



Modeling Fair Wage Implementation within a Mixed Economy Framework: Insights from Islamic Economic Principles

Sanusi Gazali Pane ^{1*}, Sugianto ²

¹ Department of Development Economics, Faculty of Economics and Business, Universitas Pembangunan Panca Budi, Indonesia

² Department of Sharia Economics, Faculty of Islamic Economics and Business, Universitas Islam Negeri Sumatera Utara, Indonesia

^{1*} Corresponding author: sanusi.gazali.pane@gmail.com, email: sugianto@uinsu.ac.id

Article history: Received November 11, 2024 | Revised August 26, 2025 | Accepted September 13, 2025 | Available online on October 30, 2025.

To cite this article [*Turabian of style 8th edition*]: Pane, Sanusi Gazali and Sugianto. "Modeling Fair Wage Implementation within a Mixed Economy Framework: Insights from Islamic Economic Principles". *IQTISHODUNA: Jurnal Ekonomi Islam* 14, no. 2 (October 1, 2025): 579-594. Accessed October 30, 2025.

ABSTRACT

Fair wage determination involves subjective perceptions influenced by individual values and contextual understanding. This study explores fair wage concepts within Islamic banking through a cross-sectional survey examining respondents across various positions and industrial relations statuses. The research incorporates transparency and information openness as key variables, analyzing fair wages beyond nominal amounts to encompass processes shaping individual perceptions. An Islamic economic perspective guides the analysis of determinant factors. The study employed a survey of Islamic banking professionals to assess perceptions of wage fairness and their relationships with job satisfaction and family welfare. Findings reveal that 92.36% of respondents perceive their wages as fair, with the highest level of satisfaction (96.1%) attributed to wage comparability across similar roles. The lowest satisfaction (76.6%) was observed for religious culture aspects. This research contributes to Islamic economic theory by demonstrating the contemporary relevance of Islamic teachings on economic justice in modern industrial contexts, highlighting social benefits as crucial determinants in fair wage concepts for policy development.

Keywords: fair wages, transparency and openness of information, job characteristics, additional benefits, islamic economic principles.

INTRODUCTION

Fair wage determination remains a critical challenge in modern economic systems, particularly within Islamic banking, where traditional Western wage theories may not fully capture the unique contextual and moral dimensions.¹ While extensive literature exists on wage determination in conventional banking,² empirical research on fair wage perceptions within Islamic economic

¹ M. Zulhilmi, "Islamic Economics Towards Economic Growth and Stability," *Theajhssr.Com* 7, no. 4 (2024): 57-66, <https://doi.org/10.56805/ajhssr>.

² Kausar Yasmeen, "Justice in the Workplace: Islamic Principles for Wage Determination," *Islamic Economic Studies* 31, no. 1-2 (2023): 43-87, <https://doi.org/10.37706/ijaz.v5i2.213>.

frameworks remains notably limited.³ Existing studies primarily focus on theoretical Islamic principles of justice and wage determination,⁴ yet few empirical studies examine how these principles translate into workers' perceptions in contemporary Islamic banking institutions. The research gap is particularly evident in understanding how transparency, job characteristics, and social benefits influence perceptions of fair wages among Islamic banking professionals.⁵

Islamic economic principles emphasize justice (*adl*), brotherhood (*ukhuwah*), and virtue (*ihsan*) as fundamental frameworks governing employer-employee relationships.⁶ The Quranic principle "man will not get anything except what he has worked for" (QS. An-Najm 53:39) establishes the theological foundation for performance-based compensation.⁷ However, the practical implementation of these principles in modern mixed economies lacks comprehensive empirical validation.⁸ Contemporary wage theories, from marginal productivity to compensating differentials, provide insufficient frameworks for understanding wage fairness within Islamic contexts.⁹ This theoretical gap necessitates empirical investigation of how Islamic banking employees perceive wage fairness beyond mere nominal amounts, considering process-oriented factors such as transparency, job characteristics, and social benefits.¹⁰ This study addresses these gaps by providing the first comprehensive empirical analysis of fair wage perceptions in Indonesian Islamic banking, incorporating both Islamic economic principles and contemporary organizational behavior theories. The research contributes to Islamic economic

³ Mohamed Saladin Abdul Rasool, Siti Nurul Akma Ahmad, and Siti Mariam Ali, "Enhancing Household Well-Being through Zakat Assistance," *International Journal of Zakat* 5, no. 2 (2020): 23-36, <https://doi.org/10.37706/ijaz.v5i2.213>.

⁴ Mohsen Joshanloo and Dan Weijers, "Islamic Perspectives on Wellbeing," in *Positive Psychology in the Middle East/North Africa: Research, Policy, and Practice* (2019), 237-56, https://doi.org/10.1007/978-3-030-13921-6_11.

⁵ Suhaimi Mhd Sarif et al., "Influence of Industrial Relations with Ukhuwwah (Brotherhood), Adl (Justice) and Ihsan (Benevolence) among Islamic Universities," *Information Management and Business Review* 16, no. 3 (2024): 482-94, <http://irep.iium.edu.my/114893>.

⁶ Syafieh Syafieh and M. Anzhaikan, "Moderate Islam and Its Influence on Religious Diversity in Indonesia," *ESENSIA: Jurnal Ilmu-Ilmu Ushuluddin* 23, no. 2 (2023): 177-92, <https://doi.org/10.14421/esensia.v23i2.3262>.

