

Labor, Labor Market and Islamic Economics: An Induction Approach

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Abstract:

The purpose of this study to explore moral and ethical issues regarding labor and labor market from the Islamic perspective as compared to the conventional economics. Admittedly, these matters have been found to be overlooked in both the conventional and Islamic economics' literatures. Hence, this study presents a comparative analysis of those issues and discusses them specifically in terms of Islamic economics. The methodology employed in this study is via the inductive approach. Consequently, a major finding of this study is that Islamic labor market is entirely different from the free market due to its inimitable moral and ethical values. It also reveals that Islamic labor market considers labor not as a commodity per se but as an asset or resource that could be capitalized amicably. Furthermore, this study highlights that actually market forces do not determine wages but are in fact influenced by the skills and abilities of workers and more importantly by the moral and ethical values of the society. Unlike the conventional labor market, Islamic labor market considers the social-entrepreneurial responsibility as mutually crucial. These findings are expected to have several significant policy implications to policymakers for the benefit of consumers. Therefore, future research should duly acknowledge this fact.

Keywords: Labor, Labor Market, Islamic moral and ethical values, Islamic Economics.

1. Introduction

Labor as a factor of production is more significant than land, capital, energy, technology, and so forth (Visaria, 1976). In fact, without labor, production cannot take place (Hasan 2007; Dobb, 1973). As labor involve human beings hence it is necessary to deal with humanistic characteristics like emotions, needs, abilities, moral and ethical values appropriately as compared to other factors of production (Milanovic 2016; Bolton and Laaser, 2013). Interestingly, market pattern behaves differently. Sometimes the pricing scheme is not directly determined by the price of goods and services (Taylor, 2014). Generally, literature of conventional economics deal with labor similar to other factors of production. However, Islamic economics takes another position and deals with the labor factor on the basis of its ethical and moral values.

Unfortunately, labor and labor market are rather neglected field and one cannot find sufficient research regarding the role of labor even in the literature of Islamic economics. Nevertheless, very few significant publications can be found focusing on the literature of labor and labor market which relate to the Islamic economics. Most of the published works were done by Azid and his co-authors/editors. They include studies by Azid (1989, 2000, 2005, and 2016), Azid and Ahmad (1985), Azid and Choudhry (2005), Azid et al. (2007), Azid and Asutay (2007), Azid et al. (2008), Azid et al. (2013), Kizilkaya and Azid (2017), Azid and Rawashdeh (2018) and Azid et al. (2022). However, they mostly discussed on the nature and concept of labor in the Islamic framework and emphasized that there is still a need of a solid foundation for developing the mathematical models. Hence, this study attempts to develop the theoretical foundations of labor and its market under the umbrella of Islamic epistemology by applying the inductive approach and it is hoped that it will open new avenues for future researches to formulate meaningful theoretical and mathematical models in this field.

The objective of this study is to develop a foundation for future research that takes into account the Islamic framework in the labor market. This is especially to formulate a theoretical model incorporating the Islamic norms and traditions in tandem with the Islamic economic system. Thus, the research problem of this study is that literature reveals that Muslim majority countries have yet to institute the truly Islamic economic system. Subsequently, it is difficult to present any evidence in favor of this study's arguments. Therefore, it is futile to discuss the current economies of Muslim majority states because they are not representative of the Islamic economic systems.

The methodology employed in this study is via the inductive approach. It is assumed that Islamic labor market is entirely different from the conventional labor market due to its inimitable moral and ethical values, therefore the literature discussing the labor market in the Islamic framework and the original sources were consulted. It is also assumed that Islamic labor market does not consider labor as a commodity per se but as an asset or resource that could be capitalized amicably. Furthermore, this study follows that, market forces do not determine wages but are in fact influenced by the skills and abilities of workers and more importantly by the moral and ethical values of the society.

The structural sequence of this study is as follows:

Section 1 explains the ethical and moral issues related to the regulated and free market.

Section 2 elucidates the relationship between consumer demand and productivity.

Section 3 presents the main features of labor within the purview of Islamic economics.

