The concept of al-Ujrah and how its adjustments during the Covid-19 period: An Islamic perspective

Marlya Fatira AK¹,²*, Muhammad Yasir Nasution³, Sugianto Sugianto², & Suraya binti Abd.Warif³

¹Politeknik Negeri Medan, Indonesia
²Sharia Economics, Postgraduate Doctoral Program, State Islamic University of North Sumatra, Indonesia
³Politeknik Kota Kinabalu, Malaysia

Abstract
The purpose of this paper is to provide accurate and correct references to become a reference for creating policies that are fair for employees and safe for companies or employers—data collection techniques with literature studies and documentation. The study revealed that al-Ujrah (wages) are payments or rewards, which can be goods, money, or other types of assets. Wages are given as an achievement for the results of a business or service provided by individuals. Payments (al-ujrah) are based on a work contract (contract), so adjustments to the mechanism and its implementation must also be carried out by deliberation and agreement between the workers and the employer, reflecting fairness and mutual understanding.

Public interest statements
This article describes the concept of al-Ujrah in Islam, which is appropriate as a reference for problems faced by companies or entrepreneurs when experiencing economic difficulties, especially learning from the experience of financial difficulties when faced with the issue of the Covid-19 pandemic.

Keywords: Al Ujrah, Islamic economic, labor justice, Covid 19, case study

Paper type: Case study

Corresponding:
Marlya Fatira AK
Email: marlyafatira@polmed.ac.id

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Introduction

Income inequality and poverty are two crucial points of concern to developing countries (Chen et al., 2020; Omar & Inaba, 2020). Due to the pervasiveness of high-income inequality, which is seen as a danger to economic growth, the rate of poverty reduction in emerging countries is decreasing. To this end, the World Bank established objectives to reduce income inequality and increase shared prosperity for the poorest 40% of people in each nation by 2030 (Omar & Inaba, 2020). In addition to widening the gap between the affluent and people experiencing poverty, this unfair income distribution also causes socioeconomic problems (Omar & Inaba, 2020). Specifically in Indonesia, the Indonesian Central Bureau of Statistics (BPS), in its 2023 survey, provides an overview of the level of wages of workers in Indonesia. As shown in Figure 1, the average wage for Indonesian workers in all employment sectors is IDR 2.87 million (equivalent to ± USD 192/month). On the other hand, the Central Statistics Agency (BPS) also reports that the income of the Indonesian population, as measured by gross domestic product (GDP) per capita, has reached IDR 71 million (US$ 4,783.9) per year in 2022. From the report, it is clear that GDP per capita does not match the facts of average income in the field, indicating high-income inequality.

In the context of Islamic economics, wages or income (ujrah) comes from the word "Al-ajru" which means "Al-Iwadhul" (replace), wages, or rewards. Wages are one of the elements of ijara that determine the customer's acceptance of his rights from work (Saleh, 2021). Wages are the reward a person receives for his work. The concept of wages appears in Ijarah contracts, namely the ownership of services from someone contracted for labor (Ajir) by the person who contracts labor (Musta'jir). Ijarah is a transaction for certain services accompanied by compensation. Compensation for these rewards is in the form of wages (Al-ujrah). Ujrah has a significant role; directly or indirectly, wagers and workers are involved in wage issues. The party receiving wages who provide services is the income that will be desired to meet all the...
needs of his life and that of his family and the driving force for the implementation of work activities.

Previous studies have been documented related to wages from an Islamic perspective (i.e., Ghozali et al., 2021; Hasanah, 2020; Liswardi, 2018). However, in contrast to previous studies, which focused on the concept and application of wages in a sector, our study focuses on the application of al-ujrah in crises (COVID-19 pandemic). It is motivated by the problem of declining economic activity due to the pandemic, causing many companies to be late in paying wages or to cut their honorarium due to reduced working hours. Thus, the main objective of this study is to reveal how the Islamic view of al ujrah is associated with the COVID-19 pandemic in Indonesia.

This study contributes to the wage-related literature from an Islamic perspective on crises. First, Islamic economics, wages or income must be based on the principles of justice and equality. However, justice in Islam refers to equality and recognizes differences in abilities, contributions, and responsibilities that affect one's wages or income. Setting reasonable ujrah standards for a worker following the will of Islamic law is challenging. The complexity of the problem lies in what measure will be used which can transform the concept of fair wages in the world of work. In Islam, it has also regulated proper al ujrah by using provisions or laws that already exist in Islam. In other words, Islamic views are related to the principle of justice in wage cases during a pandemic. Second, wages from an Islamic perspective also emphasize the importance of maintaining good relations between workers and employers and ensuring that the wages do not harm either party. Thus, the second contribution of this study is to broaden understanding of other important principles regarding the person in the contract, the object of the contract (Ma'qud a'la'ih), and benefits.