⁷ Siti Zayyini Huruin et al., "Social Justice Philanthropy Based on Zakat at the Persatuan Islam Amil Zakat Institution," *Social Impact Journal* 3, no. 1 (2024): 27-45, <https://doi.org/10.61391/sij.v3i1.159>.

⁸ Necati Aydin and Aljawhara Ibrahim Alquayid, "Market Reality Versus Religious Morality: Empirical Evidence from the Saudi Arabian Labor Market," *Journal of Business Ethics* 156, no. 3 (2019): 679-698, <https://doi.org/10.1007/s10551-017-3559-6>.

⁹ Kurt Lavetti, "Compensating Wage Differentials in Labor Markets: Empirical Challenges and Applications," *Journal of Economic Perspectives* 37, no. 3 (2023): 189-212, <https://doi.org/10.1257/jep.37.3.189>.

¹⁰ Jeffrey Clemens and Michael R. Strain, "Understanding Wage Theft: Evasion and Avoidance Responses to Minimum Wage Increases," *Labour Economics* 79 (2022): 102285, <https://doi.org/10.1016/j.labeco.2022.102285>.

literature by demonstrating how traditional concepts of justice translate into modern workplace satisfaction and by identifying key determinants of wage fairness perception in Islamic financial institutions.

Literature Review

Justice, both in Islamic and conventional perspectives, forms the normative foundation of labor relations. In Islamic thought, justice (*al-'adl*) is defined not merely as equality, but as the placement of rights and obligations in their proper proportion. Al-Isfahani views justice as rooted in Sharia principles yet adaptive to the needs of the times. At the same time, Mu'tazilah theology positions justice as a product of human reason, and Asy'ariyah regards it as God's absolute prerogative guided by revelation.¹¹ This theological foundation illustrates that Islamic justice is both divine and functional – applied directly to social contracts, as reflected in QS. Al-Qasas [28]: 26–28, where capability, integrity, and fair compensation are emphasized in labor agreements.

Islamic teachings also provide institutional frameworks for labor relations through *ukhuwah* (brotherhood), *'adl* (justice), and *ihsan* (benevolence). These principles reframe the employer–employee relationship, replacing power asymmetry with mutual responsibility. In this perspective, Allah SWT is considered the "third party" in every contract, ensuring that transactions are not merely material but also spiritual and accountable. A partnership grounded in divine oversight fosters transparency, fairness, and *falah* (ultimate wellbeing) as the ethical end of economic activities.¹²

From a practical standpoint, Islam safeguards five key workers' rights: fair compensation sufficient to meet essential needs; dignity and freedom; protection of health and safety; religious rights; and fair treatment in all aspects of employment. These protections resonate with modern human rights discourse and labor law. For instance, the Quran urges Muslims to "perfect just measures and scales" (QS. Al-Isra: 35), a principle that aligns with ensuring fairness in wage determination. In this sense, Islamic justice establishes a moral minimum that complements market mechanisms by mandating fairness even when bargaining power is unequal.^{13,14}

Conventional theories also emphasize justice, but from different angles. Rawls' theory of justice as fairness argues that inequalities are acceptable only if they benefit the least advantaged, supports wage differentiation based on the

¹¹ Syafieh, Syafieh, and M. Anzhaikan. "Moderate Islam and Its Influence on Religious Diversity in Indonesia." *ESENSIA: Jurnal Ilmu-Ilmu Ushuluddin* 23, no. 2 (2023): 177–192, <https://doi.org/10.14421/esensia.v23i2.3262>.

¹² Suhaimi, Influence of Industrial Relations with Ukhuwwah...

¹³ Ao, Z., Li, H., Huang, M., & Yang, J. (2023). Skill Requirements in Job Advertisements: A Comparison of Skill-Categorization Methods Based on Wage Regressions. *Information Processing & Management*, 60(2), 103185, <https://doi.org/10.1016/j.ipm.2022.103185>.

¹⁴ Lavetti, K. (2023). Compensating Wage Differentials in Labor Markets: Empirical Challenges and Applications. *Journal of Economic Perspectives*, 37(3), 189–212, <https://doi.org/10.1257/jep.37.3.189>.

nature of work, and protects against discrimination¹⁵. Meanwhile, marginal productivity theory suggests wages reflect workers' contribution to output¹⁶, whereas Champernowne highlights labor heterogeneity and unequal wage distribution.¹⁷ Compensating wage differential theory further explains higher pay for dangerous or undesirable jobs.¹⁸ These approaches, while analytically robust, often reduce justice to bargaining or efficiency without addressing moral and spiritual dimensions.

A critical synthesis shows both convergence and divergence between the two perspectives. Islam acknowledges the role of markets and productivity but insists that wages must secure workers' essential needs and dignity, preventing exploitation. This perspective goes beyond Rawls' fairness by embedding justice within divine accountability. The inclusion of *ukhuwah* and *ihsan* enriches conventional theories by integrating ethical responsibility and social solidarity into labor relations. Thus, the unique contribution of Islamic labor economics lies in its holistic framework, in which fairness is not only a negotiated outcome but also a religious duty, balancing efficiency with morality and situating economic justice within the broader goal of human wellbeing (*falah*).