Section 4 discusses the wages with reference to local and international market.

Section 5 presents the power of corporations with reference to the labor market and finally Section 6 is the Conclusion of the study.

2. Free and Regulated Market

Fundamentally, Islamic economics is a paradigm shift of ideology, philosophy and policy towards Islamic jurisprudence (*Shari'ah*). Its methodology and approach is entirely different than the prevailing conventional economics, which was strongly realized during the collapse of the financial market in 2008 and 2009 (Asutay 2013, Hayek, 1973, 1991a, 1991b). Advocates of the market economy generally argue that market serves the unknown and allocates the resources efficiently. However, regrettably the ethics of things which play a vital role in the goods, money and labor market are not highlighted. In fact, the labor market has unique features because it is directly linked to human beings but have not been highlighted. Human beings are not like a currency note or equipment, they are attached to social, religious, cultural, and psychological dimensions (Azid et al. 2022). Unfortunately, when policymakers formulate policies, they assume labor as a commodity. That is why the outcome of these policies fail to promote the welfare and well-being of workers who are actually human beings (Milanovic 2016; Robinson 1996; Azid, 2005).

The idea of free markets never work because internally these markets are fragile. More often than not these markets are not favorable to the society, especially the poor segment. Therefore, authorities and governments have been found to intervene and tried to remove the exploitation from the society (Polanyi, 2001). But, generally governmental policies are not successful because of the conflict of interests among the different groups, especially the industrialists' group¹. They modify the policies to protect their own interests². It is observed that in most of the modern economies, free markets are badly exposed and consequently a number of new theories have been developed. They gave attention to the social, ethical, and moral dimensions in the development process of new theories (Lincoln, 1989; Kolstad et al. 2014). Nonetheless, almost all religions develop the labor market based on universal ethics (Ahmad, 2011, Conor et. Al. 2011, Azid, 2005, and Wallwork, 1984). Abrahamic religions seriously noticed the issue of workers in relation to the labor market and guided their followers

¹ https://blogs.imf.org/2019/04/03/how-to-keep-corporate-power-in-check/?utm_medium=email&utm_source=govdelivery

² https://blogs.imf.org/2019/04/03/how-to-keep-corporate-power-in-check/?utm_medium=email&utm_source=govdelivery

about the welfare of workers and their families and also addressed the dark side of free markets (Poole and Wineburg, 2019; Azid et al. 2022).

Among the Abrahamic religions, Islam specifically does not support the idea that a free labor market leads to an efficient and equitable solution. Whenever there are moral vulnerabilities and asymmetric information in the labor market, it becomes necessary for the government to intervene and improve productivity and efficiency³. Islam maintains a balance between power of the market and intervention of the government (Rawashdeh et. al. 2017). Due to its balanced approach, the Islamic labor market exhibits stability in the wages and prices, and investors have real expectations. Remarkably, it is acknowledged that during the financial chaos of 2008 the Islamic financial market was more resilient than the conventional financial market. Different empirical analysis of different studies namely Akhtar (2010), Alqahtani & Mayes (2018), Beck, et. al. (2013), Berger (2019), Fadoua & Brahim (2020) and Yusuf et al. (2021) all proved this phenomena.

It also proved that the free market is value-neutral, particularly labor market, as it is based on the marginal productivity and substitution among the factor of production, which is a pure value-neutral concept (Li, 2016).

The behavior of international organizations and institutions is paradoxical. On the one hand they are continuously intervening, on the other hand they are convincing the countries to formulate their policies based on the free markets (Dagher, 2018). Records show that during the financial chaos of 2008 most of the government and their central banks tried to bail out foreign creditors and reduced the interest rate to help bankrupt domestic firms. This suggests that free markets for goods, labor, and money never existed (Claessens et. Al. 2010). It is also observed that liberalization of the economy became a risk especially for the developing world, and that the burden of this risk affected especially the poor segment of the economy (Chwioroth, 2011).

