

Wage Regulation and Worker Welfare: A Comparative Analysis of National Labor Law and Islamic Legal Perspectives

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ABSTRACT

Background: Regulating wages is critical to ensuring workers receive fair compensation, which directly affects their living standards. In Indonesia, national labor law sets minimum wage standards, while Islamic labor law offers an alternative approach based on ethical principles. This study compares the wage regulation frameworks under Indonesian national labor law and Islamic labor law, focusing on their roles in achieving a decent standard of living for workers.

Aims: This research aims to compare wage determination under Indonesian national labor law and Islamic labor law, evaluating their effectiveness in ensuring a decent living standard for workers. The study also identifies strengths and weaknesses in both systems and explores potential integration for improving worker welfare.

Methods: The study employs a comparative legal research approach, analyzing Indonesia's 2003 Labor Law alongside Islamic labor law derived from the Qur'an, Hadith, and Ijtihad. It uses normative legal research and qualitative analysis based on literature reviews and case studies from relevant sectors.

Results: The comparison shows that while national labor law focuses on economic factors like inflation and minimum wage, Islamic labor law emphasizes moral and social justice. Islamic law ensures that wages meet both economic and ethical standards, incorporating the *maqasid al-shari'ah* (goals of Islamic law), which aims for fairness and worker welfare.

Conclusion: Both legal systems aim to ensure fair wages, though one is economically driven and the other ethically focused. Combining the strengths of both could lead to a more comprehensive approach, balancing economic efficiency with social justice. Future research should explore how these frameworks can be applied in policy-making to improve worker welfare.

ARTICLE HISTORY

Submitted: March 29, 2025

Revised: April 16, 2025

Accepted: May 08, 2025

KEYWORD

Decent Living Standards;
Islamic Labor Law;
National Labor Legislation;
Wage Regulation.

INTRODUCTION

In an increasingly complex world of work, the issue of wage fairness has become a global concern, particularly in developing countries like Indonesia. While Indonesia's national labor law ensures a minimum wage, many workers feel that the wages they receive are not sufficient to meet their basic living needs, let alone guarantee their social welfare. In contrast, Islamic labor law offers a more comprehensive approach by integrating both economic justice and moral ethics, ensuring that wages are not only adequate financially but also fair and in line with workers' social rights. This study seeks to explore whether integrating the principles of Islamic labor law into Indonesia's national labor law could create a more just, sustainable, and worker-oriented wage system. By delving into this potential transformation, this research aims to make a significant contribution to improving Indonesia's labor policy and offers fresh insights that can be relevant to other nations striving to balance economic progress with social justice. The regulation of wages is not merely a legal requirement but serves as a fundamental mechanism that affects the social and economic status of workers. In Indonesia, national labor laws establish minimum wage standards to ensure that workers receive compensation that aligns with the market and the rising costs of living (Buana & Budiman, 2022a; Tampubolon et al., 2023; Wulansari, 2021). However, while these laws focus on economic factors such as inflation and market conditions, they often fail to address the broader ethical aspects of wage determination (Clibborn & Hanna-Osborne, 2023a; Silalahi & Walsh, 2023; Simms, 2024). Islamic labor law, on the other hand, integrates economic justice with ethical principles, ensuring that wages meet not only the material needs of workers

but also their moral and social rights (Ikhsan et al., 2024; Mustafa & Rehman, 2024). This study examines how the integration of Indonesia's national labor law, which is market-driven, with the ethical underpinnings of Islamic labor law could create a more comprehensive and just wage system that promotes both fairness and worker welfare.

While wage regulation plays a vital role in protecting workers' rights, there is limited research exploring the comparative effectiveness of national labor law and Islamic labor law, especially within the Indonesian context. Most existing studies primarily focus on the economic aspects of wage policies or analyze Islamic labor law in isolation. This study aims to bridge the gap by investigating how both legal systems can influence wage determination and enhance worker welfare. By comparing these two distinct approaches, the research aspires to provide valuable insights that can guide policymakers in designing more effective and equitable labor policies, integrating the strengths of both frameworks.

A range of studies has examined wage regulation through the lens of both economic pragmatism and ethical principles derived from Islamic labor law. For instance, Buana and Budiman (2022) analyzed Indonesia's minimum wage policy post-Omnibus Law and found that national regulations tend to emphasize economic logic while neglecting Islamic ethical standards centered on justice and fairness. This concern is echoed by Mustafa & Rehman (2024) as well as Fauzi (2021), who emphasized that fair wages in Islamic jurisprudence go beyond material adequacy and encompass moral obligations toward worker dignity. Comparative analyses by Ahyani et al. (2025) and Alfani & Sunarno (2024) revealed that while national laws focus on standardized economic parameters, Islamic law proposes a more holistic approach that safeguards social and ethical welfare. Studies by Kunarti et al. (2024) and Yasmeen (2024) further demonstrated that Islamic labor law offers a normative framework ensuring balance between market efficiency and distributive justice. Islamic frameworks in labor economics integrate welfare-oriented principles, contrasting with conventional systems that prioritize market demands (Azid et al., 2022; Nugroho et al., 2024). Lastly, Hakimi et al. (2024) underlined that Islamic legal perspectives not only advocate for fair compensation but also reinforce equitable labor rights, including those of marginalized groups such as women.