METHODS

This study employed a cross-sectional quantitative approach to investigate perceptions of fair wages among employees in the Islamic banking sector in Medan, a city known for its unique integration of Sharia principles and modern financial practices. The sampling process utilized purposive stratified sampling to ensure representation across job positions, employment types, and industrial relations statuses, resulting in a final sample of 231 active employees from several leading Islamic banks who voluntarily participated. Data collection was conducted via a digital survey instrument, adapted from established scales on wage fairness and job satisfaction, and tailored to the Islamic banking context. The questionnaire included items measuring transparency and openness of information, employee involvement, job characteristics, basic and social benefits, wage strategy, and work environment. Content validity was confirmed through expert review by two Islamic finance scholars and two organizational behavior experts. A pilot test with 30 respondents demonstrated strong reliability (Cronbach's $\alpha > 0.78$) and sampling adequacy (KMO = 0.82), while

¹⁵ Garcia-Louzao, J., & Tarasonis, L. (2023). Wage and Employment Impact of Minimum Wage: Evidence from Lithuania. *Journal of Comparative Economics*, 51(2), 592–609, <https://doi.org/10.1016/j.jce.2022.12.002>

¹⁶ Clemens, J., & Strain, M. R. (2022). Understanding 'Wage Theft': Evasion and Avoidance Responses to Minimum Wage Increases. *Labour Economics*, 79(December), 102285, <https://doi.org/10.1016/j.labeco.2022.102285>.

¹⁷ David G. Champernowne, *The Theory of Income Distribution* (Oxford: Clarendon Press, 1953).

¹⁸ Sherwin Rosen, "The Theory of Equalizing Differences," in *Handbook of Labor Economics*, vol. 1, ed. Orley Ashenfelter and Richard Layard (Amsterdam: North-Holland, 1986), 641–692, [https://doi.org/10.1016/S1573-4463\(86\)01015-5](https://doi.org/10.1016/S1573-4463(86)01015-5).

exploratory factor analysis supported the instrument's multidimensional structure. Ethical approval was obtained from the university's research ethics committee, with all participants providing informed consent electronically. Data were anonymized and securely stored, and respondents retained the right to withdraw at any stage. The selection of the Islamic banking sector was based on its dual commitment to profit and Sharia-based social justice, providing an ideal context for examining how moral imperatives shape wage perceptions and industrial relations. The following Table 1 summarizes the research variables:

Table 1. Description of Research Variables

Variable	Description
Transparency & Openness	Access to wage information and employee involvement in the wage framework and performance review.
Job Characteristic	Job value based on responsibility, required competencies, and health/safety risks.
Benefit	Fundamental guarantees and protections for workers and their families.
Social Benefit	Additional social benefits as a form of company care
Wage Strategy	Reliability and competitiveness of wages compared to internal and industry standards.
Work Environment	Physical, social, and psychological conditions affecting expertise, productivity, and well-being.

Source: data processing

RESULT AND DISCUSSION

In 2023, a study was conducted within the Sharia banking industry, involving 231 active workers from various jobs, positions, and statuses. In this study, top management allowed workers to participate in the management process and provided ample opportunities for them to develop their core potential. This participation is especially crucial in key and strategic areas such as budgeting and wages. The process of discussing wages is the most challenging aspect of budgeting because it directly affects every worker's interests. Aydan and Alquayid observed that entrepreneurs, owners, and senior managers are more likely to consider market realities when determining fairness.¹⁹ Conversely, the Islamic perspective maintains that wage levels should balance workers' interests and welfare with employers' expected rate of return to ensure long-term sustainability. This entire process is conducted transparently, with no attempts to conceal any party's interests. Additionally, the strong influence of technology in individual and organizational life has transformed formal discussions about 'company secrets' into more open conversations among workers.

¹⁹ Necati Aydin and Aljawhara Ibrahim Alquayid, "Market Reality Versus Religious Morality: Empirical Evidence from the Saudi Arabian Labor Market," *Journal of Business Ethics* 156, no. 3 (2019): 679–698, <https://doi.org/10.1007/s10551-017-3559-6>.

Openness of Information

Information plays a crucial role in human resource management; when managed effectively, it assists organizations in processes ranging from recruitment and selection to employee development and retention. In terms of wages, information is vital in ensuring that the organization's wage system is implemented fairly, transparently, and in alignment with company strategy. Companies provide wage standard information, labor market data, and role- and responsibility-based wage surveys, which users can access.

Transparency in wage policies helps workers understand how wages are determined and the reasons for any changes. Workers have the option (khiyar) to accept and continue the collaboration or to end it.²⁰ The Prophet Muhammad emphasized the importance of information in industrial relations by recommending that employers notify workers of the wages they will receive as compensation in advance of work beginning. According to the ijarah pillars, all general job information, such as the date of wage payment, must be communicated before the spigot process is carried out.