On the other hand, international institutions still suggest that the developing world adopt free trade regimes. However, the outcome for the developing economies is not promising, especially when they landed with the reform packages of the International Monetary Fund (IMF). IMF is a combination of liberalization of trade and high-interest rates which ultimately lead to the high levels of unemployment and discourage entrepreneurship (Lindert and Williamson 2001; Dollar 2001; Dollar and Kraay 2001; Srinivasan and Bhagwati 1999; Frankel and Romer 1999). Consequently, more incidence of poverty occurred reducing the national income and causing numerous workers to shift from low-productive jobs to unemployment.

Meanwhile, advocates of the free market believe on the validity of the Says Law which infers that Supply creates its own Demand. Nevertheless, empirical evidence shows that low wages will give benefits to exporters and not to workers. If there is any malfunctioning in the economies then the believers of the free market blame the government. Still, whatever the arguments may be, free markets and *laissez faire*

³ See *Qur'an* 5:87

economies do not attain strong supports from researchers such as Pack (2010), Hobbes, n.d., Macfie (1959) and McNally (1993).

These researchers argued that basically laissez faire economies or free markets do not consider the relationship between economy and society. Likewise, it also does not consider the relationship among individuals. On the contrary, it is upheld that the Islamic market is based on the divine knowledge and not man-made systems. It is maintained that man-made system either of the free market or completely controlled market are not able to compete with the Islamic market. This is because *Shari'ah* has its own superior objectives which integrate both worlds i.e. this world and life hereafter. Past experiences of developing countries taught us that unemployment leads to inequality and poverty, harm social relations, increase violence, decrease wages, create chaos among social relations and consequently hurt the economic conditions. Moreover, investors are not ready to invest in those countries where social tensions seem to be high. In fact, investors do not hesitate to withdraw their investments from those countries (Falk and Szech, 2013) whenever their socio-political situations are not stable.

Before industrial revolution, unemployment is not so obvious since underemployment and disguised unemployment persists without any significant impact. However, in this age of industrialization, if unemployment persists, then governments are expected to come to the rescue. Different theories have been developed in favor of flexibility of wages, but they cannot solve the social tensions. This leads to the believe that unemployment is not something that can be controlled by the governments and authorities. The government and its institutions can take many steps, but generally free markets cannot satisfy the society's and community's needs.

Religions and ethical institutions on the other hand, guide their followers to look after the poor and the vulnerable segment of their societies. Religions and traditions of the societies usually provide safety nets to their members. However, the failure of social interaction reduces the size of all intangible capital including social and human capital, as well as psychological, religious, and moral values.

Advocates of neoliberalism are of the opinion that the crises of East Asia was due to the default and bankruptcy of business firms. On the other hand, international institutions like the IMF refute this concept and emphasize the fact that it is due to the violation of the sanctity of contracts (Bradburn and Coakes, 2004). However, these institutions did not show any concern towards the violations of social contracts. The policies of IMF had a negative impact on small businesses and ultimately impacted the workers⁴.

On the other hand, the failure of communism is another extreme due to inefficient centralized planning system. This system also negated the importance of social networks and replaced the market into legal and institutional infrastructure. The overall negative outcome was widespread poverty in the community. Even after the

⁴ <https://www.investopedia.com/ask/answers/061115/what-are-advantages-and-disadvantages-international-monetary-fund.asp> retrieved on 20th July 2022.

transformation to economic liberalization, the income disparity of the masses increased to a high degree (Morgan-Foster, 2003).

3. Consumption-Production Set

While Islam appreciates other factors of production namely land and capital it gives more focus to labor and human capital in fulfilling the needs of others in the community. In the conventional system, both consumers and producers behave as selfish economic agents. Consumers try to optimize their utility whereas Producers are all out to maximize their profits. From the Islamic perspective both are not supposed to act as greedy economic agents but they should instead look after the interest of each other and treat each other as brothers. According to this perspective, workers are not only earning for themselves but generating incomes for other members of the society i.e. for their family members and for other needy members of the society (Azid, 2005). Therefore, if we were to compare the supply of labor in the conventional system (SLC) against the Islamic system then theoretically the supply of labor in the Islamic system (SLI) will be higher at every corresponding Wage (W) rate (as demonstrated by Figure 1 below). For drawing the Figure 1 and 2, it was assumed that conventional and Islamic economy have the same size and status. The only difference is the that Islamic economy follows the rules and regulations of *Shariah*.