Setting a reasonable standard of ujrah for a worker following the will of Islamic law takes work. The complexity of the problem lies in what measure will be used which can
transform the concept of fair wages in the world of work. In Islam, it has also regulated proper al ujrah by using provisions or laws that already exist in Islam. However, the wage provisions in Islam are often forgotten; sometimes, they must be carried out, so research needs to be done to remind people of the importance of Islamic wages.

Methods

This study uses a qualitative approach with a type of literature review. This approach is used by researchers to identify, evaluate and interpret all research results that discuss the problems of paying wages during the Covid-19 pandemic—the concept of Al Ujrah from the Islamic side. A literature review seeks to review the literature with similarities relevant to answers to specific research questions, either methodologically or ontologically similar. This approach follows standard methodologies or guidelines in systematically searching, filtering, reviewing, criticizing, interpreting, synthesizing, and reporting findings from various publications related to the themes studied through a Literature review which is a comprehensive summary of several research studies determined based on a particular theme (Pati & Lorusso, 2018). A literature search was carried out in October-November 2022.

The data used in this research is secondary data obtained not from direct observation but from the research results that previous researchers have conducted. Secondary data sources were in the form of reputable journal articles nationally and internationally with predetermined themes. Data analysis in this study used descriptive analysis by considering the literature review of previous research that had elaborated themes on wage problems from an Islamic perspective.

Results and discussion

Corporate problem in COVID-19 situation

It cannot be denied that companies have faced several significant problems during the COVID-19 pandemic. First, many companies have experienced a drastic reduction in revenue during the COVID-19 pandemic. Travel restrictions, business closures, and economic uncertainty have reduced demand for products and services, which has directly impacted the company's revenue. The COVID-19 pandemic is creating financial stress for many companies (Chang et al., 2020; Crespi-Cladera et al., 2021). Companies, particularly in sectors affected by COVID-19 (e.g., transportation and hospitality), face challenges in managing cash, paying debts, dealing with ongoing operating expenses, and managing company finances to deal with difficult times (Carletti et al., 2020).

Secondly, the COVID-19 pandemic has created significant uncertainty in the market and economics (Shaikh, 2022; Uddin et al., 2021). Changes in consumer behavior, needs and preferences, and fluctuations in economic conditions make it difficult for companies to plan and make strategic decisions. Companies are uncertain when the pandemic will end and whether the situation will return to normal when COVID-19 ends.

Third, companies also face operational challenges in running their business during the pandemic (Almeida et al., 2020). The government policies on social restrictions, lockdowns,
and strict health regulations require companies to change business models, regulate remote work activities, or temporarily close their operations, including in the education sector (Cahyadi et al., 2021).

Finally, employee welfare is a top concern during the COVID-19 pandemic. Companies must ensure the safety and health of their employees, implement strict health protocols, and provide the necessary support for the mental and physical health of employees (Sasaki et al., 2020; Tan et al., 2020; Tanoue et al., 2020). For example, previous studies reported that after going back to work, 10.8% of respondents experienced post-traumatic stress disorder and burnout (Joshi & Sharma, 2020; Tan et al., 2020).

The principles of wages from Islamic perspective

From the Islamic perspective, income inequality is not always seen as harmful or unfair as long as it is built based on justice and truth. In Islamic economics, wages or income must be based on the principles of justice and equality. Justice in Islam refers to equality and recognizes differences in abilities, contributions, and responsibilities that affect one's wages or earnings. In this case, Islam recognizes differences in abilities and contributions between individuals and provides space for differences in income. However, these differences must be based on fairness and equality in providing opportunities, treatment, and fair distribution in the socio-economic environment. In Islam, unfair or unlawfully earned income, such as usury or fraud, is considered a sin and should be avoided. In addition, Islam also teaches the importance of giving zakat or infaq to help alleviate difficulties and support people in need.

The same principle of justice is contained in Surah Al Jaatsiyah verse 22, Allah created the heavens and the earth with the moral purpose so that each person is limited in what he does and will not be harmed. This verse makes it clear that contributions in production cooperation must be paid not less nor more than what has been done. Islam provides a way for the payment of wages to be determined following proper wages (ajru Mitsui) and goods. Furthermore, give freedom to claim their rights, which are fundamental rights for humans if others own them. In this way, Islam has attempted to achieve a fair balance between workers and employers, producers and consumers, and traders and buyers. Islam forbids the actions of each party that go too far toward others. If this bad thing happens, Islam wants to erase and fix it. The specialty of Islam is that it regulates everything in this world in a balanced way, impartially providing the best wisdom in dealings with humans.

