

# Justice in the workplace: Islamic principles for wage determination

Islamic principles for wage determination

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## Abstract

**Purpose** – The objective of this study is to construct a theoretical framework concerning wage determination, grounded in Sharī'ah principles and supplemented by conventional theories. It discusses the Islamic perspectives on minimum wage and examines contemporary challenges and intricacies in its application.

**Design/methodology/approach** – This study uses thematic analysis to create the conceptual framework, drawing upon a review of pertinent literature such as academic papers, books and articles published up to 2023.

**Findings** – The framework encompasses various categories, namely, employee characteristics, job characteristics, market factors, compensation practices and Islamic principles. Each category consists of multiple variables. The resulting framework offers a holistic and ethically grounded methodology for wage determination, aligning with both Islamic and conventional perspectives. This study notes the absence of a universally agreed-upon minimum wage. Islamic economics faces challenges due to the unclear application of principles, limited awareness, legal constraints and a lack of empirical evidence on wage systems, along with complexities in their implementation.

**Research limitations/implications** – The paper's limited scope focuses solely on the Islamic perspective on wage determination, without comparing it to the conventional viewpoint. This may have implications for future research.

**Practical implications** – The insights on Islamic principles and wage determination guide scholars and policymakers interested in promoting just and equitable wages.

**Originality/value** – This study is distinct in its integration of various factors to propose an all-encompassing framework for wage determination, rooted in the Quran and Sharī'ah principles, while also reinforcing the framework with conventional theories. Additionally, it adds to the growing body of literature by investigating the Quran's stance and Sharī'ah principles on minimum wage, as well as discusses the challenges involved in implementing an Islamic approach to wage determination, which has received limited attention in Islamic literature.

**Keywords** Islamic perspective, Fair wages, Justice, Islam wage determination, Compensation, Islamic principles

**Paper type** Research paper

## 1. Introduction

For over two centuries, numerous wage determination theories have been proposed, encompassing both supply-side (economic) and demand-side (industrial relation) perspectives. Many wage determination methods have been criticized as unfair, including labor search theory, standard competitive labor theory, the modern theory of wages and bargaining theory (Azid *et al.*, 2022; Okishio, 2022). Empirical reality reveals that the markets do not work as the theories assumed, as many factors beyond the supply and demand of labor determine wages like custom and culture (Acharya, 2017; Yasmeen, 2022). In the conventional perspective, morality, justice and



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fairness are disregarded in the process of fixing wages. Considering this gap in the research and criticism toward conventional theories, the Islamic viewpoint on wage determination becomes significant, as it is anchored in the principles of justice, equity and fairness, which are fundamental to Islamic ethics and Shari'ah principles (Ahmad, 2014). The process of determining fair wages is intricate, involving the consideration of multiple factors.

While numerous Islamic scholars have proposed various factors that influence wage determination, a significant void in Islamic literature remains due to the lack of a comprehensive conceptual model for wage determination. Despite their valuable input, a unified framework has yet to be introduced. Scholars such as Abdel-Rahman (2012), Abdul Latif and Abdul Rashid (2018), Ali and Ismail (2019), Ali *et al.* (2017) and Ali and Qureshi (2015) have recommended that "justice" should be considered when determining wages. Abdel-Rahman (2012) suggests that "equality" should also be taken into account. Other scholars, including Abdou and El-Masry (2016), Abduh and Omar (2012) and Abdul-Rahman *et al.* (2014), recommend considering "Shari'ah principles" and "market-based salary" to ensure fair wages. Moreover, Abdul Latif and Abdul Rashid (2018), Ali *et al.* (2017) and Ali and Qureshi (2015) suggest that "skill and effort" should be considered. Furthermore, Abdul-Rahman and Abdul-Razak (2015) and Abdul-Rahman *et al.* (2014) propose paying workers based on their "performance" and "experience," while Abidin *et al.* (2019) emphasize the importance of "profit-sharing" and "employee ownership" in wage determination. In addition, Abidin *et al.* (2019) also state that "basic needs" and those of their families should be considered. Alasfour (2020) and Harahap *et al.* (2023) suggest that the "employer-employee relationship" should also be taken into account.

This study contributes by developing a comprehensive framework for wage determination, consolidating various factors highlighted by previous studies. It presents a unique perspective on wage determination in the light of Shari'ah principles and is supported by conventional theories, thereby fostering a holistic and ethically grounded approach. This study reveals that factors such as employee skills, the value of work, performance-based pay, productivity, employee contribution, quality of work, employer profit, nature of work, fair compensation practices for labor, profit-sharing, employee ownership, non-monetary incentives, justice, fairness, prevailing market rate, mutual agreement, inflation and purchasing power, needs of workers, ethics, the principle of cooperation, cost of living and demand and supply for labor should be considered when determining wages. This framework is expected to serve as a blueprint for policymakers and businesses in Muslim-majority countries to create fair wage systems, thereby potentially improving socio-economic conditions and raising the bar for ethical standards in businesses.

Additionally, the concept of a minimum wage, implemented across various countries globally, is a subject of significant interest and debate, eliciting diverse perspectives and interpretations from the micro to the macro level. While this study found that the concept of a minimum wage is not specifically referenced in the Quran or Hadith, the Quran does emphasize the importance of justice, equity and fairness. This study fills the existing gap in previous research by clarifying the causes of wage disparity permissible under Shari'ah principles of fairness and justice – namely, education, contribution and experience – and asserts that Shari'ah principles of equity strongly oppose discrimination based on race, color, religion, nationality or sect. This investigation underscores the interplay between wage determination and Islamic values of equity, justice and human dignity, thereby deepening the understanding of wage disparities deemed acceptable under Shari'ah principles. By exploring the confluence of economic frameworks and Islamic legal perspectives in wage determination, this research contributes to academic discussions in a significantly underexplored area. Moreover, this study reaffirms the importance of "equal pay for equal work," offering guidance for policymakers and employers to establish equitable and non-biased wage policies that align with Islamic principles.

In the context of discussing challenges, implementation to fix a wage according to the Islamic perspective, the implementation of Islamic principles in wage determination faces several challenges, including the lack of consensus and clarity on their application, variations in interpretation, the absence of a comprehensive framework, limited awareness and understanding of Islamic economics and legal and regulatory limitations. A sound regulatory framework developed by Shari'ah scholars, policymakers and stakeholders is essential to ensure compliance and protect workers while encouraging entrepreneurship and innovation. Employers can adopt a participatory approach and performance-based incentive schemes to develop a fair and transparent wage policy (Abdullah and Kari, 2017; Asutay, 2014; Karim, 2016a, b; Ahmad and Haron, 2002).

The present conceptual study is organized into six discrete sections. Section 1 comprises a comprehensive literature review, which is subdivided into several distinct segments. Section 2 details the research methodology employed in the study. Section 3 presents and scrutinizes the findings to achieve the stated objectives. Section 4 provides a conclusion that synthesizes the principal findings of the study. Section 5 proffers the implications of the study. Lastly, Section 6 concludes by highlighting any limitations and outlines potential avenues for future research.

## 2. Literature review

The literature review is organized into three distinct sections, each exploring different facets of wage determination. The first segment examines wage determination from a conventional perspective, drawing on a range of economic theories, models and empirical studies to shed light on how wages are determined in the labor market. In contrast, the second segment takes an Islamic perspective on wage determination, providing a nuanced analysis of how Islamic principles can inform the determination of fair wages for workers. The third and final segment of this section delves into the Quranic perspective on wage determination, examining how Islamic teachings can help to shape a just and equitable approach to wages. Moving on to the topic of minimum wage, the second section is divided into two segments. The first segment takes a conventional perspective, exploring the complex and often controversial issue of minimum wage from a range of economic viewpoints. In the second segment, an Islamic perspective on minimum wage is presented, with a particular focus on how Islamic principles can be applied to ensure that minimum wage policies are both effective and equitable. Despite mixed findings on the impact of minimum wage on various macroeconomic variables, both perspectives offer valuable insights into the challenges and opportunities presented by minimum wage policies. The final third section of the literature review addresses the key challenges and potential solutions associated with implementing Islamic principles for wage determination. Overall, this literature review provides a comprehensive and insightful analysis of the multifaceted issue of wage determination, from both conventional and Islamic perspectives.

It should be emphasized that this literature review does not aim to draw a comparison between the Islamic and conventional perspectives on wage determination. The inclusion of the conventional perspective serves to underscore the practical implications of wage determination and provide contextual information for the study.

### 2.1 Conventional studies on wage determination

In the field of economics, several theories have been proposed to explain the determination of wages. The wage fund theory, developed by Adam Smith in the 18th century, suggests that the wage rate is determined by the ratio of the wage fund to the number of laborers

(Hülsmann, 2018) However, this theory has been criticized for overlooking the quality and efficiency of the worker, as well as the method of estimating the sources of wages (Andrada and Boianovsky, 2019). Karl Marx's Surplus Value Theory argues that labor is a commodity that can be bought by paying wages, and it has been criticized for attempting to exploit the working class through capitalism. According to Newton (1962). Walker (1840–1897) proposed a theory that assumes four factors of production: land, labor, capital and entrepreneurship, and when these three factors are rewarded, what remains is paid as wages to labor. However, this theory assumes that the shares of landlords, capitalists and entrepreneurs are fixed, which is not the case, and it ignores the supply side of labor. Ricardo (1888) states that the subsistence theory, suggested by David Ricardo, implies that if wages are paid more than the subsistence level, the supply of labor will increase and wages will decrease. Conversely, if wages are lower than the subsistence level, the supply of labor will decrease, which will boost the wage rate. This theory has been criticized for explaining the supply side only and ignoring the demand side, wage differences and the power of unions.

According to the labor search theory, it is possible to observe a minimum wage effect where the entire wage distribution falls less than the labor marginal product. This could lead to a rise in the actual wage of certain workers without adversely affecting employment (Stigler, 1961). The modern theory of wages posits that wages are the price of services rendered by labor to the employer and are fixed with the help of labor demand and labor supply (Burdett and Mortensen, 1998). John Davidson developed a bargaining theory in 1999 that states the wage should be determined through the power of bargaining between employee and employer (Davidson *et al.*, 1999). If the bargaining power of labor is strong, it will gain more wages. The behavior theory of wages is constructed based on available previous studies on wage determination, and it states that the employee's acceptance of the wage level determines the wage rate (Bowles and Gintis, 2002). Despite these various theories, it is evident that no single solution to address all wage-related issues has been proposed. Previous Islamic research suggests a solution to this problem by splitting wages into two parts, fixed and variable, to address fairness and ethics (Siddiqi, 2002).

## *2.2 Islamic perspective on wage determination*

The concept of fair wages has been discussed in Islamic economics literature from various perspectives, including wage determination, distributive justice and the compatibility of Islamic principles with modern economic systems. Wildan (2022). argues that paying fair wages is a fundamental Islamic principle that contributes to social justice and suggests that the minimum wage should be determined based on the living cost. Similarly, Qureshi (2012) asserts that Islamic teachings emphasize the importance of fair wages and discourage exploitation of labor and proposes a wage determination framework based on productivity, cost of living and profitability. Rafay and Munawar (2019) examine the compatibility of Islamic wage determination with modern economics and conclude that the Islamic perspective on fair wages can provide a comprehensive and ethical approach to wage determination. However, they also note the need for further research to reduce the gap between practice and theory. Similarly, Shaikh and Khan (2016) argue that human resource management can play a key role in determining fair wages from an Islamic perspective, by considering factors such as productivity, cost of living and social responsibility.