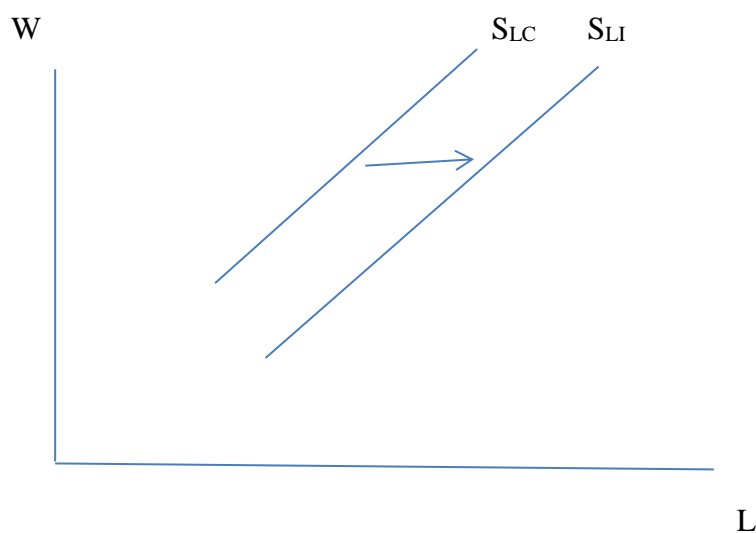


Figure 1: Supply of Labor Under the Islamic Framework

Explanation of figure 1: Supply of labor will be higher in the Islamic labor market than the conventional labor market because a worker not just works for himself but also for other needy people. He not only works to fulfil his duty but also does more than his duty (*Ihsan*). He works to please Allah.

$SL = f(W, Ihsan, \text{Social duty})$. (Source: drawn by author himself after citing the literature).

In this context, we cannot separate consumer demand from productivity because consumers as a factor of production will work more efficiently, trustworthily and honestly (Azid and Asutay, 2007). On the other hand, the employer fulfils the needs of the society via fulfilling consumers' demand and by providing employment to the consumers (see Figure 2).

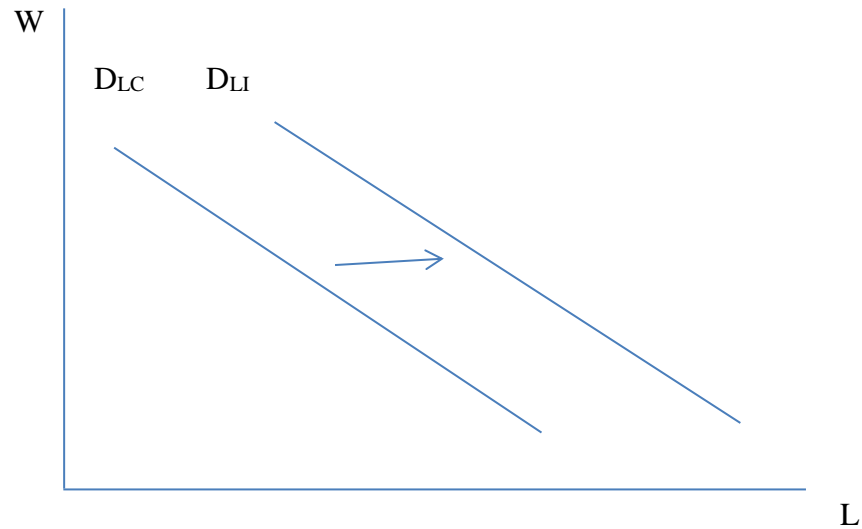


Figure 2: Demand for Labor under the Islamic Framework

Explanation of Figure 2: Demand for labor will be higher in an Islamic labor market compared to conventional labor market due to higher Marginal Productivity Level (MPL), honesty at work and higher marginal productivity. These are manifested in higher share of labor in the output, higher levels of production and aggregate demand compared to the conventional economy. The Demand in the Islamic labor market (DLI) is governed by the Zakah system and the abolition of *Riba* (interest rate) in the spirit of Muslim brotherhood. Demand of labor in the Conventional Labor market (DLC) do not have such a system. $DL = f(\text{mpl, Strong economy, Brotherhood...})$ (Source Azid et al. 2021).

