buyers of their end product, particularly if there is no formal agreement or guarantee on the supply of raw materials and the sale of the product. Meanwhile, dependent homemaker means people who work at home but have some agreement with other firm or entrepreneur who supplies the materials and agree to complete the set task by a set of time for a set payment. Dependent homemaker therefore is a paid employee relatively similar to a factory based pieceworker. The different between the two is that dependent homemaker is willing to absorb some production costs. Dependent homeworkers however naturally have little control over their work and do not share the reward of the entrepreneur part of the activity. Despite this fact, dependent homemaker actually shares the market risks especially they will lose their job if the product demand slow down.

In this paper, the discussion will focus on the second type of home-based worker that is the relationship between dependent homemaker and the entrepreneur who supplies materials to homemaker within the context of batik industry. In fact, the relationship between firm and homemaker, particularly in the clothing industries is not new (1, 2). However, most analysis on this relationship is based on economic perspective. Azid et al. (2) for example found that cloth embroidery industries whose customers belong to the affluent class are performed under contractual basis involving home-based female workers in the rural area. The problem, they said, this mode of production cannot reduce poverty because female workers do not share the reward of the entrepreneur part of the activity. So this is a kind of economic exploitation of the poor.

In this paper the relationship between entrepreneur and dependent homeworkers will be portrayed and analyzed not based on economic perspective but on sociological perspective through the lens of Social Exchange Theory (SET) initially proposed by Homans (3). The key tenet of social exchange theory is that human behavior is in essence an exchange, particularly of rewards or resource of mainly material character (wealth). This means that SET is built according to *homo economicus* assumption. This paper however goes beyond this conventional assumption. We assume that the exchange is based on *homo socialis* and *homo moralis* paradigm. Under these paradigms the exchange relationship is seen not merely for material purpose but rather for symbolic attributes.

Social Exchange Theory

Social exchange theory had been introduced to sociology in early 1960 by psychologically and economically minded sociologists, as well as in psychology by social psychologists and partly in cultural anthropology by economic anthropologists (3). Homans (4) defined social exchange as the exchange of activity, tangible or intangible, and more or less rewarding or costly, between at least two persons. Cost was viewed primarily in terms of alternative activities or opportunities foregone by the actors involved. Reinforcement principles derived from the kind of behaviorism popular in the early sixties were used by Homans to explain the persistence of exchange relations. Behavior is a function of payoffs, whether the payoffs are provided by the nonhuman environment or by other humans. Emerson (3)

subsequently developed a psychological basis for exchange based on these same reinforcement principles.

Following Homans, Blau (5) viewed social exchange as a process of central significance in social life and as underlying the relations between groups as well as between individuals. He focused primarily on the reciprocal exchange of extrinsic benefits and the forms of association and emergent social structures that this kind of social interaction created. According to Blau (5): "Social exchange ... refers to voluntary actions of individuals that are motivated by the returns they are expected to bring and typically do in fact bring from others." In contrasting social and economic exchange he emphasizes the fact that it is more likely in social exchange for the nature of the obligations involved in the exchange to remain unspecified, at least initially. Social exchange, he argues, "involves the principle that one person does another a favor, and while there is a general expectation of some future return, its exact nature is definitely not stipulated in advance" (5).

The abovementioned definitions indicate that action is an exchange of (tangible or intangible) activities and rewards/costs between individuals on the grounds that people have always explained their conduct by means of its benefits and costs to them (4). Exchange represents the basis of human behavior (4) and is pervasive throughout social life (6). As regards the character of social exchange in relation to economic transactions, the former is constituted by activities of purposive actors in the case of a "configuration of interests and resources", and the latter (a market institution) by interdependent exchange transactions (7). Assuming that exchange transactions are reciprocal, if reciprocity is not observed such transactions will tend to eventually discontinue. In psychological terms, an exchange is therefore defined as social interaction that is characterized by reciprocal stimuli or mutual reinforcements. Namely, exchange relations are "by definition reciprocal, and if this reciprocity is broken the relationship will extinguish over time. Within the attribute of reciprocal reinforcement, the concept of an exchange relation contains an 'exchange ratio' [balance-imbalance]. In short, exchange theory in sociology studies the "mutual gratifications persons provide one another that sustain social relations. The basic assumption is that persons establish social associations because they expect them to be rewarding. This implies that the exchange of rewards is a starting mechanism of social relations. It is not contingent on norms that prescribe obligations" (8). In particular, exchange theory provides sociology with a "clear conception of the material and resource basis of social action" (9) and thus is "well-suited for grasping material/extrinsic exchange" (10). Hence, the exchange approach in sociology is described as the "economic analysis of noneconomic social situations" (3).