Abdel-Rahman (2012) argues that the principles of justice, equity and balance should guide wage determination in Islamic institutions. The author suggests that the Islamic system promotes a balanced wage structure that ensures workers receive a fair share of the company's profits. Similarly, Abdul Wahab *et al.* (2016) propose a framework for wage determination in Islam that considers principles such as social justice, fairness and equity. Abduh and Omar (2012) provide evidence of the Islamic perspective on wage determination in

Malaysia. The study suggests that Islam promotes a wage system that ensures workers are paid according to their effort and contribution to the organization. The authors propose that Islamic work ethics should guide wage determination to promote social justice and fairness. [Abdou and El-Masry \(2016\)](#) examine the influence of Islamic principles on employee compensation in the North African region and the Middle East. The study suggests that Islamic values have an impact on wage determination in the MENA region. The authors argue that Islamic principles such as equity, fairness and social justice should guide wage determination in the region. [Abdul-Rahman et al. \(2014\)](#) explore the principles of wage determination in Islam in Malaysia. The study proposes that Islamic work ethics and principles such as justice, fairness and social responsibility should guide wage determination in Islamic financial institutions. The authors suggest that Islamic financial institutions should adopt a profit-sharing system that ensures workers are paid according to their effort and contribution to the organization ([Bahl and Sharma, 2023](#)).

[Siddiqi \(2002\)](#) discusses the relationship between Islamic economics and contemporary economic theory and emphasizes the importance of addressing distributional issues in economic systems. In [Siddiqi's \(2009, 2011\)](#), in the discussion of the importance of fair labor practices, the concept of distributive justice in Islam is often cited. It emphasizes the need for a just and equitable society in which resources and opportunities are distributed fairly. [Salam and Anwar \(2020\)](#) explore the application of Islamic principles to fair wages in the Bangladeshi garment industry, finding that while improvements can be made, Islamic principles can provide a basis for ensuring fair wages and ethical business practices in the industry. [Salleh and Othman \(2019\)](#) review the literature on wage determination in Islamic economics and identify productivity, cost of living and market demand as significant factors.

In a similar vein, [Siddiqi \(2011\)](#) further explores the concept of distributive justice from an Islamic perspective. He argues that Islamic distributive justice requires the redistribution of wealth and resources to promote social welfare and reduce poverty. Siddiqi posits that the Islamic concept of distributive justice is more comprehensive than the Western concept of social justice, as it also encompasses issues of economic and political power. [Tahir \(2018\)](#) compares the Islamic perspective on minimum wage laws in Pakistan and the USA. He notes that while both countries have minimum wage laws, the Islamic perspective places greater emphasis on the moral obligation of employers to pay workers a fair wage. Tahir argues that the Islamic concept of labor is based on the idea that work is a form of worship and that workers have a right to a just wage. [Zainuddin et al. \(2015\)](#) discuss the implications of the Islamic perspective on wage determination for social justice. They argue that the Islamic concept of wage determination is based on the principle of equity and that wages should be determined based on factors such as productivity, skill and effort. Islamic perspective on wage determination can contribute to a more just and equitable society. [Zaman et al. \(2018\)](#) examine the role of Islamic work ethics in determining wage levels in Pakistan. They argue that the Islamic concept of work ethics emphasizes honesty, fairness and hard work and that it can be used to promote a more productive and efficient workforce. The Islamic concept of work ethics can also be used to promote social justice by ensuring that workers are paid a fair wage.

So, the value of work, prevailing market rate, needs of workers and fairness are common themes across multiple references, including [Khan \(2015\)](#), [Ibrahim \(2017\)](#), [Qureshi \(2012\)](#) and [Siddiqi \(2002\)](#). Other important factors include social justice, profit-sharing, inflation protection, productivity, cost of living and demand for labor, which are discussed in the works of various authors such as [El-Ashker and Wilson \(2006\)](#), [Kahf \(2000\)](#), [Khan and Mirakhor \(1987\)](#) and [Samad \(2016\)](#). In addition, the literature emphasizes the importance of ethical and work values, as well as the management of human resources, as described by [Mohammad and Abdullah \(2015\)](#) and [Shaikh and Khan \(2016\)](#). Various variables related to justice, fairness, equality, labor as worship, market-based salary, Shari'ah principles, skill and effort, exploitation, the value of work, employee performance and experience, profit-sharing, employee ownership, basic needs of

employees and their families, motivation and work commitment, social welfare, compassion and employer–employee relationship, as described by different authors such as [Abdel-Rahman \(2012\)](#), [Abduh and Omar \(2012\)](#) and [Alasfour \(2020\)](#), among others. These factors are important considerations in determining fair and just wages that consider the needs and well-being of workers ([Bahl and Sharma, 2023](#)).

In conclusion, based on the information provided above, we can infer that there is a gap in the Islamic literature regarding wage determination, as there seems to be no single study that comprehensively addresses all the relevant variables necessary for determination. The articles emphasize the importance of incorporating Islamic values and principles, such as social justice and fairness, in wage determination. The proposed models and frameworks for an Islamic wage system promote a balanced and just wage structure that benefits workers and organizations. These studies contribute to the ongoing discussion on the role of ethics in economic decision-making and the need for a more just and equitable society, particularly in the context of Islamic economic theory.

### *2.3 Quran and Hadith guidance on wage determination*

Wages are an essential part of the labor market, and their determination has been a subject of discussion and debate for many years. In Islam, the issue of wage determination is critical, and it has been given great importance in Islamic jurisprudence. Islamic scholars have provided guidance and principles to ensure that the wage determination process is fair and just. This critical analysis and discussion will explore the Islamic perspective on wage determination, the variables and the actors considered for Islamic wage determination. In Islam, wage determination is based on the principle of justice and fairness, and it is considered a mutual agreement between the employer and the employee. The employer must pay the employee a fair wage that reflects the nature of the job, the market rate and the economic condition of the country.

The Prophet Muhammad (peace be upon him) said, “Give the laborer his wages before his sweat dries” (Ibn Majah).

Islamic wage determination is based on several variables, including the nature of the job, the skills and expertise required, the economic condition of the country and the market rate. In addition, Islamic wage determination considers the well-being of the worker and his family, and it emphasizes the concept of a living wage. The Quran states,

And give the relative his right, and [also] the poor and the traveler, and do not spend wastefully. (17:26).

This verse emphasizes the importance of giving workers their rights, including fair wages and benefits. In Islamic wage determination, the actors involved are the employer and the employee, but the role of the government is also significant. The government is responsible for ensuring that the wage determination process is fair and just and that workers are not exploited. The Quran states,

And do not consume one another’s wealth unjustly or send it [in bribery] to the rulers so that [they might aid] you [to] consume a portion of the wealth of the people in sin, while you know [it is unlawful] (2:188).

This verse emphasizes the importance of preventing exploitation and corruption in the economic system. Islam does not have a specific opinion on minimum wage; however, it does emphasize the importance of fair wages and the need for employers to provide for their employees. According to Islamic teachings, employers must pay their employees a fair wage for their work and should not exploit them. This is based on the Quranic verse:

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“And give full measure when you measure, and weigh with a balance that is straight” (Quran, 17:35). Additionally, the Prophet Muhammad (peace be upon him) said: “The best of you is those who give the best wages to their employees” (Hadith 4,155).

The Quran guides wage determination in several verses. One of the most prominent verses on this topic is found in Chapter 4, verse 29:

O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent. And do not kill yourselves [or one another]. Indeed, Allah is to you ever Merciful.

This verse highlights the importance of conducting business fairly and with mutual consent, including in the determination of wages. It is prohibited to consume the wealth of others unjustly, and therefore, it is necessary to establish fair compensation for labor. Another relevant verse is found in Chapter 16, verse 90:

Indeed, Allah orders justice and good conduct and giving to relatives and forbids immorality and bad conduct and oppression. He admonishes you that perhaps you will be reminded.

This verse emphasizes the importance of justice in all aspects of life, including in the determination of wages. It is important to give workers their due compensation and to avoid oppressing or exploiting them. In addition, there are several Hadiths or sayings of the Prophet Muhammad (peace be upon him), that guide wage determination. For example, the Prophet said:

Give the worker his wages before his sweat dries.

(Sunan Ibn Majah) This Hadith emphasizes the importance of timely payment of wages and indicates that workers should be compensated fairly and promptly for their labor. Overall, the Quran and Hadith guide wage determination, emphasizing the importance of fair compensation for labor, mutual consent, justice and timely payment (Ishak and Osman, 2016).

In conclusion, the Islamic perspective on wage determination is based on principles of justice and fairness. Islamic scholars have emphasized on the importance of ensuring that the wage determination process is fair and just and that workers are not exploited. The Quran and Hadith provide a guide on fair compensation for labor, mutual consent, justice and timely payment. In Islamic wage determination, variables such as the nature of the job, the skills and expertise required, the economic condition of the country, and the market rate are considered. The actors involved in the process are the employer, the employee and the government, which plays a significant role in ensuring that the wage determination process is fair and just. Although Islam does not have a specific opinion on minimum wage, it emphasizes the importance of fair wages and the need for employers to provide for their employees. Islamic teachings stress that employers should pay their employees a fair wage for their work and should not exploit them.

### 3. Minimum wage

#### 3.1 Conventional studies on effects of minimum wage

Prior research has explored the effects of minimum wage laws on the labor market, with varying results. Some studies, such as Neumark and Wascher (2008) and Sabia and Burkhauser (2010), suggest that minimum wage laws negatively impact employment, particularly for low-skilled and less-educated workers. Other studies, such as Meer and West (2016) and Rangel (2016), suggest that minimum wage laws can have negative effects on industries that heavily rely on low-wage labor. In contrast, some studies, including those conducted by DeJong *et al.* (2018), have found that minimum wage laws can lead to unemployment or decreased worker performance. However, a meta-analysis by Broecke *et al.* (2015) of 74 studies conducted in developing countries like Brazil, Chile, China, India and

Russia found little to no impact of minimum wage laws on employment. Overall, the impact of minimum wage laws on employment is a topic of ongoing research, with mixed findings that are heavily dependent on the specific circumstances and context of each study.

According to research, minimum wage policies could have positive effects on both workers and the economy. [Allegretto et al. \(2018a, b\)](#) discovered that raising the minimum wage could decrease income inequality and poverty, particularly for low-wage workers. Additionally, [Schmitt \(2013\)](#) observed that minimum wage increases had little to no negative impact on employment and could potentially boost consumer spending and economic growth. Studies have also found that minimum wage increases could increase worker productivity, reduce employee turnover ([Allegretto et al., 2018a, b; Schmitt, 2013](#)) and have positive impacts on the health of low-wage workers ([Cooper et al., 2019](#)).

However, some studies have found little or no impact of minimum wage laws on employment. For example, [Dube et al. \(2010\)](#) discovered minimal job loss effects due to minimum wage laws, while [Allegretto et al. \(2018a, b\)](#) found no significant impact of minimum wage increases on job losses or reductions in work hours. The impact of minimum wage laws on the labor market continues to be a subject of debate among economists, with mixed results depending on the context and methodology used in the studies.