Timely payment of wages reduces legal, social, and religious risks while increasing worker confidence and satisfaction. "Give a worker his wages before his sweat dries" (HR. Ibn Majah, authentic). Delays in fulfilling obligations without justification are a form of cruelty to the weak and deserve punishment. "People who postpone obligations are halal, honorable, and deserve punishment" (HR. Abu Daud no. 3628, An Nasa'i no. 4689, Ibnu Majah no. 2427, Hasan). This category of delays includes delays in the payment of minimum wages, which are employers' obligations under a country's labor legislation. In civil law, delays in the performance of obligations can result in fines equal to a percentage of the worker's wage.²¹

In today's environment, company failures are quickly exposed in public, with technology playing a significant role in exacerbating this. Companies must be prepared to face challenges and risks that complicate decision-making, making it more difficult and demanding²². These environmental changes have made information management far more critical compared to previous decades. Workers are now more easily exposed to biased and false information (hoaxes) rather than valid information that has not been officially disclosed. Therefore,

²⁰ Clemens and Strain, "Understanding 'Wage Theft': Evasion and Avoidance Responses to Minimum Wage Increases."

²¹ Zachary S. Fone, Joseph J. Sabia, and Resul Cesur, "The Unintended Effects of Minimum Wage Increases on Crime," *Journal of Public Economics* 219 (2023), <https://doi.org/10.1016/j.jpubeco.2022.104780>.

²² Obinna Alo et al., "Impression Management and Leadership in Failing or Failed Business-to-Business Firms during and Post-COVID-19: Empirical Insights from Africa," *Industrial Marketing Management* 113 (2023): 1-13, <https://doi.org/10.1016/j.indmarman.2023.05.018>.

companies must open communication channels as widely as possible to provide alternative comparisons and balance the information available in public spaces²³.

The technology significantly enhances transparency and the openness of information, thereby increasing compensation and wage equality among workers.²⁴ They argue that transparency about endogenous and exogenous factors affecting wages shapes the interaction between workers and employers.^{25,26} Wage information is cost-sensitive, so companies rarely disclose it openly. The logical reason is that wage offers tend to be higher in transparent conditions than in closed ones.

Job Characteristic

Jobs that require problem-solving, creative thinking, technical expertise, risk management, and interpersonal communication are considered to involve a broader range of skills. Conversely, roles that demand fewer skills are classified as having a lower skill variant. For instance, jobs in the IT sector demand specialized requirements and technical abilities that differ significantly from those in the marketing department. The greater the impact of a project's output on the organization, the higher the value of the work. In specific positions, organizations offer wage premiums to attract skilled workers with particular qualifications. This wage premium is considered a fair price, reflecting the rate of return on investments in skills and work experience.²⁷ Thus, expertise is directly related to wage levels. Proficiency in digital technology significantly increases compensation, with top managers experiencing the most significant increase. Expertise enables organizations to become more efficient and competitive, essential conditions for enhancing total factor productivity and boosting gross operating income.²⁸ The Prophet Yusuf (as) was appointed Egypt's finance minister due to his exceptional expertise (future forecasting), broad insight (treasurer), and unwavering integrity, qualities rare in his time. He stated, "Appoint me as treasurer of the state (of Egypt); indeed, I am proficient in safeguarding and knowledgeable" (QS. Yusuf: 55). Similarly, Caliph Umar bin Khattab granted Salamah bin Rabi'ah a higher salary than the standard wage

²³ Roy Darioshi and Eyal Lahav, "The Impact of Technology on the Human Decision-Making Process," *Human Behavior and Emerging Technologies* 3, no. 3 (2021): 391–400, <https://doi.org/10.1002/hbe2.257>

²⁴ Ameni Boumaiza and Kenza Maher, "Leveraging Blockchain Technology to Enhance Transparency and Efficiency in Carbon Trading Markets," *International Journal of Electrical Power & Energy Systems* 162 (2024): 110225, <https://doi.org/10.1016/j.ijepes.2024.110225>

²⁵ Eid M Alotaibi, Hussein Issa, and Mauricio Codesso, "Blockchain-Based Conceptual Model for Enhanced Transparency in Government Records: A Design Science Research Approach," *International Journal of Information Management Data Insights* 5, no. 1 (2025): 100304, <https://doi.org/10.1016/j.ijime.2024.100304>.

²⁶ Ruijie Wang et al., "Transparency in Persuasive Technology, Immersive Technology, and Online Marketing: Facilitating Users' Informed Decision Making and Practical Implications," *Computers in Human Behavior* 139 (2023): 107545, <https://doi.org/10.1016/j.chb.2022.107545>.

²⁷ Noam Gruber, "The Foreign Firm Wage Premium in the Israeli Tech Sector," *Journal of International Economics* 152 (2024): 104017, <https://doi.org/10.1016/j.jinteco.2024.104017>

²⁸ Wang et al., "Transparency in Persuasive Technology, Immersive Technology, and Online Marketing: Facilitating Users' Informed Decision Making and Practical Implications."

level, recognizing that his responsibilities and burdens exceeded those of other jobs.

Public service or government jobs often come with higher workloads and risks, but are balanced by adequate wage levels. This distinction is driven by public policy, as compensation in the public sector differs from that in the private sector.²⁹ The law mandates that wages for workers in state institutions must meet a minimum standard of adequacy. Prophet Muhammad (PBUH) emphasized that state workers' salaries should cover essential needs, including housing, family support (including marriage), household assistance, transportation, and the necessities for workers and their families. Any excess beyond this is considered corruption. Caliph Umar bin Khattab further stressed that increasing salaries helps prevent workers from betraying their duties, allowing them to focus on their core responsibilities without needing secondary jobs to supplement their income.