Besides the State, it is also the duty of employers and consumers to take the different steps for the moral training of the market and economic agents. It is also the moral duty of the entrepreneurs to adopt different methods like for example advertisements, to educate ~~the~~ consumers about the nature of the goods whether permissible or not permissible (Azid and Rawashdeh, 2018; Rawashdeh, et al. 2017). Islamic economics appreciates the concept of effective wages where employers pay more than the market wage rate. Islamic economics also emphasize on good working conditions as it directly affect the firm's productivity.

On the other hand, conventional literature maintains that involuntary employment increases due to high wages. However, in the ethical and moral environment created by the teaching of Islam, the employers should not be reluctant to offer more jobs than

they really require. In this way, they can solve the issue of involuntary unemployment under the concept of brotherhood (see Figure 3).

The Prophet Muhammad (pbuh) is reported to have said: "*Your employees are your brothers upon whom Allah has given you authority, so if a Muslim has another person under his control, he/she should feed them with the like of what one eats and clothe them with the like of what one wears and you should not overburden them with what they cannot bear and if you do so, help them in their jobs.*" (Sahih Al-Bukhari, 2545).

On the contrary, the principles of free market does not match with the moral and ethical values of Islamic Economics. The Islamic doctrines sanction negative reprimand on employers and consumers if they do not follow the Islamic teachings. The Prophet (pbuh) asked the people of Medina not to trade with the trade caravans if they were still outside Medina. They had to wait until the caravan entered the market place of Medina. This was to safeguard the rights of other buyers. No one can deny the ethical and moral values of the consumer choices. It is realized in Islamic economics that consumption is not only an economic activity but also a moral act. Therefore the social responsibility of consumers is supposed to be side by side with the responsibilities of the entrepreneur. It is necessary to educate the consumers continuously regarding their moral responsibilities. The healthy interrelationship among the entrepreneur, government, and consumer is necessary to build up the moral framework of the economy and the society.

Moreover, under the purview of Islamic *Shari'ah*, it is stressed that there should be a clear-cut link between the entrepreneurs' demand for labor and the consumers' demand (Azid and Asutay, 2007). In contrast, for the conventional economics, more often than not, the increase in the wage rate leads to increased workers' productivity and in return will increase their skills and knowledge. But Islamic economics rationalize that it may be a necessary condition but not necessarily a correlational one. This is while Muslim employer seeks profit maximization, he may aspire at the same time to fulfill his moral objectives and religious obligations.

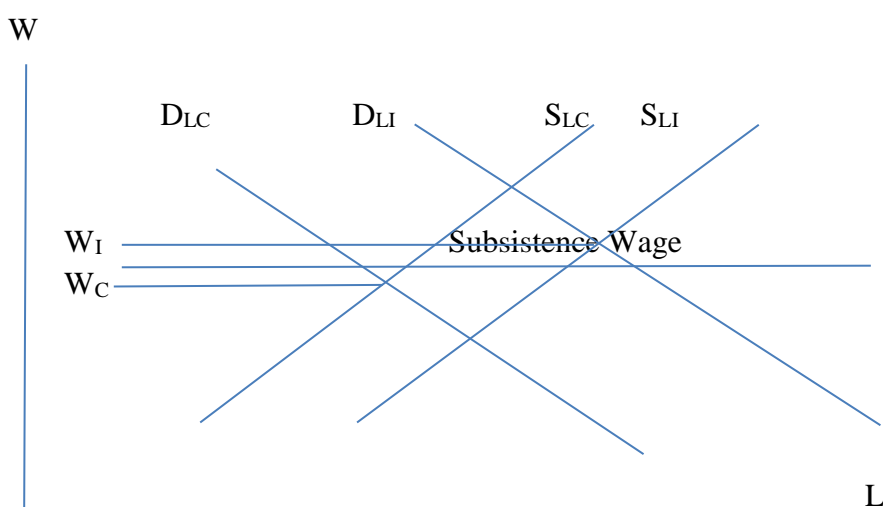


Figure 3: The Equilibrium in Islamic Labor Market.