Although existing research provides valuable insights into both national labor law and Islamic labor law, there is a lack of comparative studies that evaluate both systems within the same context, particularly in Indonesia. Much of the research either focuses on the economic aspects of wage regulation or the theoretical foundations of Islamic labor law without exploring their practical integration. This study aims to fill this gap by providing a comparative analysis of how both legal frameworks impact wage determination and the overall welfare of workers in Indonesia.

The purpose of this study is to compare the wage determination mechanisms under Indonesia's national labor law and Islamic labor law, assessing how each contributes to ensuring a decent standard of living for workers. It is hypothesized that national labor law, with its focus on economic factors such as inflation and minimum wage, provides sufficient compensation but may overlook the ethical aspects addressed by Islamic labor law. Conversely, Islamic labor law emphasizes social justice and ethical obligations, offering a more comprehensive approach to wage determination. Integrating both legal frameworks could provide a more balanced solution to worker welfare, blending economic efficiency with moral and ethical considerations.

METHOD

Research Design

This study uses a comparative research design to examine and compare Indonesia's national labor law and Islamic labor law, specifically focusing on their approaches to wage determination and worker welfare. By exploring these two legal systems, the study aims to

identify their strengths and weaknesses and assess how integrating both could result in a more equitable wage system. The research follows a qualitative approach, utilizing case studies, document analysis, and expert interviews to gather both theoretical and practical insights into wage regulation.

Participants

Participants will include legal experts, labor law practitioners, government policymakers, and academics specializing in labor law and Islamic law (Husain et al., 2024; D. G. Mustafa & Rehman, 2024b). Additionally, workers from various sectors will provide practical insights into how wage laws affect their lives, while employers will share their perspectives on the impact of labor regulations on business operation (Betcherman, 2015; Clibborn & Hanna-Osborne, 2023b). A purposive sampling technique will be used to select participants with relevant expertise and experience (Clibborn & Hanna-Osborne, 2023b; Doellgast & Wagner, 2022).

Instruments

Data will be collected through semi-structured interviews with legal experts, policymakers, labor practitioners, workers, and employers. Document analysis will review legal texts, such as Indonesia's Labor Law and Islamic labor law, to identify key provisions related to wage determination (Allen, 2016; Buana & Budiman, 2022b; Ikhsan et al., 2024). Additionally, survey questionnaires will be distributed to workers and employers to quantify their perceptions of wage fairness (Bae et al., 2022; Mohrenweiser & Pfeifer, 2023; Tortia, 2008). Focus group discussions (FGDs) with workers will provide further qualitative data on how labor laws are applied in practice (Efimov et al., 2022; Pyo et al., 2020; Scheelbeek et al., 2020).

Data Analysis

Data analysis will involve thematic analysis to identify recurring patterns in the qualitative data from interviews and surveys. Document analysis will compare the provisions of national and Islamic labor laws, focusing on wage determination and worker rights. A comparative analysis will assess the strengths of both systems, and statistical analysis will be used to test hypotheses and quantify perceptions of wage fairness.

RESULTS AND DISCUSSION

Results

The findings of this research indicate significant differences between the wage regulation systems of Indonesia's national labor law and Islamic labor law. Workers who participated in the survey expressed that although the national labor law ensures a minimum wage, it fails to address deeper ethical concerns, such as whether the wages are sufficient to maintain a decent standard of living. Several workers pointed out that while their wages may comply with the legal minimum, they do not always reflect fairness or meet human dignity standards. On the other hand, workers generally viewed Islamic labor law as a more comprehensive approach, recognizing that this framework integrates economic needs along with social and moral rights. Experts in Islamic labor law also highlighted that the ethical principles embedded in this system provide a much-needed balance between fair wages and moral obligations to ensure workers are justly compensated.

Employers, while recognizing the moral underpinnings of Islamic labor law, emphasized the flexibility provided by the market-driven nature of national labor law. Employers noted that, although Islamic principles provide strong ethical guidance, the economic flexibility offered by national labor laws is important for managing operational costs and adapting to changing market conditions.

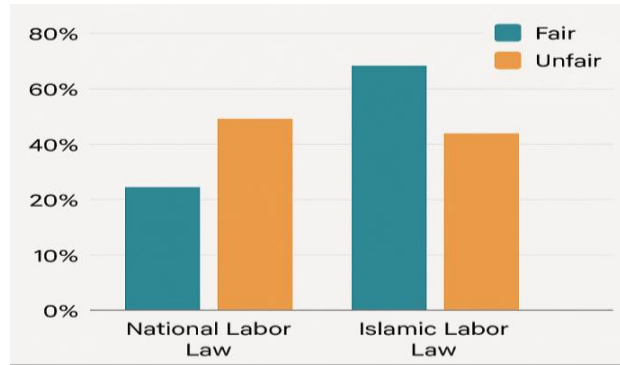


Figure 1. Perceptions of Wage Fairness

Discussion

The research underscores an ongoing tension between economic practicality and moral fairness in wage regulation systems. National labor law in Indonesia mainly emphasizes economic factors such as inflation, market demand, and industry standards when determining wages. Many workers, however, expressed dissatisfaction with the fact that the current system, while legally compliant, fails to ensure that wages meet their basic needs and human dignity.