### 3.2 Minimum wage from an Islamic perspective

In Islamic beliefs, social justice is a crucial aspect of the faith. One of the ways it is expressed is through the idea of a fair wage. While the Quran and Hadith do not specifically mention a minimum wage law, the principles of equity and justice in compensation can be inferred from these sources. For instance, the Quran urges Muslims to “give full measure and full weight in justice” (Surah al-Isra, 17:35), which emphasizes the importance of fairness in transactions and compensation. Additionally, the Prophet Muhammad stressed the need for employers to treat their workers justly and pay them fairly (Abu Dawud, 3052). Therefore, while a minimum wage law is not explicitly outlined in Islamic teachings, the concept of a just wage is central to the faith’s principles of social justice.

“Give full measure and full weight in justice” (Quran 17:35), which can be understood to mean that workers should be paid fairly for their labor. Additionally, the Prophet Muhammad is reported to have said, “Pay the worker his wages before his sweat dries” (Sunan Ibn Majah), indicating the importance of prompt payment and fair compensation ([Ishak and Osman, 2016](#)).

In terms of the consequences of a law of minimum wage, there are differing perspectives within Islamic thought. Some scholars argue that a minimum wage can help to reduce poverty and inequality, which aligns with the Islamic emphasis on social justice ([Asutay and Yilmaz, 2015](#)). However, the implementation of minimum wage laws in many Muslim-majority countries suggests that there is some support for this policy as a means of promoting social justice and reducing poverty ([Ahmed, 2015](#)). The question of whether a law of minimum wage is in line with Islamic values is a complex one, and different scholars may have different views on the matter. The minimum wage is often set by governments and does not reflect the true value of an employee’s work ([Iqbal and Mirakhor, 2013](#)). This means that employees are not being fairly compensated for their efforts, and employers are not receiving the full benefit of their labor. Additionally, paying minimum wage can lead to the exploitation of workers, as employers may take advantage of their employees’ lack of knowledge or bargaining power. This is not in line with Islamic principles, which emphasize the importance of treating workers fairly and with respect ([Mahmood, 2018](#)).

According to [Abdel-Rahman \(2012\)](#), the Islamic principle of equality suggests that workers should be paid fairly, which includes the idea of a minimum wage. [Abdul Wahab et al. \(2016\)](#) highlight the importance of market-based salaries in determining fair wages,

while [Abdou and El-Masry \(2016\)](#) stress the importance of Shari'ah principles in wage determination. These principles include the idea that workers should receive compensation that is commensurate with their skills and experience. This suggests that a minimum wage should reflect the worker's value to the organization. [Abdul-Rahman et al. \(2016\)](#) suggest that the Islamic concept of "Maqasid al-Shari'ah" or the objectives of Shari'ah, also includes the goal of social justice. Paying workers, a fair wage that includes a minimum wage helps to ensure social justice and equality. This also aligns with the Islamic concept of Zakat, which is the practice of giving to those in need and helping to alleviate poverty. [Abidin et al. \(2019\)](#) reemphasize the importance of profit-sharing and employee ownership in wage determination, which is in line with the Islamic principles of partnership and mutual benefit. The Quran also emphasizes the importance of taking care of the basic needs of workers and their families, which includes providing them with a living wage that includes a minimum wage ([Abidin et al., 2019](#)).

In addition, from a rational perspective, the implementation of a law of minimum wage can be seen to ensure that workers are able to earn a living wage and maintain a certain standard of living. For them, this minimum wage is in line with the Islamic emphasis on social justice and fairness in compensation. Islamic scholars have linked principles of economic justice and fairness with the Quran and Hadith, and these principles are applied to issues such as setting a minimum wage while there is no direct mention of a minimum wage in the Quran ([Asutay and Yilmaz, 2015](#)). This serves to elucidate the instances where wage disparity is permissible and where it is not, guided by Shari'ah principles. It acknowledges that wage differentials can occur due to variations in education, contribution and experience, aligning with the Shari'ah principles that advocate for fairness and justice. Strongly refuting wage and reward discrimination based on race, color, religion, nationality, or sect, these principles promote equity. The onus lies on employers to foster a workplace environment that is both fair and equitable. The widely recognized concept of "equal pay for equal work" emphasizes that any wage disparities or minimum wage laws rooted in race, gender bias, color, or nationality stand in stark opposition to Islamic principles, which uphold equity, justice and human dignity.

On the other hand, other scholars argue that setting a minimum wage may lead to higher unemployment, particularly for low-skilled workers who may be priced out of the labor market ([Khan and Mirakhor, 2010](#)). For example, in the United States, when white men were granted the federal minimum wage in 1938, their demand for labor decreased as employers could no longer pay them less than the minimum wage, and they became expensive. This decrease in demand for labor had a disproportionate effect on black men, who were already at a disadvantage in the labor market due to discrimination. Hence, the black was cheaper, and firms seek cost minimization, so they got more job opportunities that make them learn and polish their skills and they became needed in the US. Later when the US reversed the policy still white have fewer job opportunities because, regarding knowledge and skill-wise, they were outdated. This phenomenon is known as the "minimum wage effect" in labor economics. So, it's a history lesson that there were negative consequences of the minimum wage ([Al Hinai and Yasmeen, 2020](#)). On the other hand, some scholars argue that paying a minimum wage may not be sufficient to ensure fair compensation for the workers and that employers should instead be encouraged to adopt a living wage standard.

Despite these differing perspectives, many Muslim-majority countries have implemented minimum wage laws and they relate to social justice and fair criteria. For example, in Pakistan, the government sets a minimum wage that varies by region and industry. In Malaysia, the minimum wage was introduced in 2013 and has since been periodically increased ([The Star, 2021](#)). In Gulf Cooperation Council (GCC) countries, locals who have the same job as foreign workers are often paid much higher wages, despite having the same or even less expertise, knowledge and workload. On the other hand, foreign workers are paid

much lower wages, sometimes even less than half of the minimum wage (Al Hinai and Yasmeen, 2020). This raises questions about the fairness and social justice of the wage system in these countries.

In addition, Quran does not state anything about fixing a minimum wage or a law of minimum wage. Previous studies, both conventional and Islamic, have found a negative impact of minimum wage. However, it is understood that if Quranic principles are applied, there can never be a negative impact on the micro or macro level as seen with the minimum wage. It is important to consider why previous studies have found negative effects of minimum wage if it is supported by the Quran. Can Quran suggest a principle that has a negative impact? It can be asserted that if people are being exploited and deprived of their rights by their employers, they should seek legal recourse and the government could play a crucial role by urging the courts to make prompt decisions. Implementing a minimum wage can have far-reaching impacts on the entire country's labor market, and subsequently, the economy may suffer. This is because economics principles dictate that various variables fluctuate together, producing different outcomes with multiplier effects, and sometimes no actor can intervene to mitigate these effects, leaving the market to self-correct. Rather than solely relying on minimum wage legislation for low-skilled workers, the government can support them through unemployment insurance, zakat and other forms of specialized support. When policymakers justify their minimum wage legislation by stating that expatriates are earning more in their countries due to differences in currency value, it can be detrimental to the economy as minimum wage decreases market competition, which is not favorable (Al Hinai and Yasmeen, 2020).

#### **4. Navigating challenges and solutions in implementing Islamic principles for wage determination**

The implementation of the Islamic perspective on wage determination presents several challenges and issues. First, the main challenges are the lack of clarity and consensus on the application of Islamic principles in wage determination. Second, scholars and practitioners have different interpretations of Islamic economic principles, and this has led to variations in the application of these principles in practice (Zaman, 2016). Third, the lack of a comprehensive framework for wage determination based on Islamic principles further compounds the issue. Another challenge is the lack of awareness and understanding of Islamic economics among employers and employees. Many employers and employees are not familiar with Islamic principles and may not fully appreciate the significance of ethical considerations in wage determination (Ali and Ahmad, 2021). This lack of awareness and understanding can lead to resistance to the adoption of Islamic wage systems. The implementation of Islamic wage systems may be constrained by the limitations of existing legal and regulatory frameworks. In many countries, the legal and regulatory framework is not fully aligned with Islamic principles, which can pose challenges in the implementation of Islamic wage systems (Hasan, 2019a). Finally, the lack of empirical evidence on the effectiveness of Islamic wage systems poses a challenge to their adoption. There is a need for further research to evaluate the impact of Islamic wage systems on economic outcomes such as productivity, job creation and income distribution (Hassan and Bhatti, 2020).

There are several solutions and methods to implement Islamic principles for wage determination. One approach is to adopt the concept of a "fair wage" or "living wage," which considers the cost of living and provides workers with a decent standard of living (Abdullah and Kari, 2017) a fair wage can be determined by considering the worker's basic needs, including food, clothing, shelter, healthcare and education. The Islamic principle of "Ihsan," or excellence, can be incorporated into wage determination by rewarding workers based on their skills, experience and productivity (Asutay, 2014). Another approach is to promote profit-sharing and employee ownership schemes, which are consistent with Islamic principles of

partnership and risk-sharing (Karim, 2016a, b). Profit-sharing can provide workers with a share of the profits of the company, in addition to their wages, which can incentivize them to work more efficiently and productively. Similarly, employee ownership schemes can provide workers with a stake in the company's success, which can promote a sense of ownership and commitment to the company's objectives.

To implement Islamic principles for wage determination, it is essential to establish a sound regulatory framework that ensures compliance with Islamic principles and provides clear guidelines for employers and employees. The regulatory framework can be developed by Shari'ah scholars, policymakers and stakeholders, in consultation with Islamic economists and practitioners. The framework should ensure that workers are protected from exploitation and receive a fair share of the company's profits, while also encouraging entrepreneurship and innovation. In terms of methods, employers can adopt a participatory approach to wage determination, which involves consulting with workers and their representatives to develop a fair and transparent wage policy (Ahmad and Haron, 2002). Employers can also establish performance-based incentive schemes, which reward workers for their productivity and efficiency rather than the number of hours worked. Such schemes can provide an incentive for workers to improve their skills and knowledge and can also increase their motivation and commitment to the company's objectives.

#### 4.1 Remarks on the literature review

This study identified a lack of a comprehensive framework for determining wages from an Islamic perspective. The existence of this gap can be confirmed by referring to Appendixes 1 and 2. Various factors related to wage determination, such as the value of work, market prices and employees' requirements, have been discussed in previous studies (Ibrahim, 2017; Salleh and Othman, 2019), with extensive research conducted on justice, social justice, fairness, inflation, profit-sharing, ethics and work values (Abdel-Rahman, 2012; Kahf, 2000; Khan, 2015; Abdou and El-Masry, 2016; Abdul-Rahman *et al.*, 2016; Abduh and Omar, 2012; Abdul Latif and Abdul Rashid, 2018). Furthermore, factors such as expertise, employee performance, employee experience, social welfare and compassion have also been considered in the literature (Abdul Latif and Abdul Rashid, 2018; Abdou and El-Masry, 2016; Abidin *et al.*, 2019; Alasfour, 2020; Abulagasem, 2020). In the context of the Islamic perspective, different variables are discussed in different studies, as mentioned above, but a comprehensive framework to determine wages within a single study was not found. This study fills this gap by consolidating all the variables from numerous previous studies (refer to Table 1) and, through a thematic analysis approach, proposes a framework by categorizing the variables. This study provides additional value as the proposed framework is aligned with Shari'ah principles and conventional theories, ensuring the validity of the variables for wage determination.