Explanation of Figure 3: The equilibrium in Islamic labor market clearly shows a higher level of equilibrium employment as compared to conventional labor market. It also shows higher level of wages which is above the subsistence level. W_I is the wage rate in the Islamic economy while W_C is the wage rate of the conventional economy. (Source Azid et al. 2021).

Consequently, the demand for the product will also increase. The ethical choice of the consumer has a positive impact on the productivity of the workers. Sometimes consumers purposely purchase goods that are comparatively higher in price because they want to support the micro businesses. Therefore, the law of demand-supply does not hold true here. For example, purchasing fair trade products from conventional economics has an opportunity cost, i.e. resources are moved from one sector to another thereby increasing unemployment in the sector with the low prices. However, Islam has a compensation about this where if the employer and consumers both pay for the sake of Allah (swt), actually they are not purchasing the item per se but they are getting the disguised satisfaction from it. In this way, the aggregate demand has actually increased as illustrated by Azid et al. (2022) shown in Figure 4 below.

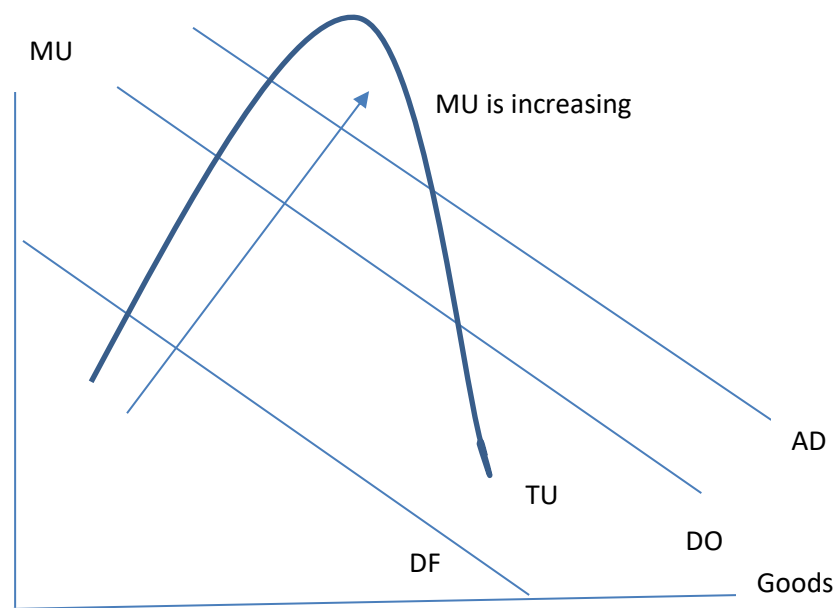


Figure 4: Spending in the way of Allah (swt) and marginal utility of Muslim workers

Explanation of Figure 4: Marginal Utility (MU) increases as spending for the sake of Allah (swt) increases.

DF= Demand for own needs, DO = Demand for other members of the society, AD = Total demand (DF + DO), TU = f (Worldly Satisfaction under the constraint of *Maqasid al-Shari'ah* i.e. Expected Reward in life hereafter). (Source: drawn by author himself after citing the literature).

In the long run, this will also increase the social, psychological, religious, human, and moral capital through the transfer of payments from the higher-income group to the lower-income group (see Table 1) (Rawashdeh et. al. 2017; Burki et al. 2021). Secondly, wages will finally be determined by the market forces in line with laws governing fair wages and equity (Azid 2016, Azid et al. 2022).