In today's environment, companies' financial capabilities vary significantly, influenced by differences in capital structure and other financial metrics. This variability impacts wage levels, making it impossible to standardize wages universally. However, governments can regulate this by establishing minimum wage levels, thereby ensuring a baseline standard. Bertay and Uras highlight that a robust capital structure – characterized by factors such as total assets, volatility levels, net interest margins, stock market value, and the volume of non-performing loans – provides a stronger incentive for companies to offer higher wages.³⁰ Consequently, wages are not solely determined by operating profits; instead, a solid capital structure enables companies to afford higher employee pay.

Fringes Benefit

Fringe benefits, or additional perks, play a crucial role in attracting and retaining potential employees. According to regulations, only a few benefits are mandatory for employers as part of the employment relationship, while employees cover others. Employers may offer additional benefits based on internal policies, such as housing, education, and training facilities, and even shares as an award. Referring to 2023 American compensation data in the financial industry, monetary wages constitute 58.15 percent, paid leave (including holiday, sick leave, and personal leave) 9.2 percent, and additional payments for overtime, shift differentials, and non-production bonuses 6.2 percent. Meanwhile, the insurance component – comprising life, health, short-term, and long-term disability insurance – stands at 8.5 percent; savings and pensions, including defined benefits and contribution benefits, make up 3.6

²⁹ Sabine D'Costa, "Re-Evaluating the Urban Wage Premium: The Changing Roles of Geographical and Job Transitions for Women and Men," *Regional Science and Urban Economics* 108 (2024): 104038, <https://doi.org/10.1016/j.regsciurbeco.2024.104038>.

³⁰ Ata Can Bertay and Burak R Uras, "Leverage, Bank Employee Compensation and Institutions," *Journal of Banking & Finance* 111 (2020): 105701, <https://doi.org/10.1016/j.jbankfin.2019.105701>.

percent; and other statutory benefits, such as social security and unemployment insurance, are 6.3 percent (BLS, 2024). During the COVID-19 pandemic, 66 percent of UK workers deemed additional benefits more important than wages, while 14 percent preferred increased benefits as a substitute for wage hikes.

Reflecting on the Sharia banking industry in Medan, monetary wages constitute 79.76 percent of total compensation, while health service facility benefits account for 5 percent. Social security and pension contributions are 10.24 percent, which includes work accident coverage at 0.3 percent, death benefits at 0.24 percent, old age security at 5.7 percent, and pension security at 3 percent. To maintain wage levels, a 5 percent tax allowance is provided. Additionally, paid leave, religious holidays, and long service awards each contribute 8.3 percent to overall compensation. As per labor regulations, workers contribute 4 percent towards health and labor premiums. These additional benefits are key factors in job satisfaction and employee engagement^{31 32 33}. From the perspective of maqashid sharia, labor insurance protects oneself (hifzul an-nafs) from risks and provides benefits (maslahah) to workers and their families. The principle of ta'awun (mutual assistance) operates through a tabarru' contract, where the risk of loss is borne by an entity based on the actual value of the loss, unlike conventional insurance, which typically relies on predetermined amounts.

Social Benefit

The Sharia banking industry enables organizations to provide social benefits as a form of company concern for employees under specific conditions, particularly those whose wages do not suffice their needs. These benefits represent the Muslim community's responsibility towards individuals, helping to alleviate the burden of meeting necessities. As a form of social security (takaful), these benefits hold a significant place alongside the fundamental principles of monotheism, faith, piety, and the path to salvation. "Worship Allah and do not associate anything with Him. And be kind to parents, close relatives, orphans, poor people..." (QS. An-Nisa: 36). Similarly, the Prophet Muhammad stated that a person is not considered a believer if he is full while his neighbor next door is hungry. This is reflected in the principle that the wages earned each month include the rights of the needy, both those who ask and those who do not. The practice of zakat collection within the industry stems from the leader's religiosity concerning social responsibility towards the work environment,

³¹ Lipsa Jena and Umakanta Nayak, "Organizational Career Development and Retention of Millennial Employees: Role of Job Satisfaction, Organizational Engagement and Employee Empowerment," *International Journal of Organization Theory & Behaviour* 26, no. 12 (2023): 115–31, <https://doi.org/10.1108/IJOTB-08-2022-0159>.

³² Xiaolin (Crystal) Shi, Susan Gordon, and Howard Adler, "Challenging or Hindering? Understanding the Daily Effects of Work Stressors on Hotel Employees' Work Engagement and Job Satisfaction," *International Journal of Hospitality Management* 103 (2022): 103211, <https://doi.org/10.1016/j.ijhm.2022.103211>.

³³ Anastasia Ozturk, Osman M Karatepe, and Fevzi Okumus, "The Effect of Servant Leadership on Hotel Employees' Behavioral Consequences: Work Engagement versus Job Satisfaction," *International Journal of Hospitality Management* 97 (2021): 102994, <https://doi.org/10.1016/j.ijhm.2021.102994>.

particularly for workers struggling to meet their basic needs. This policy showcases a culture of care and consideration for employees' welfare.³⁴ Additionally, for urgent needs, employees can apply for emergency loans from the company to address immediate necessities. These social loans are interest-free and conducted under a qardh agreement. This policy fosters closer relationships and a deeper connection to the organization over the long term, enhancing motivation and commitment to both leadership and company objectives. For companies, this policy is seen as a gesture of appreciation for employees, helping create a positive, sustainable work environment.