Additionally, this study contributes to the growing body of literature by examining the Quran's stance on the minimum wage and addressing the challenges associated with implementing an Islamic approach to wage determination, a topic that has received limited attention in Islamic literature. This research helps to clarify instances where wage disparity is permissible and where it isn't, considering Shari'ah principles. It acknowledges that wage disparities can arise due to different levels of education, contribution and experience, aligning with the Shari'ah principles of fairness and justice. The Shari'ah principle of equity firmly opposes wage and reward discrimination based on race, color, religion, nationality or sect. Employers carry the responsibility to foster a fair and equitable workplace. The widely recognized principle of "equal pay for equal work" clearly indicates that wage disparities and laws regarding minimum wage based on race, gender bias, color or nationality contradict Islamic principles that champion equity, justice and human dignity.

Factors to consider in wage determination	Explanation
Employee Skills	The skills, knowledge and expertise of an employee in the relevant field should be considered to determine their wage
Value of work/Performance-based pay/ Productivity and contribution of the employee	The value of an employee's work and their productivity and contribution to the organization should be considered to determine their wage. Performance-based pay may be used to incentivize higher productivity
Equity	Equity refers to fairness and justice in the distribution of resources, opportunities and benefits, regardless of individual differences or circumstances
Will	Will refers to an individual's internal motivation, drive and determination to accomplish a task or goal
Quality of Work	The quality of an employee's work and their ability to meet quality standards should be considered to determine their wage
Employer Profit	The profit earned by the employer may be considered in determining the employee's wage
Nature of Work	The nature of work and the degree of difficulty, danger and skill required should be considered to determine the employee's wage
Fair Compensation Practices	The employee's wage should be fair and transparent, with no discrimination or exploitation
Fair Compensation for Labor	The employee's wage should be commensurate with the work performed and reflect the prevailing market rate
Profit-Sharing	Sharing of profits with employees may be used to incentivize higher productivity and increase employee morale
Employee Ownership	Employees may have ownership in the organization, which may motivate them to work harder and increase productivity
Non-Monetary Incentives	Non-monetary incentives, such as recognition, job security and opportunities for growth and development, may be used to motivate employees
Justice and Fairness	Justice and fairness are key components of Islamic ethics and should be reflected in the guidelines for wage determination
Prevailing Market Rate	The prevailing market rate for similar work should be considered to determine the employee's wage
Mutual Agreement	The employee and employer should come to a mutual agreement on the wage, which should be fair and transparent
Inflation and Purchasing Power/Needs of Workers	The impact of inflation on the purchasing power of workers and their needs should be considered in determining the wage
Ethics and Morality	Ethical considerations, such as the principle of cooperation, should be reflected in the guidelines for wage determination
Cost of Living	The cost of living in the region where the employee resides should be considered in determining the wage
Demand and supply for labor	The supply and demand for labor in the relevant field should be considered in determining the wage
<b>Source(s):</b> Author's own work	

**Table 1.**  
Consolidation of variables to determine wage from Islamic literature

## 5. Research methodology

This study employs a literature review methodology, which entails analyzing pertinent academic papers, books, the Quran, Hadith and articles. Since this study exclusively focuses

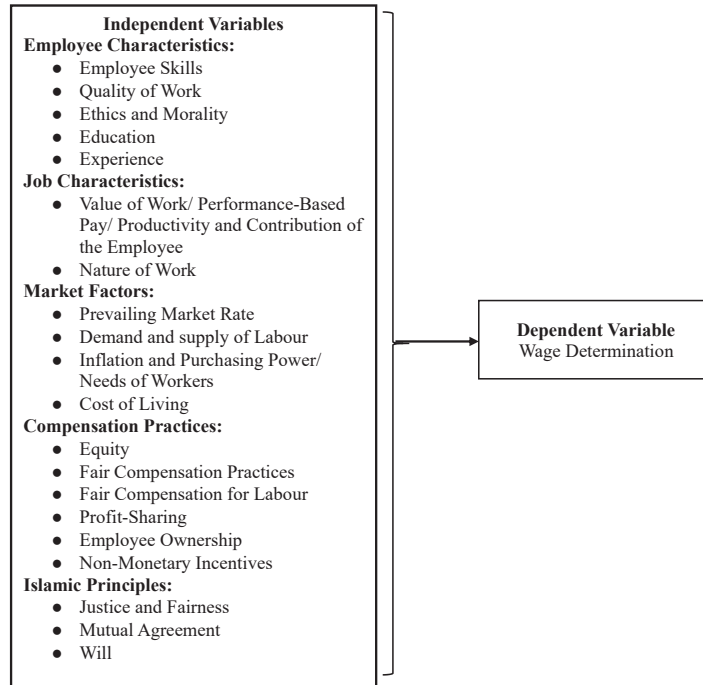
on relevant literature, inclusion and exclusion criteria are not applied in this case. Establish the studies for inclusion in a literature review, researchers typically use a set of predefined rules known as inclusion and exclusion criteria. The purpose of these criteria is to ensure that the selected studies are relevant to the research question and to reduce the risk of bias in the review process. Although it is possible for a conceptual study to not employ inclusion and exclusion criteria if the study considers relevant literature, it is widely accepted. The relevant studies published from 1992 to 2023 are considered. To develop the conceptual framework, a thematic analysis is utilized, in accordance with [Braun and Clarke \(2021\)](#), to perform data analysis in qualitative research and construct a conceptual framework based on the literature review. Thematic analysis has a prominent place in social science research, where it is frequently used to scrutinize interviews, dialogues, secondary data and so forth ([Nowell et al., 2017](#)). Moreover, it can be effectively employed in the context of literature reviews, specifically when there is a need to construct a conceptual framework ([Fereday and Muir-Cochrane, 2006](#)). In utilizing thematic analysis to develop a conceptual framework, the steps of familiarization, identifying initial themes, refining themes, reviewing themes, developing the conceptual framework and writing up about the conceptual framework are generally recognized and employed ([Braun and Clarke, 2021](#); [Fereday and Muir-Cochrane, 2006](#); [Nowell et al., 2017](#)).

## 6. Results and discussion

The thematic analysis comprises six steps to develop a framework based on secondary data. The process begins with step one: familiarization. Articles, papers, books and white reports concerning wage determination in an Islamic context are read and included in the literature review. During this phase, prevalent themes, concepts and ideas are noted as they emerge from the literature. Step two involves identifying initial themes. After acquiring a comprehensive understanding of the literature, potential themes that consistently appear across different sources are identified. These themes are broad to encapsulate the essence of various parts of the literature. Step three, refining themes, entails narrowing down the initial themes into more precise sub-themes. The theme and sub-theme are represented as categories and sub-categories. This is achieved by examining the content within each theme, identifying similarities and differences and subdividing each theme into more specific categories or sub-themes.

Step four consists of reviewing themes. After the themes are refined, they are reviewed in relation to the literature. Every effort is made to ensure that they accurately capture the major topics and debates in the literature without omitting important details. [Table 1](#) is the result of revisiting certain areas of the articles for correctness, following which themes are developed. The fifth step, developing the conceptual framework, involves naming, defining and improving the wage determination topics before initiating the conceptual framework development process. This involves elucidating the connections among the ideas and how they collectively form a singular, overarching concept. The resultant conceptual framework ([Figure 1](#)) offers a clear, comprehensive review of the literature and demonstrates how various themes and concepts are interconnected. Finally, Step six involves explaining each category of the conceptual framework.

However, this section explores the relationships between various independent variables and wage determination, both through Sharīah principles and conventional theories. This dual-method approach ensures that the identified factors are not only supported by Sharīah principles but also theoretically aligned. This assists scholars in cultivating a comprehensive understanding of wage determination, thereby enabling them to confidently consider these variables while examining wage determination and its various implications.



Source(s): Author’s own work

**Figure 1.**  
Proposed theoretical  
framework: wage  
determination  
according to Islamic  
perspective

In line with the Shari’ah principles of fairness and justice, the value of work should be recognized as an independent variable in wage determination. The social exchange theory corroborates this, proposing that employers and employees engage in a reciprocal relationship where the value of work is defined by its contribution to the organization and its societal impact (Alper *et al.*, 2000). Another pivotal variable in wage determination is the prevailing market rate. Within Islamic economics and the Shari’ah principles of fairness, it is essential to compensate employees according to the current market rate. This practice ensures that employees receive a wage that is equitable, reflects the value of their work and aligns with the market’s economic conditions. According to Ishak and Osman (2016). Ibn Majah stated, “A Muslim worker should not be paid more or less than the value of his work.” This principle aligns with the human capital theory, which suggests that labor market supply and demand dynamics dictate wages. Therefore, employees possessing advantageous skills and education tend to command higher wages than those with less valued abilities (Becker, 1962). Islamic teachings also underscore the importance of meeting employees’ basic needs. Employers are obligated to recognize their workers’ fundamental requirements and compensate them with wages that afford dignity and security. This concept is grounded in the Islamic principle of *maslahah*, or public interest, and parallels Maslow’s hierarchy of needs, which postulates that individuals have a tiered set of needs that must be fulfilled for self-actualization (Richard and Jex, 1991).

The literature reveals that justice, social justice and fairness are crucial factors in wage determination. Islamic principles stipulate that workers should receive a wage that is just, fair and commensurate with the value of their labor. This principle is reflected in various Quranic verses, including (16:90) which states, “Verily, Allah enjoins justice, doing good to others, and

giving like kindred; and forbids indecency, manifest evil, and wrongful transgression” (Al-Quran, 16:90). The theory of distributive justice echoes this sentiment, advocating for compensation proportionate to one’s contribution (Adams, 1963). Paying workers, a fair wage is a significant step towards cultivating social justice within businesses. Several verses in the Al-Quran encapsulate this principle, including (59:7), which asserts, “What Allah has bestowed on His Messenger (and taken away) from the people of the townships, belongs to Allah, to His Messenger and to kindred and orphans, the needy and the wayfarer; in order that it may not (merely) make a circuit between the wealthy among you” (Al-Quran, 59:7). This principle of social justice and fairness in wage determination aligns with the social exchange theory, which suggests individuals engage in interactions to achieve balanced exchanges. The principle of fairness in Sharī’ah encompasses all aspects of life, including the workplace. It is crucial to provide workers with a fair wage, reflective of their labor’s value, for establishing workplace justice and fairness. The concept of fairness in wage determination is also supported by the equity theory of motivation, suggesting individuals compare their input and output with others in their social group and perceive justice when the results are balanced (Adams, 1963).

Accounting for inflation when setting wages is critical in Islamic economics to uphold the Sharī’ah principles of justice, fairness and transparency. In doing so, employers ensure that workers are adequately compensated, and their purchasing power is maintained, fostering a society consistent with Sharī’ah principles such as justice. The cost-of-living hypothesis theory also suggests that wages should be adjusted according to the rising cost of living to maintain workers’ living standards. Therefore, it is essential to adjust wages for inflation to protect the real value of workers’ earnings, safeguard human capital value and promote fairness in the labor market. The Real Wage Rigidity Theory, Efficiency Wage Theory, Cost-of-living Adjustment (COLA) Theory and Human Capital Theory all advocate for taking inflation into account during wage determination to establish a fair and stable economic environment. Further, considering profit-sharing in wage determination, which entails a compensation structure where employees receive a portion of the company’s profits alongside their base salaries, aligns with multiple Sharī’ah principles. By fostering partnership, fairness, risk-sharing and cooperation, profit-sharing can create a more equitable economic system in accordance with Islamic values. The social exchange theory also suggests that profit-sharing can enhance the reciprocal relationship between employers and employees (Kuvaas, 2006).