Table 1: Production-Consumption set, E1 and E2, Generation of Capital

Type of Capital	Traditional Economic Capital	Religious Capital	Psychological Capital	Social Capital	Human Capital	∑ (End Result)
Traits	What you have	What you believe	What you are	What you know	What you have	Development of the Economy
Nature of Capital	Expenditures (E1) by producer for Tangible Assets (plant, equipment, patents, data)	Expenditures by Producers and Consumers for the sake of Allah (swt) (E2) Belief Intentions Practice Rituals	E2 increases the Confidence Hope Optimism Resilience	E2 gives the strength to Relationship Network of Contacts Friends (Brotherhood)	E2 has positive impact on Experience Education Skills Knowledge Ideas Healthcare	Incremental change in productivity and wage rate through Moral Economy,
Change	Impact of E2	Generation of Resources	Generation of Resources	Generation of Resources	Generation of Resources	New Resources, Higher Productivity and higher wage rate
Expected Return	Profit to producers	Reward in the life hereafter to both	Happiness	Satisfaction	Utility to consumers	<i>Falah</i> in both lives
Motivation to maximize gains in both of the lives of the Producers as suppliers of consumer goods and hiring of workers whereas consumers act as suppliers of labor and create consumer demands. However every action will be in accordance to the <i>Maqasid Al-Shari'ah</i> .						

Note: E1 is the expenditures for fulfilling the needs of the family and E2 is the expenditures for the sake of Allah (swt). Source: (Rawashdeh, 2017)

4. Labor and Islamic Economics

The analysis of conventional economics is limited to the market mechanism which determines wages, working conditions, employment level and so forth. However, on the other hand, Islamic economics explicitly contradict the standard economic laws

since the former is completely based on materialism and commercialism. Essentially, the laws of Islamic economics place equal importance to both the worldly life and the life hereafter. In fact, the concept of life hereafter gives a unique foundation to the Islamic economics whereby man is held accountable to Allah (swt) for all his deeds in the worldly life.

As we have seen, the production-consumption set represents the labor market. But, the structure of the labor market in the Islamic economics is different from the conventional economics. It emphasizes the role of supply (the employer) and the role of demand (the consumer)⁵. Indeed both parties have their own responsibilities. For example, an employer has the responsibilities to provide fair wage, safe working conditions and proper time-off for workers to perform their *salat* (prayers). On the other hand, the consumers should not consume those products which are not allowed by the *Shari'ah*.

In the conventional economics, there is no restriction on the consumers and producers to produce those harmful products such as forbidden drugs, alcohol, gambling and so forth⁶. In this case, it is the duty of the government to intervene and remove the injustices from the economy and mainly from the labor market. According to Islamic teachings, it is the responsibility of the public authority to formulate relevant policies and implement laws that prevent harms to the society. Meanwhile, the *Qur'an* and *Sunnah* clearly provide the guidance to the production-consumption activities on the basket of goods which are going to be produced and consumed and also teach them how and when the public authority should intervene. The Prophet (pbuh) cautioned that "Everyone from amongst you is a protector and guardian, and he will be questioned about those who have been given in his custody" (Al-Bukhari and Muslim: 283), and he also said that "No one of you becomes a true believer until he likes for his brother what he likes for himself" (Al-Bukhari and Muslim: 183). Therefore, it is the government's responsibility to intervene if there is any injustice or exploitation among the members of the society or in any community⁷ (See Figure 5).

⁵ The behaviour of the employer which is offered by the employer has a significant impact on the supply of labor. Particularly in the Islamic economy, employer and employee should have the relationship of brotherhood.

⁶ "A Muslim can trade in those goods and commodities only when the use of which has been declared to be Halal (lawful). There can be no trade and traffic in things when the use of which is prohibited by Islam. For example, there can be no trade in wine, swine, dead bodies of animals and idols. A devout Muslim merchant would not even traffic in thin and transparent stuff for ladies because the use of such stuff by ladies is unlawful. One cannot sell the carcass of an animal. He can, however, flay its skin which can be used for making shoes and which can therefore, be sold, but not the flesh of the dead animal. What is true of the usable skin of animals is also true of the tusks of an elephant" (Translation of *Sahih Muslim* Book 10. Chapter *Kitab ul Buyu* available at https://www.iium.edu.my/deed/hadith/muslim/010_smt.html retrieve on 23rd March 2021)

⁷ The consumption and production set has significant relevance to the labor market because without this set, it is not possible to discuss the labor market.