Strategic wages

According to Corgnet, a key aspect of an organization's success is its ability to reward each member according to their actual contribution. Compensation plays a critical role in motivating workers to fulfill company goals aligned with their roles and responsibilities. Shareholders hold the highest authority in determining wage policies, taking into account the organization's capabilities and assets. Historically, Caliph Umar bin Khattab (RA) set wage levels for state officials, covering basic (primary) needs for themselves and their families, secondary needs (clothing) for themselves and their families, two means of transportation, and operational costs. Similarly, when he sent Mua'adz bin Jabal (RA) and Abu Ubaidah (RA) to Syria, he instructed them to pay attention to the wages of judicial staff and to increase their wages in recognition of their integrity and devotion to the state. Government workers' wage determinations are generally not subject to market prices, and their workloads may exceed normal levels due to their obedience to leaders. However, Umar (RA) suggested adjusting wages in times of crisis, where wage levels should be reviewed, and salaries could be reduced to reflect the prevailing conditions. This practice was observed during the COVID-19 pandemic when most workers experienced wage adjustments due to the organization's inability to support wage costs.

Table 2. Different in Work Values

Job Group	Description	Responsibility	Skills	Experience	Impact on the organization	Total Relative Value
IT	handle system development and maintenance	Medium	High	2 - 4 Years	Medium	12
Marketing	Increase sales of products and services	Medium	Medium	4 - 6 Years	Medium	11

Source: data processing

Furthermore, organizations possess unique capabilities to access labor-market information and identify relevant labor markets, such as the specific

³⁴ Grace Carolina Guevara-Rosero et al., "The Impact of Fair-Trade Certifications in Social and Solidarity Economy Organizations in Ecuador," *Regional Science Policy & Practice* 16, no. 9 (2024): 100055, <https://doi.org/10.1016/j.rsp.2024.100055>.

region and industrial sector in which they operate. The economic climate and local labor market conditions significantly influence compensation policies. Regions with extreme weather, high pollution, or hazardous environments typically offer higher wages compared to other areas. In rural locations with a limited labor supply, wages tend to be higher to attract workers, whereas in areas with a labor surplus, wages are generally lower. Similarly, wage levels in the northern regions are higher than in the southern areas, which have abundant food supplies.

The perception of fairness that workers experience stems from their interactions with the organization, how they are treated during industrial relations, and the working environment conditions that shape their view of the company. Pane's research results (2023) indicate that these variables directly influence the formation of this perception. These variables are detailed into nine assessment aspects, with the highest score being a maximum of 100 and the lowest being zero (0). The highest score was in strategic wages (96.5 percent), while the lowest was in a social environment and organizational culture that did not foster religiosity (76.6 percent). The average score is 92.36%, indicating that 213 of 231 respondents share a similar perception of fairness in the wage framework.

Table 3. Workers' Perception Scores Regarding Fair Wages

No.	Assessment Aspect	Percentage
1	Transparency and openness of information	90,1
2	Involvement in performance evaluation programs	96,0
3	Match between skills and job characteristics	94,6
4	Risk and benefit	95,1
5	Fringes benefit	91,7
6	Social benefit	96,1
7	Strategic wages	96,5
8	Job satisfaction and well-being	94,6
9	Culture of religiosity	76,6

Source: data processing

Culture of Religiosity

Ideally, moral principles should play a significant role in shaping informal institutions such as justice, norms, and culture, which in turn provide legitimacy and consistency to formal institutions. However, it is widely understood that the moral ideals of Islam do not automatically influence modern employer-employee relationships. Even those who are highly religious in their observance often do not fully adhere to these ideals, despite considering themselves more just.³⁵ Many Muslim entrepreneurs also prioritize profit maximization, sometimes at the expense of exploiting their employees. This could be due to ignorance or the pervasive influence of secular and materialistic values, even among Muslims. This highlights the importance of organizational intervention in creating a

³⁵ Guevara, The Impact of Fair-Trade Certifications...

supportive work environment, ensuring safety and health, and fostering religiosity as part of the organizational culture to achieve employee satisfaction and wellbeing.³⁶ Cultivating a religious culture within an organization helps to identify and develop individual potential, enhance commitment to spiritual principles, and ensure compliance with company regulations. Conversely, if these efforts are not seriously undertaken, the tendency towards secularization increases. Factors such as technological advancements, greater autonomy among the younger generation, and unsupportive social environments at home contribute to this trend.³⁷

CONCLUSION

This study enriches the theoretical and practical discourse on wage justice by modeling the implementation of fair wages within a mixed economy framework grounded in Islamic economic principles. The findings affirm that fair compensation extends beyond nominal income levels to include procedural transparency, participatory governance, and the holistic fulfillment of workers' material, social, and spiritual needs. Anchored in the principles of *maqāṣid al-sharī'ah*, the proposed model emphasizes justice (*‘adl*), dignity (*karāmah*), and welfare (*maslahah*) as the foundation for equitable labor relations. Within a mixed economy context—where market mechanisms coexist with ethical and regulatory oversight—the study highlights that wage systems must balance efficiency with morality, ensuring that workers' rights are protected while maintaining economic productivity. In practice, this model provides a framework for policymakers and employers to design wage structures that guarantee adequacy, punctuality, transparency, and social protection, consistent with both Islamic jurisprudence and modern labor law. Future research is encouraged to empirically test the proposed model across diverse economic sectors and institutional settings, exploring how Islamic ethical values can be systematically internalized to enhance fairness, resilience, and sustainability in wage policy and organizational culture.