Incorporating ethical standards and work values as wage determinants is crucial to uphold Sharī’ah principles such as justice, fairness, trustworthiness and mutual consent. Rewarding employees based on their ethical behavior and adherence to Islamic values can contribute to shaping a just and equitable economic system resonating with Islamic teachings. This approach, supported by various theories from management, economics and organizational behavior, can foster a sense of fairness, consistent with the principles of Sharī’ah. The Reinforcement Theory, Two-Factor Theory, Social Exchange Theory and Equity Theory all propose that considering ethics and work values in wage determination can establish a perception of equity, as employees who display commendable work ethics and values are aptly rewarded.

Productivity and individual contributions are pivotal factors in wage determination, aligning with Sharī’ah principles such as Al-Adl (Justice), Al-Kasb Al-Halal (Lawful Earnings), Al-Muamalat (Transactions) and Al-Takaful (Mutual Cooperation). Salaries set based on productivity or individual contributions can help cultivate a fair and balanced economic system that aligns with Islamic values, thereby promoting justice, lawful earnings, transparent transactions and mutual cooperation. The Marginal Productivity Theory, Tournament Theory, Reinforcement Theory, Expectancy Theory and Efficiency Wage Theory all support wages that reflect an employee’s productivity and contributions.

Additionally, labor demand as a factor in wage determination resonates with Shari'ah principles such as Al-Adl (Justice), Al-Ihsan (Benevolence), Al-Kasb Al-Halal (Lawful Earnings), Al-Muamalat (Transactions) and Al-Ikhtiyar (Choice). Wages determined by demand can contribute to a just and equitable economic system in line with Islamic values by fostering justice, lawful earnings, transparent transactions and mutual consent.

In accordance with the principles of Al-Adl (Justice) and Al-Ihsan (Charity), wages should be fair and equitable as per Shari'ah standards. When considering labor demand in wage determination, employers can ensure that employees with sought-after skills or expertise are appropriately compensated, promoting workplace justice and fairness. Theories such as the Supply and Demand Theory, Human Capital Theory, Signaling Theory, Compensating Differentials Theory and Monopsony Theory support the inclusion of labor demand as a factor in wage determination. These theories highlight the importance of market dynamics, human capital investments, signaling, compensating differentials and monopsony power in setting wages that accurately reflect the market value of labor.

Both wage equality and inequality should be considered when determining wages. According to Shari'ah principles of justice and fairness, certain wage disparities are considered acceptable due to variations in skills, education and experience. Islamic principles of equity stipulate that all individuals should be treated fairly and justly. Employers are obligated to eliminate workplace discrimination and pay equitable wages regardless of employees' gender, color or religion. The principle of "Equal Pay for Equal Work" supports wage equality, asserting that employees performing the same jobs should receive similar compensation irrespective of gender, color or religion. This principle promotes fairness and justice in the workplace and aligns with the Shari'ah principle of equality. The Discrimination Theory aligns with this Shari'ah concept of equality, justice and fairness by advocating for equitable remuneration regardless of these traits. When viewing labor as a form of worship, equality should also be a component in the wage setting. By considering labor as worship in salary decisions, employers can align their compensation strategies with fundamental Shari'ah principles such as sincerity, justice, charity, lawful earnings, public benefit and mutual cooperation. They can create a fair and equitable work environment that conforms to Islamic teachings by offering reasonable salaries that recognize employees' dedication and effort.

Market-based compensation and timely paid wage are essential factors wage determination, aligning with the Shari'ah principle of justice and fairness, determining wages based on current market rates for comparable roles and qualifications is considered justifiable. This approach promotes justice, lawful earnings, public interest, mutual cooperation and equitable transactions, thereby fostering a just and balanced work environment in line with Islamic tenets. The Compensating Differentials Theory, Pay Determination Theory, and Efficiency Wage Theory are economic theories that underscore the role of market dynamics, productivity and fair remuneration in wage determination. By employing a market-based wage strategy, employers can align their compensation practices with these economic theories as well as Shari'ah norms. Consequently, a fair and balanced work environment that represents both economic and Islamic principles is created. Employers can match their compensation methods with basic Shari'ah principles such as honesty, justice, charity, legitimate earnings, public interest and mutual collaboration by considering labor as worship in salary choices. They may build a fair and equitable work environment that complies with Islamic beliefs by paying employees fairly and recognizing their devotion and efforts. The Fair Wage-Effort Hypothesis theory suggests that employees tend to compare their wages with those of their peers, and their perception of wage fairness can influence their effort and productivity. By setting wages based on labor as worship and considering employees' effort and commitment, employers can foster a sense of justice and enhance overall workplace efficiency.

In wage determination, the variables highlighted in [Table 1](#) are incorporated into a theoretical/Shari'ah framework. The variable "Employer Profit" has been excluded due to its

potential overlap with the “Profit-Sharing” variable, which considers the company’s profit when setting employee wages. By categorizing these variables and eliminating any redundancies, we’ve established a streamlined and comprehensive list that can assist in wage calculation while reducing the risk of multicollinearity. This refined list can serve as a valuable tool for academics and researchers, providing them with a deeper understanding of the diverse factors influencing wage determination.

Regarding, Islamic perspectives on minimum wage, there is no direct mention of a law of minimum wage in these sources, the implementation of minimum wage laws in many Muslim-majority countries suggests some support for this policy as a means of promoting social justice and reducing poverty (Ahmed, 2015; Muhajir, 2023). However, some scholars argue that setting a minimum wage may lead to higher unemployment, particularly for low-skilled workers who may be priced out of the labor market (Khan and Mirakhor, 2010). Additionally, paying a minimum wage may not be sufficient to ensure fair compensation for workers, and employers should instead be encouraged to adopt a living wage standard. Despite these differing perspectives, many Muslim-majority countries have implemented minimum wage laws, and questions have been raised about the fairness and social justice of the wage system in some of these countries (Al Hinai and Yasmeen, 2020). This investigation corroborates the conclusions and suggestions put forth by Al Hinai and Yasmeen (2020) which demonstrate that the Quran does not mention a minimum wage law, and previous studies have shown the negative effects of such laws. However, if Quranic principles are followed, minimum wage laws can have only positive impacts on society.

This conceptual study examines contemporary challenges and intricacies in its application based on segment 2.2.4. This conceptual study finds that implementing Islamic principles for wage determination requires a comprehensive approach that considers the ethical, moral and economic dimensions of the issue. The adoption of a fair wage, profit-sharing and employee ownership schemes, along with the development of a sound regulatory framework, can promote a just and equitable wage system that is consistent with Islamic principles. Employers can also adopt participatory approaches and performance-based incentive schemes to ensure a fair and transparent wage policy. The implementation of Islamic wage systems presents several challenges and issues that need to be addressed. These challenges include the lack of clarity and consensus on the application of Islamic principles, the lack of awareness and understanding of Islamic economics, legal and regulatory constraints and the need for empirical evidence on the effectiveness of Islamic wage systems. Addressing these challenges will require a concerted effort by scholars, practitioners and policymakers. To implement Islamic principles for wage determination, a fair wage or living wage concept that considers workers’ basic needs is recommended. Incorporating the principle of Ihsan can encourage employers to reward workers based on their productivity, skills and experience. Profit-sharing and employee ownership schemes are also suggested to align with Islamic principles of partnership and risk-sharing. A sound regulatory framework should ensure compliance with Islamic principles and provide clear guidelines for employers and employees, while employers can adopt participatory approaches and performance-based incentive schemes to ensure a fair and transparent wage policy. The implementation of Islamic principles for wage determination can lead to a just and equitable wage system that is consistent with Islamic values. Here’s a comprehensive analysis of the factors involved in wage determination within each thematic category:

### 6.1 Employee characteristics

Employee skills play a significant role in wage determination. Higher skill levels, such as specialized knowledge, certifications or advanced degrees, often command higher wages, etc. Furthermore, the quality of work produced by employees, including factors like accuracy, also influences wages.

### *6.2 Compensation practices*

Equity is a cornerstone principle in compensation practices. It is essential to ensure fairness and equal treatment among employees. Fair compensation practices involve transparent and unbiased systems for determining wages, based on objective criteria. Compensation that is fair recognizes the value of employees' contributions and ensures they receive remuneration reflective of their efforts. Other compensation practices such as profit-sharing, employee ownership and non-monetary incentives (like recognition and career development opportunities), etc. can also influence wages while enhancing employee motivation and satisfaction.

### *6.3 Market factors*

Market factors significantly influence wage determination, shaping the compensation that employers can provide. A range of variables are at play, including the prevailing market rate, labor supply and demand, inflation, purchasing power and cost of living. The prevailing market rate refers to the average salary for workers with similar skills and experience in a given industry and geographical area. This rate ensures competitive wage packages that attract and retain talent. Labor supply and demand also heavily affect wage determination; when demand outstrips supply, wages typically rise and vice versa. Simultaneously, inflation impacts employees' purchasing power, necessitating wage adjustments to preserve their standard of living and fulfill their needs. The final factor is the cost of living, which varies by location and includes expenses like housing, food and healthcare. In regions with a high cost of living, employers may offer higher wages to attract and retain employees, thereby ensuring they can maintain a decent standard of living.

### *6.4 Islamic principles*

Islamic principles guide wage determination. Justice and fairness are central principles, requiring employers to treat employees equitably and refrain from discrimination. Wage agreements should be reached through mutual consent, ensuring transparency and open communication between employers and employees. Respecting individual agency is crucial, allowing employees to negotiate wages within the bounds of Shari'ah principles. Discussing each thematic category separately enables a deeper understanding of the factors involved in wage determination. This approach prevents repetition and allows readers to grasp the significance and nuances of wage determination within specific contexts. Understanding these variables allows organizations to establish fair and equitable wage structures, aligning with both economic considerations and Shari'ah principles.

## **7. Conclusion**

Wage determination remains a complex topic, with numerous theories critiqued as unethical and unfair owing to the disregard of principles like justice, morality and fairness. The Islamic perspective, in contrast, emphasizes these principles, suggesting a potentially more fair and equitable approach to wage determination. Hence, there is a significant gap in Islamic literature because of the lack of a comprehensive, unified model for wage determination. By applying the thematic analysis through utilizing the secondary data this paper fills this gap by developing a wage determination framework. The proposed wage determination framework in this study provides a holistic, ethically grounded approach to wage determination that is consistent with Islamic and conventional viewpoints. This framework encompasses various categories to determine wages, ensuring alignment with Shari'ah principles and emphasizing moral considerations. These categories include employee characteristics, job characteristics, market factors, compensation practices and

Islamic principles. It is important to note that while the variables under each category may extend beyond those explicitly mentioned, they must adhere to Shari'ah principles and be guided by moral values. The study also provides a deeper understanding of minimum wage and wage differences under Shari'ah principles, emphasizing "equal pay for equal work" and the rejection of discrimination. Still, the implementation of Shari'ah principles in wage determination deals with various challenges, such as lack of clarity and consensus, differences in interpretation, lack of awareness of Islamic economics and legal and regulatory limitations. To overcome these challenges, a sound regulatory framework introduced by policymakers, Shari'ah scholars and stakeholders, and a participatory, performance-based approach by employers is suggested. In essence, the present study comes out with a unique viewpoint on wage determination, fostering a balanced approach grounded in justice, and moralities potentially promoting socio-economic conditions and improving the bar for ethical standards in Muslim-majority countries. This study contributes to an underexplored area of academic discussion and can serve as a blueprint for developing fair wage determination systems in line with Islamic principles.