The Case: Employees – Employer Relationship within Batik Industry

A Glance at Indonesian Batik

The word "batik" consists of two syllables *mba* and *tik*. *Mba* literally means to write and *tik* or *titik* means the dropping of some agents on cloth which is to be dyed. This agent we know now is wax, which, by covering part of the surface, produces of itself certain designs. Even though this technique has been done in other parts in the world such as in Africa, China and Japan, batik is well-known as an icon of Indonesia in international forum particularly after UNESCO recognized on October, 2nd 2009 that batik is genuine and intangible cultural heritage of Indonesia. There are three different types of batik made in Indonesia – *batik tulis* (hand-drawn batik), *batik cap* (stamped batik) and *batik print*. *Batik tulis* is drawn by hand using a *canting*, a small copper applicator tipped container with wooden handle is used to draw patterns and motifs

on the fabric with wax. It is the finest type of batik which has a high quality and is created using a long and complicated process. Consequently this is the most expensive batik.

The second type of batik is called “batik cap” which is made using a cap, a handheld copper stamp to apply patterns and motifs with wax on the fabric. This kind of batik is not as expensive as batik tulis; however, it is of inferior aesthetic quality. The third type of batik, that is the most recent type of batik, is batik printing which is actually not batik; only the motif is batik. It is a fabric printed with batik patterns. Unlike the other two types of batik, batik printing does not use the traditional wax-resist dyeing techniques rather it adopts the patterns of batik but use modern printing technique. Although it is difficult for layperson to differentiate between batik printing and the other two types of batik, the quality, prestige and price of batik printing are not as high as batik tulis and cap.

There are three main regions of batik production in Indonesia, namely central Java, south-west Java, and the north coast of Java. Beyond these three regions, there are other regions in Indonesia which also produce batik. These regions are Jakarta, Madura and Jambi. More recently, Lampung, Celebes, and Papua are also producing batik. Each region of batik production represents its own regional identity because of different style and motifs. For example, batik produced on the north coast of Java is known as *pesisir* (coastal) style which is mainly derived from Chinese and Dutch cultures with slight Javanese influence. In this case, Pekalongan is the leading production center of *pesisir* batik textiles in Indonesia.

Pekalongan: The City of Batik

The region of Pekalongan is located on the western side of the north coast of Central Java Province. Administratively the region is divided into municipality (regency) and city of Pekalongan which have different administration regions. The city of Pekalongan is divided into four districts: North Pekalongan (9 sub-districts or kampongs), South Pekalongan (11 sub-districts), West Pekalongan (13 sub-districts) and East Pekalongan (13 sub-districts). As of 2011, the population of this city was around 315, 368 – mostly Islam in religion (95%), The city of Pekalongan is supported with seaport and two land transportation modes that is the North Coast Road (Indonesian: *Jalur Pantai Utara (Jalur Pantura)*) and North Java Railway that connect Merak and Banyuwangi on the northern beach of Java, particularly between Jakarta and Surabaya. These port, road and railway facilitate intercity and interisland transportation, and eventually influence commercial and economic development of this city and neighboring areas. Consequently Pekalongan grows as commercial city where people come and go to do business. One of the best-selling commodities of this city is batik products which traditionally are produced as home industry by hundreds of small and medium enterprises (SMEs) rather than by a handful of large enterprises (LE).

As mentioned earlier, Pekalongan is not the only batik producer in Indonesia. However, almost 70% of Indonesian batiks are produced in Pekalongan. Not only *batik pesisir*, but other motifs such as batik Papua and batik Celebes are also produced in this region. Therefore, people who visit the Pekalongan region can easily spot the existence of the batik industry in almost every corner of the region. The 2009 data indicate that in Pekalongan region there are at least 6000 business units that actively produced batik textiles in various motifs and designs ranging from traditional long cloth (*kain panjang*) to interior accessories, such as tablecloth and bedspreads. Of this number, 3433 units are small medium enterprises (SME) category located in Pekalongan regency. Meanwhile, at the city of Pekalongan there are 632 units SMEs producing batik textiles scatter at 15 clusters called “batik kampong”. The six SME batik clusters of the

West pekalongan are found in sub-district of Psirsari, Tegalrejo, Pringlangu, Tirto, Medono and Kragen. In the district of East Pekalongan two batik kampongs are located in sub-district of Kauman and Landungsari. North Pekalongan has three batik kampongs; these are in sub-district Krapyak Lor, Degayu and Pabean. Lastly, four batik kampongs located in sub-district Buaran, Jenggot, Banyuurip Alit and banyuurip Ageng are found in South Pekalongan.