The principle of wages from an Islamic perspective can be found in the concept of muamallah (socio-economic relations) and the principle of justice in Islam. In Islam, wages must be fair and commensurate with the performance and contribution of workers. The principle of wages from an Islamic perspective also emphasizes the importance of maintaining good relations between workers and employers and ensuring that the wages given do not harm either party.

Several hadiths guide how an entrepreneur should pay wages to his workers. "Give the worker his wages before his sweat dries." (HR. Al-Bukhari and Muslim). This hadith underscores the importance of paying wages to workers immediately after they finish their work. This shows that employers must provide wages on time without delay. The Prophet Muhammad said: "Give fair wages to workers before their sweat dries up." (Narrated by Abu
Dawud). This hadith also emphasizes the importance of providing decent wages to workers. Employers should provide wages matching workers' contributions and performance without withholding or reducing wages unfairly. Wages must be given transparently and honestly, without discrimination or unfair treatment of workers. Employers should ensure that the process of determining wages is open and measurable. Moreover, the wages given must be based on an agreement between the worker and the employer. Both must negotiate and set wages commensurate with the work done.

Furthermore, the Prophet Muhammad emphasized, "Do not delay the wages of people who work until their sweat is dry." (Narrated by Ibn Majah). This hadith emphasizes that employers should not delay paying wages to workers. Delaying the payment of wages can give the impression of injustice and can cause difficulties for workers in meeting their needs. Remuneration must be fair and commensurate with the performance and contribution of workers. Workers who do heavier work or have special skills should be paid a higher wage than workers who do lighter work.

The wages paid must be sufficient to meet the basic needs of workers and their families. Employers must ensure that the wages provided are not detrimental to the welfare and safety of workers. Furthermore, employers must pay attention to workers' rights, such as leave entitlements, health insurance, and social security. Employers must also ensure workers are not forced to work below applicable work standards or in unsafe conditions. In Islam, providing fair and equitable wages is part of social responsibility and business ethics that employers must obey. The principle of wages from an Islamic perspective emphasizes the importance of maintaining good relations between workers and employers and ensuring that the wages given do not harm either party.

Adjustment of Al Ujrah in the Covid 19 from Islamic principles

The problem that is happening right now is that companies have cut workers' wages due to the Covid-19 pandemic. In labor or wage regulations, wage deductions can be made as long as it is based on an agreement between the employer and the worker and, of course, following applicable legal provisions. However, the fact is that many companies have cut wages without the consent of workers because the company's financial condition has worsened due to the pandemic. In response to this situation, the government Minister of Manpower issued Decree of the Minister of Manpower Number 104 of 2021 concerning Guidelines for Implementing Employment Relations during the Covid-19 Pandemic (Kepmenaker No. 104 of 2021) as a reference in the implementation of working relations between companies and workers during the Covid-19 pandemic. Where employers who are unable to pay workers' wages due to the impact of the Covid-19 pandemic can make adjustments to the number of wages based on an agreement between workers and employers which is carried out by fair deliberation and pays attention to the survival of workers and business continuity.

The wage problem that occurred during this pandemic will have a broad impact on the company's condition. Through data released by the Ministry of Manpower in November 2020, around 88% of companies affected by the pandemic were generally at a loss. Based on a survey, more than 90% of the decline in demand, production, and profits generally occurred in MSMEs. Meanwhile, the companies most affected were food and drink accommodation
providers, real estate, and construction. There were 17.8% of companies that implemented layoffs, 25.6% of companies that laid off their workers, and 10% that did both. Then in March 2021, the Ministry again stated that there were 29.4 million workers affected by Covid-19. This number includes those laid off, sent home and experienced reduced wages. From the perspective of Islamic Economics, it is known that employee wages must be paid according to what has been agreed upon; payments may not be reduced or postponed. Payment of wages must be made according to a predetermined time as stated in the work contract or work agreement. Even the Messenger of Allah advised that employee wages be paid before the sweat dries, meaning that prioritizing paying employee wages and providing work according to employees' abilities is highly recommended in Islam.