### 8. Implication of the research

This conceptual paper has significant implications. By exploring the existing gap in the previous studies and gathering variables from multiple studies, this study has crafted a conceptual framework for wage determination. Especially, this framework is consistent and justified with Quranic verses, Shari'ah principles and conventional theories. This study has several implications first, it assists to integrate conventional and Islamic scenes on the determination of wages, paving the way for a better holistic understanding of this complex process in both secular and religious contexts. The successful coalition of these differing perspectives could lead to additional inclusive and equitable wage policies that are respectful of religious beliefs and diverse economics. Second, by filling the existing gap in previous studies, this study contributes to the academic discourse and potentially inspires auxiliary exploration into the determination of wages and its different viewpoints, within the Islamic context and beyond. Third, the development of this conceptual framework may provide real-world guidance for businesses and policymakers, who can use this framework to shape fair and equitable wage policies that uphold ethical and economic considerations. In doing so, this study could have a tangible influence on ameliorating wage fairness and curtailing income inequality. Lastly, the discussion of the Islamic perspective on minimum wage provides insights into the potential benefits and limitations of this policy, which can inform policymakers and practitioners in their efforts to promote social justice and reduce poverty. Ultimately, the findings of this study suggest that there is a need for greater collaboration and dialogue among scholars, policymakers and stakeholders to develop a comprehensive and effective framework for wage determination that is consistent with Islamic principles and supports economic development and social justice.

### 9. Limitation and future research guide

The paper's limited scope focuses solely on the Islamic perspective on wage determination, without comparing it to the conventional viewpoint. The present study is completely reliant on the Islamic literature and teachings – from the Quran, Hadith and other Shari'ah principles. Different researchers and cultural contexts may interpret these teachings in another way, which might lead to a difference in understanding and application of these principles. Conducting studies cross-cultural can assist to increase the understanding of wage determination under different societal and cultural contexts, thereby increasing the generalizability of the results. This paper is confined to the factors selected from various

existing studies and incorporated into the conceptual framework. Future research can add other variables that influence wage determination. These could include factors like age, tacit knowledge, etc. in line with both conventional economic theories and Sharī'ah principles. It can be explained as the conceptual framework proposed in this study for determining wages aligns with Sharī'ah principles and emphasizes moral considerations. It encompasses categories such as employee characteristics, job characteristics, market factors, compensation practices and Islamic principles. It is crucial to note that the variables within each category must adhere to Sharī'ah principles and uphold moral values, even if they go beyond the explicitly mentioned factors.

As this study is largely conceptual and relies on Islamic literature, the conclusions reached may lack robust empirical evidence to support them. This might limit the practical applicability of the findings. Future researchers can focus on empirical research, such as qualitative interviews or quantitative surveys to substantiate the conceptual framework crafted in this study. This can give solid evidence for or against the arguments made in this conceptual paper. Research into the impact and value of wage policies that have incorporated Sharī'ah principles can give significant insight into the practical applications and potential challenges of implementing these principles in wage determination. Comparative studies between Islamic and conventional wage determination principles can also be conducted to ascertain the differences and similarities, and how these two systems can learn from each other to promote equity, fairness and justice in wage determination.

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Appendix 1

**Table A1.**  
Literature review  
matrix on Islamic  
perspective on wage  
determination

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
<b>Abdel-Rahman (2012)</b>	To examine the Islamic principles and values that affect wage determination	Content analysis of primary sources	The study found that Islamic principles of justice, balance and equality, as well as the concept of labor as a form of worship, have a significant impact on wage determination in Islam	Comprehensive analysis of primary sources	Lack of empirical data	The need for empirical research	Conduct empirical research to test the applicability of the Islamic principles in wage determination
<b>Abdou and El-Masry (2016)</b>	The aim of this study is to examine the impact of Islamic principles on employee remuneration in the Middle East and North Africa region	Qualitative case study	The authors found that companies in the region generally pay their employees market-based salaries but may incorporate Islamic principles into other aspects of compensation (e.g. profit-sharing, bonuses)	The study provides detailed insights into the compensation practices of companies in the region and the influence of Islamic principles on those practices	The study is limited to a single region and does not provide a detailed analysis of how Islamic principles specifically influence compensation	The study highlights the need for further research on the specific ways in which Islamic principles may influence employee compensation	Future studies could focus on specific compensation practices (e.g. profit-sharing) and examine how they are implemented in companies across the region
<b>Abdulah and Omar (2012)</b>	To examine the Islamic perspective on wage determination and its implication on the labor market	Literature review	Labor should be compensated fairly and in proportion to the effort and skill required. Employers should not exploit employees. The wage should be determined based on market forces and in line with Shaari'ah principles	1. Provides a comprehensive understanding of the Islamic perspective on wage determination. Draws on classical Islamic sources	1. Lacks empirical evidence to support the claims	Further investigation is necessary to examine the concrete applications of Islamic wage determination in the current labor market	Conduct further research to develop a wage determination model

(continued)

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
<b>Abdul Latif and Abdul Rashid (2018)</b>	The objective of this research is to investigate the factors that determine wages from an Islamic standpoint	Literature review	<ul style="list-style-type: none"> <li>- Islamic principles emphasize the importance of justice, fairness and mutual consent in wage determination – Islam also encourages the payment of fair wages above the minimum wage to ensure employee well-being and productivity – Islamic principles also suggest that wages should be based on the employee's skill and effort</li> </ul>	<ul style="list-style-type: none"> <li>- Comprehensive overview of Islamic principles on wage determination</li> <li>- Provides practical examples and applications of these principles in different contexts</li> </ul>	<ul style="list-style-type: none"> <li>- Does not provide empirical evidence or statistical analysis to support the findings</li> </ul>	Additional research is necessary to evaluate the practical implementation and quantification of Islamic principles in determining wages	The investigation is required to explore how Islamic principles can be put into practice and assessed in the determination of wages
<b>Abdul Wahab et al. (2016)</b>	To examine the Islamic perspective on wage determination and its implications for human resource management	Qualitative literature review	<ul style="list-style-type: none"> <li>- Islamic wage determination is based on the principle of justice and fairness. Islamic principles suggest that wages should be determined based on the employee's performance, skills and experience.</li> <li>- Islamic wage determination encourages profit-sharing and employee ownership</li> </ul>	Provides a comprehensive overview of Islamic wage determination	None mentioned	A limited review of the literature	Conduct further research to develop a wage determination model

(continued)

Table A1.

Table A1.

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
Abdul-Rahman and Abdul-Razak (2015)	To propose a model of Islamic wage determination	qualitative analysis of the literature	Islamic wage determination should be based on market demand, the worker's skills and the value of employer's profit	Provides a comprehensive model for Islamic wage determination	This approach may not fully consider the effects of non-market forces on wages	Insufficient empirical evidence exists to substantiate the claim	Validate the model through the application of real-world data
Abdul-Rahman et al. (2014)	To examine the principles of wage determination in Islam	Qualitative research based on content analysis of Islamic sources	Wage determination in Islam is based on factors such as skills, effort, responsibility, nature of work and market forces	The strong basis on Islamic sources provides a detailed analysis of wage determination principles in Islam	The limited sample size of Islamic sources used focuses only on textual analysis	More empirical studies are to be conducted to validate the findings in Islamic institutions	Conduct empirical studies on wage determination practices in Islamic institutions
Abdul-Rahman et al. (2016)	To explore the factors that influence wage determination in Islamic banks in Malaysia	Case study	The Islamic banking industry in Malaysia follows the market-based wage determination system but also considers the Shari'ah principles of justice and equity. Performance-based pay and non-monetary incentives are used to motivate employees	Provides insights into the wage determination practices of Islamic banks in Malaysia	Limited to a specific industry and country	Lack of comparative analysis of wage determination practices in different Islamic banks and countries	Future studies could compare the wage determination practices of Islamic banks in different countries and examine the impact of different incentives on employee motivation

(continued)

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
Abidin <i>et al.</i> (2019)	To explore the Islamic perspective on wage determination and its implications for management practices	Qualitative literature review	Justice, fairness and ethical treatment of employees are emphasized in Islamic wage determination Islamic principles propose that wages should be adequate to fulfill the essential requirements of employees and their families Islamic wage determination promotes the sharing of profits and employee ownership The Islamic wage system enhances employee satisfaction and motivation and leads to greater work commitment	Provides a comprehensive overview of Islamic wage determination	None mentioned	A limited review of the literature	Conduct further research to develop a wage determination model
Abozaid and Uddin (2019)	To investigate the perception of employees toward the Islamic wage system	Survey		Provides empirical evidence for the effectiveness of the Islamic wage system in enhancing employee satisfaction and motivation	The sample size is relatively small and only focused on a specific country	Needs more comparative studies on different countries and sectors	Conduct comparative studies in different countries and sectors

(continued)

Table A1.

Table A1.

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
Abulagaseem (2020)	To analyze Islamic principles for wage determination	Qualitative analysis of Islamic sources and literature review	Islamic principles for wage determination include justice, equity and social welfare and wages should be determined based on market conditions and the value of the work performed	Comprehensive analysis of Islamic principles	Limited empirical evidence	Lack of agreement on specific wage determination mechanisms	Further empirical studies are needed to develop practical wage-determination mechanisms
Abuznaid (2017)	To analyze the Islamic principles of justice and fairness in wage determination	Qualitative case study	The author argues that Islamic principles emphasize the importance of fairness and justice in wage determination and that this should be reflected in both the level and distribution of wages. The study provides a detailed analysis of wage determination practices in one company in the UAE, and how those practices reflect Islamic principles	The study provides a detailed analysis of how Islamic principles are implemented in wage determination in one specific company	The study is limited to a single case study and does not provide a broader analysis of wage determination practices in the region or beyond	The study highlights the need for further research on how Islamic principles are implemented in wage determination practices in other companies and regions	Future studies could examine wage determination practices in other companies and regions and compare those practices to Islamic principles

(continued)

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
<b>Adeyemi and Yusuf (2019)</b>	To investigate the role of Islamic ethics in determining fair wages	Literature review	The authors argue that Islamic ethics emphasize fairness and equity in compensation and that this should be reflected in both the level and distribution of wages	The authors provide a comprehensive overview of Islamic ethical principles related to compensation	The study is limited to a literature review and does not provide empirical evidence on how Islamic ethics influence wage determination in practice	The study highlights the need for further empirical research on the role of Islamic ethics in wage determination	Future studies could examine the implementation of Islamic ethical principles in wage determination in specific industries or countries
<b>Ahmad (2017)</b>	To provide an overview of the nature and scope of Islamic economics, including its principles for wage determination	Literature review of Islamic sources and contemporary research	Islamic economics emphasizes social justice, which includes ensuring fair wages for workers	Provides a broad overview of Islamic economics, including its principles for wage determination	Lacks detailed analysis of wage determination in Islam	A limited review of the literature	An investigation is necessary to explore the practical implementation of Islamic economic principles
<b>Alasfour (2020)</b>	To investigate the perspective on wage determination and its impact on employee motivation and satisfaction	Survey research	Islamic principles support the idea of fair and just wages. 2. Employees are more motivated and satisfied when they perceive that their wages are fair. 3. Islamic values such as compassion and justice can improve the relationship between employers and employees	Employs survey research to collect empirical data. 2. Focuses on the impact of Islamic wage determination on employee motivation and satisfaction	Limited to a specific geographic location (Kuwait). 2. Small sample size	Further empirical investigation is required to examine the influence of Islamic wage determination on employee motivation and satisfaction across diverse cultural settings	Conduct further research to develop a wage determination model

(continued)

Table A1.