Historically the batik industry in Pekalongan has survived many events. As was the case with other batik production centers in Java, the batik Pekalongan entered a gloomy period in the 1970s following the special treatment from the Old Order administration of this country. In 1980a and 1990s with the emergence of batik prints which are fine looking and inexpensive, batik industry in Pekalongan started to decline and revived in 2000s when UNESCO declared that batik is the intangible cultural heritage of Indonesia. However, whether the events are good or bad, there is one thing for sure that batik industry in Pekalongan never dies. This is probably because batik for Pekalonganese is not merely a trading commodity; it is also part of social life of the people. Therefore batik becomes social identity of this region; Pekalongan means batik. This is probably the reason why Pekalongan is known as “Kota Batik” or “City of Batik”.

Busines Model of SME Batik Industry

As mention earlier, batik industry in Pekalongan is dominated by SMEs in term of numbers of unit involved in the industry. However, it is the Larger Enterprises (LE) who actually dominate the business. Business model of Pekalongan’s batik industry can be seen in Figure 1. This figure shows that there are four separated parties involved in the industry namely: wholesaler and the market – retailers or final consumers, the intermediaries (entrepreneurs), producers and the batik material suppliers. The wholesalers are responsible to distribute final batik products to retailers and final consumers. The entrepreneurs are fuction as intermediary that link batik producers with the wholesalers. Suppliers supply batik materials such fabric, wax, dye and other materials needed to produce batik; and finally producers who really involve in daily activities to produce batik.

The wholesalers are businessmen located outside Pekalongan (for example in Bali, Jakarta, Sumatera and other cities) who distribute batiks produced in Pekalongan to different retailers and final consumers in different cities. The batiks are supplied not directly from the producers but from the big entrepreneurs who usually have their own stores with different brand in the city of Pekalongan or in the shopping centers of cantonment. This practice is common in batik industry in Pekalongan because the transcation between wholesaler and the big entrepreneurs is not in cash. The term of payment is sometime up to three to six months. This would mean that only those who have enough capital and willing to take risk who are able to do this business and it is the big entrepreneurs or LE.

For the big entrepreneurs to have batik supply, they give order to different producers, mostly SMEs, with certain type (tulis, cap or print), pattern and motif. Batik producers however do not do the whole production processes by themselves but rather subcontracting part of production processes to different homeworkers. Finally, homeworkers distribute this job to their own familiy or other relatives. In terms of term of payment, unlike the transaction between the big entrepreneurs and wholesalers whose term of payment is relatively long, the term of payment between the big entrepreneurs and producers is shorter, sometime takes only one to two months. In addition, homeworkes get payment from producers weekly, traditionally on Thursday because Friday is non working day for Pekalonganese.