Author's Contribution

Sanusi Gazali Pane: Contribute to formulating research ideas, collecting data, processing data, and interpreting data

Sugianto: Contributing to writing systematics and research methods, and analyzing interpretation results.

³⁶ Mahlagha Darvishmotevali and Faizan Ali, "Job Insecurity, Subjective Well-Being and Job Performance: The Moderating Role of Psychological Capital," *International Journal of Hospitality Management* 87, no. January (2020): 102462, <https://doi.org/10.1016/j.ijhm.2020.102462>.

³⁷ Siobhan McAndrew and Lindsay Richards, "Religiosity, Secular Participation, and Cultural Socialization: A Case Study of the 1933–1942 Urban English Cohort," *Journal for the Scientific Study of Religion* 59, no. 2 (2020): 247–68, <https://doi.org/10.1111/jssr.12649>.

Acknowledgements

The author is grateful to those who helped complete this article, especially during the data collection and article review.

Declaration of Competing Interest

The author declares that there is no conflict of interest.

Ethical Approval

No patient-identifying information was used or known to the authors in this paper. Therefore, no ethical approval was requested.

REFERENCES

- Abdul Rasool, Mohamed Saladin, Siti Nurul Akma Ahmad, and Siti Mariam Ali. "Enhancing Household Well-Being through Zakat Assistance." *International Journal of Zakat* 5, no. 2 (2020): 23–36. <https://doi.org/10.37706/ijaz.v5i2.213>.
- Alo, Obinna, Imran Ali, Nadia Zahoor, Ahmad Arslan, and Ismail Golgeci. "Impression Management and Leadership in Failing or Failed Business-to-Business Firms during and Post-COVID-19: Empirical Insights from Africa." *Industrial Marketing Management* 113 (2023): 1–13. <https://doi.org/10.1016/j.indmarman.2023.05.018>.
- Alotaibi, Eid M., Hussein Issa, and Mauricio Codesso. "Blockchain-Based Conceptual Model for Enhanced Transparency in Government Records: A Design Science Research Approach." *International Journal of Information Management Data Insights* 5, no. 1 (2025): 100304. <https://doi.org/10.1016/j.jjime.2024.100304>.
- Ao, Ziqiao, Gergely Horváth, Chunyuan Sheng, Yifan Song, and Yutong Sun. "Skill Requirements in Job Advertisements: A Comparison of Skill-Categorization Methods Based on Wage Regressions." *Information Processing & Management* 60, no. 2 (2023): 103185. <https://doi.org/10.1016/j.ipm.2022.103185>.
- Aydin, Necati, and Aljawhara Ibrahim Alquayid. "Market Reality Versus Religious Morality: Empirical Evidence from the Saudi Arabian Labor Market." *Journal of Business Ethics* 156, no. 3 (2019): 679–98. <https://doi.org/10.1007/s10551-017-3559-6>.
- Bertay, Ata Can, and Burak R. Uras. "Leverage, Bank Employee Compensation and Institutions." *Journal of Banking & Finance* 111 (2020): 105701. <https://doi.org/10.1016/j.jbankfin.2019.105701>.
- Boumaiza, Ameni, and Kenza Maher. "Leveraging Blockchain Technology to Enhance Transparency and Efficiency in Carbon Trading Markets." *International Journal of Electrical Power & Energy Systems* 162 (2024): 110225. <https://doi.org/10.1016/j.ijepes.2024.110225>.
- Chapra, M. Umer. *Islam and the Economic Challenge*. Leicester: The Islamic Foundation, 1992.