Table A1.

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
Ali and Ismail (2019)	To analyze the Islamic perspective on wage determination	Literature review of Islamic sources and contemporary research	The Islamic perspective emphasizes fair and just wages	Provides a comprehensive overview of the Islamic perspective	Lacks empirical evidence to support its claims	Research is required to investigate the practical application of Islamic principles	Conduct further research to develop a wage determination model
Ali <i>et al.</i> (2017)	To explore the concept of fair wages from an Islamic perspective	Literature review	Islamic principles emphasize the importance of justice and fairness in wage determination, Islamic principles also emphasize the need to consider the employee's labor and effort, Islam encourages employers to pay above the minimum wage when possible	Comprehensive overview of Islamic principles on fair wages – Well-supported with references to Islamic sources	Does not provide empirical evidence or practical guidance for implementing these principles in modern contexts	More research is needed to examine how Islamic principles can be translated into practical guidelines for wage determination in different industries and contexts	Additional research is required to scrutinize how Islamic principles are put into practice
Ali and Qureshi (2015)	To investigate the Islamic perspective on wage determination and its relevance in the modern economy	Literature review	1. Wage should be determined based on the principle of justice and fairness. 2. Wage should be in line with the productivity and contribution of the employee. 3. Employers should consider the needs of the employees and their families	1. Presents a clear and concise summary of the Islamic perspective on wage determination. 2. Provides practical guidelines for employers	1. Lacks empirical evidence to support the claims	An empirical investigation is required to examine the concrete applications of Islamic wage determination in the correlator market	An empirical investigation is required to examine the concrete applications of Islamic wage determination in the correlator market

(continued)

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
Bahl and Sharma (2023)	To examine the impact of informality and education-occupation mismatch on wages in India	Quantitative analysis using survey data	Informality and education-occupation mismatch have a negative impact on wages in India	The study uses a large dataset and provides statistical evidence to support the findings	The study only focuses on the Indian labor market and may not be applicable to other countries	The study did not consider other factors that may affect wages such as age and experience	Policymakers should focus on creating policies that reduce informality. To investigate the practical application of Islamic principles, further research is necessary.
Bakar and Yusof (2016)	To examine the concept of wage determination from an Islamic perspective	Literature review of Islamic sources and contemporary research	Wages should be determined based on the value of work, the prevailing market rate and the needs of workers	Provides a comprehensive overview of the Islamic perspective	Lacks empirical evidence to support its claims	Further research is needed to examine how the Islamic principles for wage determination can be implemented in practice	Conduct further research to develop a wage determination model
Chapra (1985)	To propose a just monetary system that includes fair wages	Conceptual paper that uses Islamic sources and contemporary research	Wages should be determined by mutual agreement between employers and employees, taking into account the needs of both parties, the prevailing wage rate in the market and the quality of work. The monetary system should ensure that workers receive fair wages and that inflation does not erode their purchasing power	Provides a comprehensive proposal for a just monetary system that includes fair wages	Lacks empirical evidence to support its claims	A limited review of the literature	To investigate the practical application of Islamic principles, further research is necessary

(continued)

Table A1.

Table A1.

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
El-Ashker and Wilson (2006)	To provide a historical overview of Islamic economics, including its principles for wage determination	Literature review of Islamic sources and contemporary research	Islamic economics emphasizes social justice, which includes ensuring fair wages for workers. However, the practical application of these principles has been limited	Provides a broad overview of Islamic economics, including its principles for wage determination	Lacks detailed analysis of wage determination in Islam	A limited review of the literature	It is important to conduct more research to explore how Islamic principles are implemented in real-life situations
Elasrag and Masih (2017)	To examine the relationship between Islamic financial development and wage inequality	Empirical analysis	Islamic financial development has a negative effect on wage inequality	Provides empirical evidence on the impact of Islamic finance on wage inequality	Limited to a specific country and time	The need to validate the findings in other settings	Conduct further research to validate the impact of Islamic finance on wage inequality in other settings
Elasrag and Masih (2017)	To examine the relationship between Islamic financial development and wage inequality	Empirical analysis	Islamic financial development has a negative effect on wage inequality	Provides empirical evidence on the impact of Islamic finance on wage inequality	Limited to a specific country and time	The need to validate the findings in other settings	Conduct further research to validate the impact of Islamic finance on wage inequality in other settings
Elasrag (2018)	To analyze the relationship between Islamic values, job satisfaction and job performance in Egypt	The survey, structural equation modeling	1. Islamic values have a positive effect on job satisfaction and job performance. 2. Job satisfaction mediates the relationship between Islamic values and job performance	Empirical evidence on the relationship between Islamic values and job outcomes	Limited to a specific context (Egypt)	Lack of analysis of the impact of Islamic values on wage determination	Future studies could examine the relationship between Islamic values and wage determination in different contexts

(continued)

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
<b>Harahap <i>et al.</i> (2023)</b>	To analyze the remuneration of workers from the perspective of Islamic law and current labor laws in Indonesia	Legal analysis	The current labor laws in Indonesia are not in accordance with the principles of Islamic law in terms of remuneration for workers	The study provides a legal analysis of the remuneration of workers in Indonesia from an Islamic perspective	Limited scope as it only focuses on one aspect of the labor laws in Indonesia	More studies need to be conducted to examine the other aspects of labor laws in Indonesia from an Islamic perspective	The government should revise the labor laws to ensure that they are in accordance with the principles of Islamic law
<b>Hasan (2019b)</b>	To examine the Islamic principles for wage determination	Literature review	Islamic perspective considers wages as a social responsibility and focuses on equity, justice and workers' well-being	Provides a comprehensive view of Islamic principles on wage determination	Lacks empirical research	The review mainly focuses on the conceptual framework and needs more empirical research	Conduct empirical research to test the applicability of Islamic principles in wage determination
<b>Hasan (2015)</b>	To analyze Islamic principles for wage determination	Literature review	Islam emphasizes fair wages and workers should be paid according to their contribution to production and based on the principle of justice	Comprehensive analysis of Islamic principles	Limited empirical evidence	Lack of agreement on specific wage determination mechanisms	Further empirical studies are needed to develop practical wage-determination mechanisms

(continued)

Table A1.

Table A1.

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
Ibrahim (2017)	To explore the Islamic perspective on wage determination and its implications for economic development	Qualitative literature review	(1) Islamic wage determination emphasizes the importance of justice and fairness in the workplace. (2) Islamic principles suggest that wages should be determined based on the value of the work performed. (3) Islamic wage determination encourages profit-sharing and employee ownership	Provides a comprehensive overview of Islamic wage determination	None mentioned	A limited review of the literature	Conduct further research to develop a wage determination model
Kahf (2000)	To provide a definition and methodology for Islamic economics, including its principles for wage determination	Conceptual paper that uses Islamic sources and contemporary research	Islamic economics emphasizes social justice, which includes ensuring fair wages for workers. Wage determination should be based on the principle of cooperation between employers and employees	Provides a comprehensive definition and methodology for Islamic economics, including its principles for wage determination	Lacks empirical evidence to support its claims	A limited review of other literature	Further research is needed to examine how the Islamic framework for wage determination can be applied in practice

(continued)

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
<b>Khan (2015)</b>	To analyze the Islamic perspective on wage determination and its implications for economic development	Qualitative literature review	(1) Islamic wage determination emphasizes the importance of justice, fairness and ethical treatment of employees. (2) Islamic principles suggest that wages should be determined based on the value of the work performed. (3) Islamic wage determination encourages profit-sharing and employee ownership	Provides a comprehensive overview of Islamic wage determination	None mentioned	A limited review of the literature	Conduct further research to develop a wage determination model
<b>Khan and Farooq</b>	To investigate the influence of Islamic principles on wage determination in Pakistan	Survey research and statistical analysis	Islamic principles have a positive impact on wage determination in Pakistan	Provides empirical evidence to support the Islamic perspective	Limited to one country	Further research is needed to examine the applicability of the findings to other countries	Further research is needed to examine the applicability of the findings to other countries
<b>Khan (2019)</b>	To explore the role of Islamic ethics in wage determination	Literature review	Islamic ethics emphasizes the value of work, justice and social welfare and wages should be determined based on market conditions and the value of the work performed	Comprehensive analysis of Islamic principles	Limited empirical evidence	Lack of agreement on specific wage determination mechanisms	Further empirical studies are needed to develop practical wage determination mechanisms

(continued)

Table A1.

Table A1.

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
<b>Khan and Mirakhor (1987)</b>	To identify the principles of Islamic economics that can be used to determine wages	Content analysis of primary sources	The study found that the principles of justice, cooperation and responsibility can be used to determine wages in an Islamic economic system	Comprehensive analysis of primary sources	Lack of empirical data	The need for empirical research	Conduct empirical research to test the applicability of the principles of Islamic economics in wage determination
<b>Khan (1992)</b>	To explore the concept of wage determination in an Islamic framework	Conceptual paper that uses Islamic sources and literature to analyze the concept of wage determination in Islam	Wages should be determined by mutual agreement between employers and employees, taking into account the needs of both parties, the prevailing wage rate in the market and the quality of work	Provides a comprehensive analysis of the Islamic perspective on wage determination	Lacks empirical evidence to support its claims	A limited review of the literature	Further research is needed to examine how the Islamic framework for wage determination can be applied in practice
<b>Mahmood and Malik (2013)</b>	To explore the Islamic perspective on profit-sharing in business, including its implications for wage determination	Literature review of Islamic sources and contemporary research	Islamic principles for profit-sharing in business can provide a framework for determining fair wages for workers	Provides a comprehensive analysis of the relationship between profit-sharing and wage determination in Islam	Lacks empirical evidence to support its claims	A limited review of other literature	The implementation of Islamic principles in practice warrants further investigation through research
<b>Mohammad and Abdullah (2015)</b>	To examine the effect of Islamic work ethics on wage determination	Survey and regression analysis	Islamic work ethics have a positive effect on wages	Provides empirical evidence for the impact of Islamic work ethics on wages	Limited to a specific population and industry	The need to validate the findings in other settings	Conduct further research to validate the impact of Islamic work ethics on wages in other settings

(continued)

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
Mohammad and Abdullah (2015)	To investigate how Islamic work ethics affect the determination of wages	Multiple Regression analysis	Wages are positively impacted by Islamic work ethics	The study presents concrete evidence of how Islamic work ethics affect wages	The findings are only applicable to a specific group and sector	The findings should be tested in other settings to confirm their validity	Further research is necessary to confirm the influence of Islamic work ethics on wages in diverse contexts
Muhajir (2023)	To analyzed the wage system from the perspective of the Islamic economy in the wet sago home industry in Indonesia	Case study	The wage system in the wet sago home industry in Peace Village, Binjai District, Langkat Regency, Indonesia is not in accordance with the principles of the Islamic economy	The study provides an in-depth analysis of the wage system in a specific industry region	Limited scope as it only focuses on one industry in a specific region	More studies need to be conducted in different regions and industries to get a comprehensive understanding of the wage system in Indonesia	The industry should apply the principles of the Islamic economy to ensure fair wages for workers
Naim and Abdurrahman (2020)	To examine the Islamic perspective on the wage gap	Literature review	In Islamic ideology, there is a focus on social justice and equitable wage distribution, with the discouragement of wealth concentration among a select few	Provides a comprehensive view of the concept of the wage gap in Islamic perspective	Lacks empirical research	The review mainly focuses on the conceptual framework and needs more empirical research	Conduct empirical research to test the applicability of Islamic principles in reducing the wage gap
Qardawi (2016)	To examine the Islamic perspective on minimum wage	Content analysis of primary sources	The study found that Islam emphasizes the need for a minimum wage that is sufficient to meet the basic needs of workers and their families	Comprehensive analysis of primary sources	Lack of empirical data	The need for empirical research	Conduct empirical research to examine the implementation of the Islamic minimum wage in different Muslim countries

(continued)

Table A1.