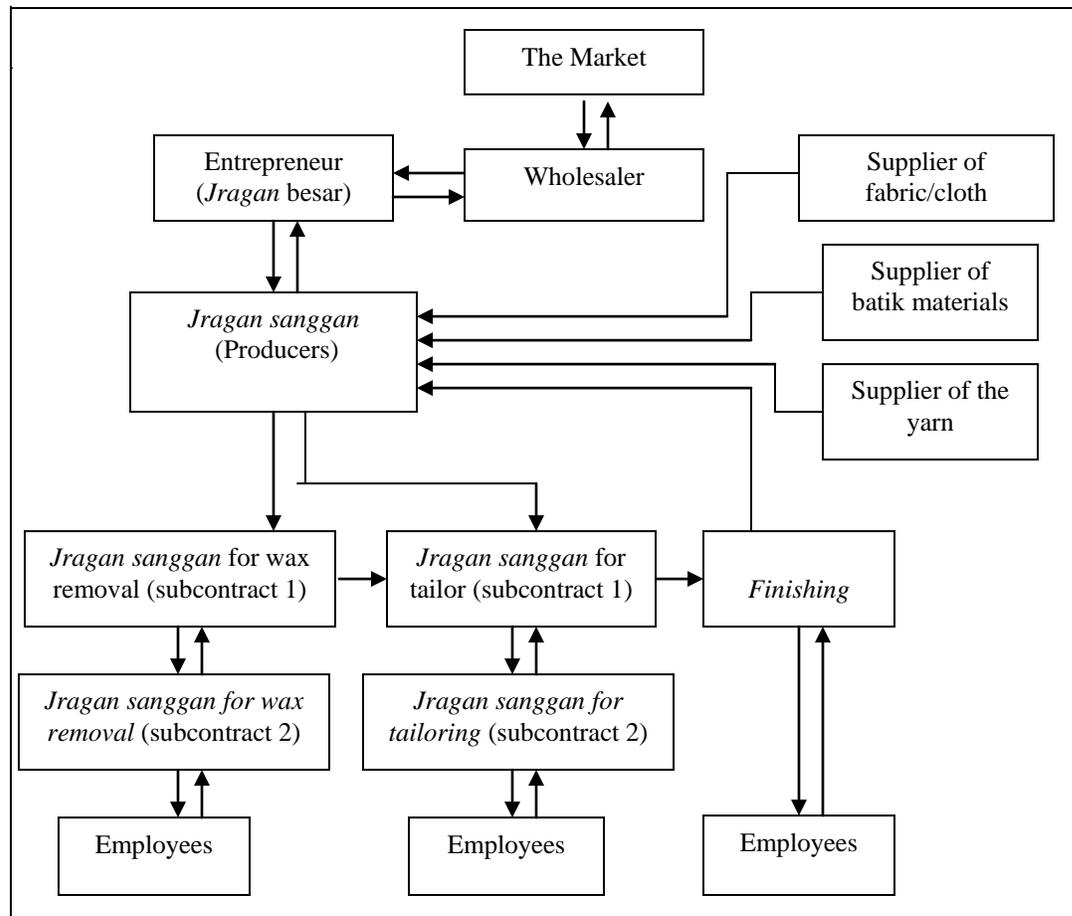


Figure 1 : Business Model of Batik Industry in Pekalongan

Discussion and Conclusion

As mentioned in the first part of this paper, the purpose of this paper is to discuss and analyze the relationship between entrepreneurs and homeworkers in general and the relationship between employer and employees in particular within the context of batik industry using Social Exchange Theory as the theoretical basis. The data observed and gathered in the city of Pekalongan – the leading batik producer in Indonesia using ethnographic approach showed that 95% of population of the city of Pekalongan are Islam in religion. This demographic background plays an important role that influences the social life of the Pekalonganese especially those that are categorized as "The Muslim Tradionalist or Santri". This influent is indicated for example by choosing Friday like in Arab countries, as a non-working day, while in Indonesia generally a non-working day is Sunday. Probably because of this, Pekalongan has another attribute as "Kota Santri" or "City of Muslim Scholar" in addition to "Kota Batik". These two attributes of Pekalongan – Kota Santri representing the religiosity of the people and Kota Batik representing the industry, are reflected in the daily life of the people living in this region.

Generally speaking, the relationship between religion and work is often described using the analogy of "oil and water" to represent what many have insisted are two domains that cannot, and should not, be mixed (11). In fact, support for a clearly delineated dichotomy between religion and work resulted in the longstanding credo, "church on Sunday, work on Monday",

which was embraced by the modern organization (12). However, there is growing evidence that the once distinct line between religious (and spiritual) belief and the workplace may be blurring. This is especially obvious in the case of batik industry in Pekalongan where religiosity of the people working in this industry is embedded in the work activity.

The unseparated religion and work within the context of batik industry can be explained as follows. Homeworkers are supposedly in the weak position compared to the position of producers or entrepreneurs. In this exchange, it can be said that the entire life of homeworkers is very dependent on the compassion of the producers to give them job. It is probably true if this exchange is seen from homo economicus perspective only. In reality however, their exchange is considered interdependent if the perspective to see it is shifting from homo economicus to homo soliasis. So, in addition to its obvious economic functions (3), they conceive that the exchange has also a powerful potential to fulfill other important roles and needs of the individual such as self-esteem, fulfillment, identity, social interaction and status. This would mean that the relationship between employees and employer is not based on transactional relationship merely for economic purpose but based on relational relationship for other objectives, let say for togetherness. The quality of relation is therefore more important than a high financial return. This can explain why until the present day, the batik industry in Pekalongan has survived many events and one thing for sure, the batik industry never die in Pekalongan.

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