In contrast, Islamic labor law offers a broader perspective on wage determination, emphasizing justice, equality, and social responsibility. This legal framework combines economic justice with social justice, ensuring that wages are not just sufficient but also fair, with an emphasis on meeting moral obligations to workers. These principles underscore the ethical dimension of wage determination, making sure that the compensation workers receive reflects not only their material needs but also their social and moral rights. The findings suggest that Islamic labor law could complement Indonesia's national labor law, enriching the current system with ethical principles that would help address workers' concerns about fairness and dignity. The combination of economic efficiency and ethical fairness could lead to a more comprehensive wage system that serves both economic growth and social justice.

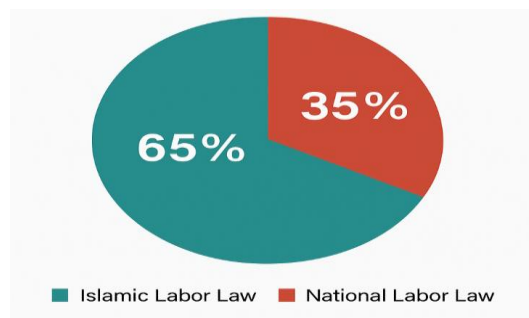


Figure 2. Workers' Opinions on Wage Systems

Implications

The findings of this study imply that Islamic principles could enhance Indonesia's national labor law by promoting greater equity in wage determination. By introducing more ethical considerations into wage regulations, policymakers can ensure that wages are not only economically sufficient but also morally justified. This could lead to higher worker satisfaction and improved quality of life for those employed in industries with large wage disparities.

For policymakers, the study highlights the need to rethink how wage laws are crafted to incorporate both economic needs and social justice. Integrating Islamic principles into the framework of national labor law could reform wage regulation, making it not only more inclusive but also morally fair, ensuring that workers' rights and dignity are respected. For employers, adopting elements of Islamic labor law could lead to improved employee relations, as workers

would perceive their employers as more committed to social justice and worker welfare. This could enhance employee engagement and business sustainability, as companies align more closely with ethical standards that go beyond purely economic considerations.

Limitations

While this study provides valuable insights, there are several limitations to consider. First, the sample size of workers and employers was limited to certain industries, which may not reflect the diversity of workers across all sectors in Indonesia. Thus, the findings may not be fully generalizable to all areas of the workforce. Second, since the study used qualitative methods, much of the data is subjective and reflects personal perceptions. Different respondents may have different views on the fairness of wage systems, which means the results could vary based on individual experiences.

Additionally, the research primarily involved legal experts and practitioners with specialized knowledge in labor law, which may have introduced some bias based on their professional perspectives. The practical integration of Islamic principles into Indonesia's secular legal framework remains a challenge, requiring further investigation into how these two systems could coexist harmoniously.

Suggestions

Several suggestions can be made based on the study's findings:

- Future research should expand the sample size and include a broader range of workers from various industries and regions in Indonesia to achieve a more comprehensive understanding of the impact of both labor laws on wage fairness.
- A mixed-methods approach, which combines both qualitative and quantitative research, could offer a more holistic perspective on how the two systems influence worker satisfaction and wage fairness.
- Policymakers should consider a pilot program to test the integration of Islamic principles into labor laws, focusing initially on industries that are highly dependent on ethical treatment of workers, such as healthcare or education.
- Further research into how Islamic economic principles can be adapted to secular legal frameworks in other countries could provide insights into global applications for wage regulation.

These suggestions aim to explore the potential for integrating Islamic labor law into secular frameworks, offering a balanced approach to wage regulation that includes both economic efficiency and social justice.

CONCLUSION

This study highlights the significant differences between Indonesia's national labor law and Islamic labor law in wage determination and ethical considerations. While national labor law ensures a minimum wage and economic protection, it often overlooks broader issues of social justice and moral fairness in wage distribution. In contrast, Islamic labor law provides a more holistic approach, addressing both economic needs and ethical principles, ensuring that wages are not only sufficient but also fair and just, meeting workers' social and moral rights. The research suggests that integrating Islamic principles into Indonesia's labor laws could lead to a more equitable wage system, promoting worker welfare, social justice, and business sustainability. However, practical challenges remain, and further research is needed to explore the feasibility of combining these systems, considering cultural and legal barriers, to create a fairer and inclusive labor market that balances both economic efficiency and social responsibility.

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