- Clemens, Jeffrey, and Michael R. Strain. "Understanding 'Wage Theft': Evasion and Avoidance Responses to Minimum Wage Increases." *Labour Economics* 79 (2022): 102285. <https://doi.org/10.1016/j.labeco.2022.102285>.
- D'Costa, Sabine. "Re-Evaluating the Urban Wage Premium: The Changing Roles of Geographical and Job Transitions for Women and Men." *Regional Science and Urban Economics* 108 (2024): 104038. <https://doi.org/10.1016/j.regsciurbeco.2024.104038>.
- Darioshi, Roy, and Eyal Lahav. "The Impact of Technology on the Human Decision-Making Process." *Human Behavior and Emerging Technologies* 3, no. 3 (2021): 391–400. <https://doi.org/10.1002/hbe2.257>.
- Darvishmotevali, Mahlagha, and Faizan Ali. "Job Insecurity, Subjective Well-Being and Job Performance: The Moderating Role of Psychological Capital." *International Journal of Hospitality Management* 87 (2020): 102462. <https://doi.org/10.1016/j.ijhm.2020.102462>.
- Fone, Zachary S., Joseph J. Sabia, and Resul Cesur. "The Unintended Effects of Minimum Wage Increases on Crime." *Journal of Public Economics* 219 (2023): 104780. <https://doi.org/10.1016/j.jpubeco.2022.104780>.
- Garcia-Louzao, Jose, and Linas Tarasonis. "Wage and Employment Impact of Minimum Wage: Evidence from Lithuania." *Journal of Comparative Economics* 51, no. 2 (2023): 592–609. <https://doi.org/10.1016/j.jce.2022.12.002>.
- Gruber, Noam. "The Foreign Firm Wage Premium in the Israeli Tech Sector." *Journal of International Economics* 152 (2024): 104017. <https://doi.org/10.1016/j.jinteco.2024.104017>.
- Guevara-Rosero, Grace Carolina, Katherine Monge, Henry Yáñez, Marcela Guachamín, and Javier Flor. "The Impact of Fair-Trade Certifications in Social and Solidarity Economy Organizations in Ecuador." *Regional Science Policy & Practice* 16, no. 9 (2024): 100055. <https://doi.org/10.1016/j.rspp.2024.100055>.
- Huru'in, Siti Zayyini, I. Nurol Aen, Ahmad Hasan Ridwan, and Badri Khaeruman. "Social Justice Philanthropy Based on Zakat at the Persatuan Islam Amil Zakat Institution and Its Contribution to Covid-19 Pandemic Mitigation in West Java." *Social Impact Journal* 3, no. 1 (2024): 27–45. <https://doi.org/10.61391/sij.v3i1.159>.
- Jena, Lipsa, and Umakanta Nayak. "Organizational Career Development and Retention of Millennial Employees: Role of Job Satisfaction, Organizational Engagement and Employee Empowerment." *International Journal of Organization Theory & Behaviour* 26, no. 12 (2023): 115–131. <https://doi.org/10.1108/IJOTB-08-2022-0159>.

- Joshanloo, Mohsen, and Dan Weijers. "Islamic Perspectives on Wellbeing." In *Positive Psychology in the Middle East/North Africa: Research, Policy, and Practise*, 237–56. Cham: Springer, 2019. https://doi.org/10.1007/978-3-030-13921-6_11.
- Lavetti, Kurt. "Compensating Wage Differentials in Labor Markets: Empirical Challenges and Applications." *Journal of Economic Perspectives* 37, no. 3 (2023): 189–212. <https://doi.org/10.1257/jep.37.3.189>.
- McAndrew, Siobhan, and Lindsay Richards. "Religiosity, Secular Participation, and Cultural Socialization: A Case Study of the 1933–1942 Urban English Cohort." *Journal for the Scientific Study of Religion* 59, no. 2 (2020): 247–68. <https://doi.org/10.1111/jssr.12649>.
- Mirakhor, Abbas, and Hossein Askari. *Islam and the Path to Human and Economic Development*. Basingstoke: Palgrave Macmillan, 2010.
- Naqvi, Syed Nawab Haider. *Ethics and Economics: An Islamic Synthesis*. Leicester: The Islamic Foundation, 1981.
- Ozturk, Anastasia, Osman M. Karatepe, and Fevzi Okumus. "The Effect of Servant Leadership on Hotel Employees' Behavioral Consequences: Work Engagement versus Job Satisfaction." *International Journal of Hospitality Management* 97 (2021): 102994. <https://doi.org/10.1016/j.ijhm.2021.102994>.
- Osman, Fathi. *Shariah and Human Rights: A Short Introduction*. Los Angeles: Islamic Center of Southern California, 2005.
- Sarif, Suhaimi Mhd, Sharifah Fazirah Syed Ahmad, Dolhadi Zainudin, Yusof Ismail, and Yayan Firmansyah. "Influence of Industrial Relations with Ukhuwwah (Brotherhood), 'Adl (Justice) and Ihsan (Benevolence) among Islamic Universities." *Information Management and Business Review* 16, no. 3 (2024): 482–494. <http://irep.iium.edu.my/114893>.
- Shi, Xiaolin (Crystal), Susan Gordon, and Howard Adler. "Challenging or Hindering? Understanding the Daily Effects of Work Stressors on Hotel Employees' Work Engagement and Job Satisfaction." *International Journal of Hospitality Management* 103 (2022): 103211. <https://doi.org/10.1016/j.ijhm.2022.103211>.
- Syafieh, Syafieh, and M. Anzhaikan. "Moderate Islam And Its Influence on Religious Diversity in Indonesia." *ESENSIA: Jurnal Ilmu-Ilmu Ushuluddin* 23, no. 2 (2023): 177–92. <https://doi.org/10.14421/esensia.v23i2.3262>.
- Wang, Ruijie, Reece Bush-Evans, Emily Arden-Close, Elvira Bolat, John McAlaney, Sarah Hodge, Sarah Thomas, and Keith Phalp. "Transparency in Persuasive Technology, Immersive Technology, and Online Marketing: Facilitating Users' Informed Decision Making and Practical Implications."

Computers in Human Behavior 139 (2023): 107545.
<https://doi.org/10.1016/j.chb.2022.107545>.

Yasmeen, Kausar. "Justice in the Workplace: Islamic Principles for Wage Determination." *Islamic Economic Studies* 31, no. 1-2 (2023): 43-87.
<https://doi.org/10.1108/ies-03-2023-0011>.

Zulhilmi, M. "Islamic Economics Towards Economic Growth and Stability." *The American Journal of Humanities and Social Sciences Research* 7, no. 4 (2024): 57-66. <https://doi.org/10.56805/ajhssr>.