Table A1.

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
Qureshi (2012)	To analyze the Islamic perspective on wage determination and its relevance to the modern economy	Literature review	1. Wage should be determined based on the principle of justice and fairness. 2. Wage should be in line with the productivity and contribution of the employee. 3. Wage should also consider the cost of living and the needs of the employees	1. Presents a comprehensive understanding of the Islamic perspective on wage determination. 2. Draws on classical Islamic sources	1. Lacks empirical evidence to support the claims	More empirical research is needed to explore the practical implications of Islamic wage determination in the contemporary labor market	More empirical research is needed to explore the practical implications of Islamic wage determination in the contemporary labor market
Rafay and Munawar (2019)	To examine the compatibility of Islamic wage determination with modern economics	Literature review and qualitative analysis	Islamic wage determination is compatible with modern economics and may provide an alternative to the current wage systems	Provides a fresh perspective on wage determination	May overlook the differences in underlying principles and assumptions of Islamic and modern economics	The lack of empirical data to support the argument	Conduct further research to validate the compatibility of Islamic and modern economic principles
Rafay and Munawar (2019)	To examine the compatibility of Islamic wage determination with modern economics	Literature review and qualitative analysis	Islamic wage determination is compatible with modern economics and may provide an alternative to the current wage systems	Provides a fresh perspective on wage determination	May overlook the differences in underlying principles and assumptions of Islamic and modern economics	The lack of empirical data to support the argument	Conduct further research to validate the compatibility of Islamic and modern economic principles

(continued)

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
<b>Salam and Anwar (2020)</b>	To analyze the connection between Islamic values and just compensation in the garment industry of Bangladesh	Case study	<ul style="list-style-type: none"> <li>- Islamic principles of justice and fairness are not always reflected in wage determination practices in the Bangladeshi garment industry—Corruption, lack of transparency and power imbalances often undermine the implementation of fair wage policies</li> </ul>	<ul style="list-style-type: none"> <li>- Provides a detailed and contextualized analysis of the challenges faced in implementing Islamic principles in wage determination in a specific industry</li> </ul>	<ul style="list-style-type: none"> <li>- Limited generalizability of the findings, as they are specific to the Bangladeshi garment industry</li> </ul>	<ul style="list-style-type: none"> <li>- More research is needed to examine the generalizability of the findings in different industries and contexts</li> </ul>	Conduct further research to develop a wage determination model
<b>Salleh and Othman (2019)</b>	To explore the factors influencing wage determination in Islamic economics	Literature review	<ul style="list-style-type: none"> <li>Factors influencing wage determination include the value of work, the cost of living, the demand for labor and the principle of justice</li> </ul>	Comprehensive analysis of factors influencing wage determination	Limited empirical evidence	Lack of agreement on specific wage determination mechanisms	Further empirical studies are needed to develop practical wage-determination mechanisms
<b>Samad (2016)</b>	To examine the role of productivity in wage determination from an Islamic perspective	Literature review	<ul style="list-style-type: none"> <li>The study found that productivity is an important factor in wage determination in Islam and that employers are encouraged to reward workers based on their productivity</li> </ul>	A comprehensive review of the literature	Lack of empirical data	The need for empirical research	Conduct empirical research to examine the relationship between productivity and wages in Islamic countries

(continued)

Table A1.

Table A1.

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
<b>Sardar (1999)</b>	To explore the concept of the Islamic living wage	Content analysis of primary sources	The study found that Islam emphasizes the need for a living wage that is sufficient to meet the basic needs of workers and their families and that employers have a responsibility to provide this wage	Comprehensive analysis of primary sources	Lack of empirical data	The need for empirical research	Conduct empirical research to examine the implementation of the Islamic living wage in different Muslim countries
<b>Shaikh and Khan (2016)</b>	To explore the role of human resource management in determining fair wages from an Islamic perspective	Literature review of Islamic sources and contemporary research	Human resource management should ensure fair wages and protect the rights of workers	Provides a comprehensive overview of the Islamic perspective	Lacks empirical evidence to support its	A limited review of the literature	More empirical research is needed to explore the practical implications of Islamic wage determination in the contemporary labor market
<b>Siddiqi (2002)</b>	To examine the Islamic principles of wage determination in relation to contemporary economic theory	Literature review	The study found that the Islamic principles of justice, cooperation and responsibility can be applied to wage determination and that they are compatible with contemporary economic theory	A comprehensive review of the literature	Lack of empirical data	The need for empirical research	Conduct empirical research to test the compatibility of the Islamic principles of wage determination with contemporary economic

(continued)

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
Siddiqui (2009)	To analysed the Islamic perspective on wage determination and to provide an alternative framework for wage determination	Literature review	1. The concept of labor in Islam is based on the idea of work being a religious obligation and workers have a right to a just and fair wage. 2. Wages should be determined by the supply and demand in the labor market but should also consider the value of the work and the cost of living. 3. Profit-sharing arrangements can be used to align the interests of workers and employers	Provides a comprehensive overview of the Islamic perspective on wage determination	Does not provide empirical evidence or case studies to support the alternative framework proposed	Lack of empirical evidence to support the alternative framework proposed	Future studies could examine the feasibility and effectiveness of the proposed framework in different contexts
Siddiqui (2011)	To identify Islamic principles for wage determination	Conceptual analysis and case studies	Wage determination an Islamic perspective should be based on the principles of justice, compassion and consultation	Provides a theoretical framework for Islamic wage determination	Lacks empirical data	Lack of application of principles in real-world settings	Conduct case studies to evaluate the applicability of the principles

(continued)

Table A1.

Table A1.

Study	Objective	Methodology	Main findings	Strengths	Weaknesses	Gaps	Recommendations
Tahir (2018)	To analyze the Islamic perspective on minimum wage laws	Literature review	Islam supports minimum wage laws to ensure justice and social welfare and the minimum wage should be adjusted based on the cost of living and inflation	Comprehensive analysis of Islamic principles	Limited empirical evidence	Lack of agreement on specific minimum wage determination mechanisms	Further empirical studies are needed to develop practical minimum wage determination mechanisms
Zainuddin <i>et al.</i> (2015)	To examine the Islamic perspective on wage determination and its implications for social justice	Qualitative literature review	(1) Islamic wage determination emphasizes the importance of justice and fairness in the workplace. (2) Islamic principles suggest that wages should be determined based on the value of the work performed. (3) Islamic wage determination encourages profit-sharing and employee ownership	Provides a comprehensive overview of Islamic wage determination	A limited review of the literature	A limited review of the literature	More empirical research is needed to explore the practical implications of Islamic wage determination in the contemporary labor market
Zaman <i>et al.</i> (2018)	To analyzed the role of Islamic work ethics in determining wage levels in Pakistan	The survey, regression analysis	1. Islamic work ethics have a positive effect on wage levels in Pakistan. 2. Age, education and experience also influence wage levels	Empirical evidence on the role of Islamic work ethics in wage determination	Limited to a specific context (Pakistan)	Lack of comparative analysis of the role of Islamic work ethics in wage determination in different contexts	Future studies could examine the role of Islamic work ethics in wage determination in other Muslim-majority countries and non-Muslim countries
Extracted variable to determine the wage		Market Demand, Employee Skills, Value of Work/Performance-Based Pay/Profit, Nature of Work, Fair Compensation Practices, Ownership, Non-Monetary Incentives, Needs of Workers, Ethics, Principle of Cooperation, Cost of Living, Demand and supply for Labour					Quality of the Employee, Profit-Sharing, Employee Inflation and Purchasing Power/
<b>Source(s):</b> Author's own work							

Appendix 2

Variable	Citation
Value of work	Ibrahim (2017), Khan (2015), Khan, (2019), Naim and Abdurrahman (2020), Salleh and Othman (2019)
Prevailing market rate	Bahl and Sharma (2023), Chapra (1985), Khan, (2019), Qureshi (2012), Salleh and Othman (2019)
Needs of workers	Chapra (1985), Khan, (2019), Qureshi (2012)
Justice	Abdel-Rahman (2012), Abdul Latif and Abdul Rashid (2018), Abdul Wahab <i>et al.</i> (2016), Abdul-Rahman and Abdul-Razak (2015), Abidin <i>et al.</i> (2019), Abuznaid (2017), Ahmad (2017), Alasfour (2020), Ali and Ismail (2019), Ali <i>et al.</i> (2017), Ali and Qureshi (2015)
Social justice	El-Ashker and Wilson (2006), Kahf (2000), Naim and Abdurrahman (2020), Sardar (1999)
Fairness	Abdel-Rahman (2012), Abdou and El-Masry (2016), Abduh and Omar (2012), Abdul Latif and Abdul Rashid (2018), Abdul Wahab <i>et al.</i> (2016), Abdul-Rahman and Abdul-Razak (2015), Abidin <i>et al.</i> (2019), Abuznaid (2017), Ahmad (2017), Alasfour (2020), Ali and Ismail (2019), Ali <i>et al.</i> (2017), Ali and Qureshi (2015), Ibrahim (2017), Khan (2015), Qureshi (2012), Siddiqi (2002), Siddiqui (2009), Harahap <i>et al.</i> (2023)
Inflation protection	El-Ashker and Wilson (2006)
Profit-sharing	Ibrahim (2017), Kahf (2000), Khan (2015), Khan and Mirakhor (1987), Mahmood and Malik (2013)
Ethics and work values	Hasan (2019b), Mohammad and Abdullah (2015), Mohd Fauzi <i>et al.</i> (2020)
Productivity	Samad (2016)
Demand for labor	Salleh and Othman (2019)
Wage inequality	
Equality	Abdel-Rahman (2012)
Labor as worship	Abdel-Rahman (2012)
Market-based salary	Abdou and El-Masry (2016), Abdul-Rahman <i>et al.</i> (2016)
Sharī'ah principles	Abduh and Omar (2012), Abdul Latif and Abdul Rashid (2018), Abdul-Rahman <i>et al.</i> (2016)
Skill and effort	Abdul Latif and Abdul Rashid (2018), Abdul Wahab <i>et al.</i> (2016), Abdul-Rahman <i>et al.</i> (2014), Ali <i>et al.</i> (2017), Ali and Qureshi (2015)
Value of work	Abdul-Rahman and Abdul-Razak (2015), Abdul-Rahman <i>et al.</i> (2014)
Employee's performance and experience	Abdul Wahab <i>et al.</i> (2016)
Profit-sharing	Abdou and El-Masry (2016), Abdul Wahab <i>et al.</i> (2016), Abidin <i>et al.</i> (2019)
Employee ownership	Abdul Wahab <i>et al.</i> (2016), Abidin <i>et al.</i> (2019)
Basic needs of employees and their families	Abidin <i>et al.</i> (2019)
Motivation and work commitment	Abozaid and Uddin (2019), Alasfour (2020)
Social welfare	Abulagasem (2020)
Compassion	Alasfour (2020)
Employer-employee relationship	Alasfour (2020)
<b>Source(s):</b> Author's own work	

**Table A2.** Literature review matrix on Islamic perspective on wage determination