The phenomenon that occurred can be traced to the fact that there were many cases in Indonesia during the pandemic where companies experienced financial difficulties, so they made policies by paying employees wages by cutting wages, delaying payments, and laying off employees. This condition is very detrimental to employees and contradicts the interpretation of the Al Quran Surah Q.S. Al Qasas/28:26 and ta'jurani (Q.S. Al Qashas/28-27). In Islam, the eligibility for wages or wages is highly respected. Therefore Islam has a concept of wages which refers to the Qur'an and Hadith. According to Taqyuddin an-Nabbani, wages are utilizing the services of contracted goods. If the transaction is related to a worker, his energy is utilized. So that in order to contract a laborer or worker, the form of work, time, wages, and labor must be determined. Therefore the type of work must be explained so that it is clear because wage transactions that still need to be clarified or opaque in law are fasid (damaged). Furthermore, the time must be determined, such as daily, monthly, or yearly. In addition, wages must also be determined.

Wages as a substitute for benefits for work given by employers to workers or laborers must be based on applicable norms and rules and follow what has been prescribed by Islam. Universally, remuneration or remuneration should fulfill the concept of justice and not harm either party, workers, or employers. Then there are many forms of justice, fairness in terms of working hours, fairness in terms of the portion of work, fairness in terms of the amount of salary or wages, and fairness in terms of other welfare guarantees. With the clarity and detail of the provisions regarding the concept of fairness in remuneration, each party can understand their respective rights and obligations. On the other hand, the worker is obliged to carry out the work that is his duty in accordance with the existing transaction; on the other hand, he is entitled to receive salary or wages per the existing agreement. Based on the principle of justice, wages in Islamic society will be determined through negotiations between workers and employers. Ideally, this means that there is active communication between the company and employees in any condition that results in the need for adjustments to payment of wages, hours of work, or termination of employment due to unstable financial conditions.

The form of deliberation for consensus by calling all employees then the company conveys operational conditions and provides various options to all employees so that when a contract is made and re-signed with a new agreement to be carried out in difficult times for the company, this condition makes the choices presented in Q.S. Al Qasas/28:26) and ta'jurani (Q.S. Al Qashas/28-27) were correctly implemented, and no one was harmed either by workers or companies. Thus Islamic economics regulates muamalah and work systems, especially regarding umrah (wages). Hence, wages are based on the financial capacity of the employer.
Employers may only provide wages within their financial capabilities and must ensure that the wages provided do not harm business continuity.

Conclusion

Al Ujrah is a payment or reward whose form can be goods, money, or other types of assets. Wages are given as an achievement for the results of business or services that individuals have provided. Payments (al-ujrah) are based on a work contract (contract), so adjustments to the mechanism and its implementation must also be made by deliberation and agreement between the workers and the employer. Determination of wages for workers must reflect justice and consider various aspects of life so that the Islamic view of workers' rights in receiving wages is more realized. As in the Qur'an, it is also recommended to be fair by explaining justice. Wages given to a person should ideally meet the minimum standard of reasonable living needs. In any adjustment to workers' wages, it is essential to ensure that the steps taken align with Islamic values that prioritize justice, alignment with needs, and protection of workers' rights. Adjusted wages should respect workers' dignity and welfare while considering the conditions and difficulties faced by the company.

The practical implications of this research can be a reference for employers who employ employees in addressing the problem of recession and financial difficulties for companies to pay attention to the provisions of al ujrah that are fair for paying their employees' wages. Hence, in special situations such as economic and business difficulties, remuneration must be based on an agreement between the worker and the employer. Both must negotiate and set wages commensurate with the work done. This agreement phase must be based on the principles of transparency and honesty. Employers should ensure that the process of determining wages is transparent and measurable and considers the company's sustainability. Next, wages are essential to match the ability of the employer. In other words, employers must provide wages within their financial capabilities and ensure that the wages provided do not harm the continuity of their business. On the other hand, employees may only force their will to obtain wages within the company's financial capacity.

The last principle is not to harm workers and employers. The wages provided must be sufficient to meet the basic needs of workers and their families. Employers must ensure that the wages provided are not detrimental to the welfare and safety of workers. Moreover, the adjustments to workers' wages made in company difficulties must be temporary and follow the company's capabilities. These adjustments must not be grounds for permanently depressing workers' wages or violating the principle of equity in the long run.

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**Further reading**


**Author information**

**Authors and Affiliations**

Politeknik Negeri Medan

Marlya Fatira AK
Sharia Economics, Postgraduate Doctoral Program, State Islamic University of North Sumatra, Indonesia
Marlya Fatira AK, Muhammad Yasir Nasution, & Sugianto Sugianto

Politeknik Kota Kinabalu, Malaysia
Suraya binti Abd.Warif

Corresponding author
Correspondence to Marlya Fatira AK

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