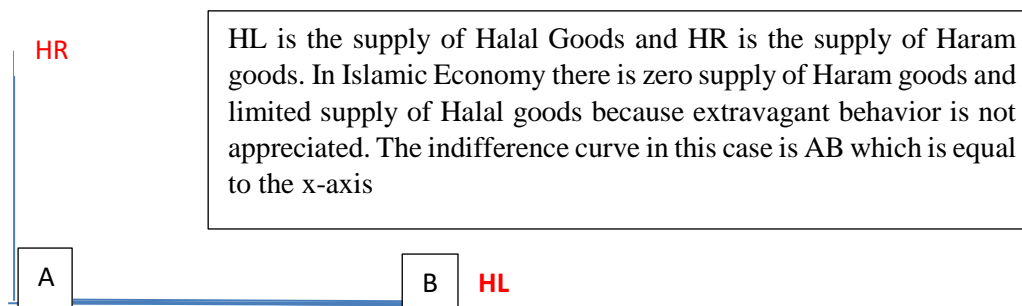


Figure 5: Preferences of Consumers in the Islamic-oriented market

Source: (It is drawn by the author him self after citing the literature)

Labor as a factor production is the source of value. It is the most important factor in the process of production. However, in the conventional literature of labor economics, it is worth noting that the workers' role as a consumer is almost ignored. Only the responsibilities of employers are discussed. Even in the literature of Islamic economics responsibilities are not intertwined between the employer and the consumer. For the well-being of societies, it is necessary to link the prices of goods to the wages earned by the workers. If the prices of goods are high, wages are expected to be higher too thus causing the unemployment syndrome. However, it is the responsibility of the public authority to provide employment opportunities and implement those policies which will increase the employment level. Scholar Ibn Taymiyah stated that public authorities' responsibility is to fix the price and strictly enforce it during an emergency or when exploitation from any market agent became rife. He mentioned the role of the institution of *Hisbah* and *Muhtasib* (ombudsman). In his opinion, one of the responsibilities of the *Muhtasib* is to supervise the functions/mechanism of the market, and that he should also observe the trade and economic activities. If he feels that there are any malpractices, then he should remove them by using his authority (Ghazanfar and Islahi 2003, p.63). (See Figure 6).

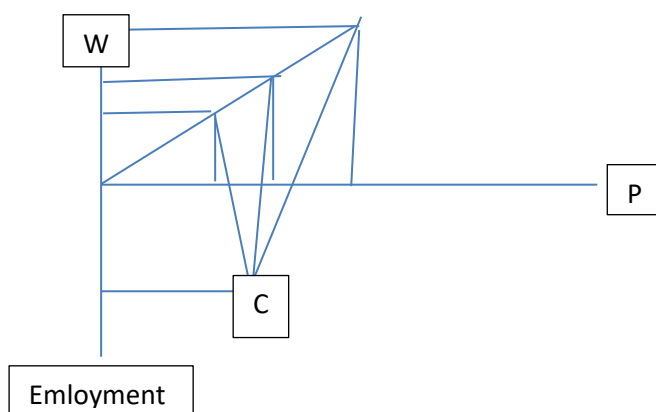


Figure 6: Wages, Prices and Employment

Explanation of Figure 6: Wages (W) are positively associated with price (P). However, in the Islamic economy due to the intervention of the government, the level of employment (C) will not change and the overall welfare of the economy will be maintained.

5. Wages, Local and International Market

It is a consensus among Muslim economists that wages cannot depend on the market forces, i.e. supply of and demand for labor (Azid and Rawashdeh, 2018). However, free labor market cannot work properly in this system because protecting the workers' rights as stipulated by the *Shari'ah* is the duty of the government. The determination of wages should be linked with the abilities, moral training and ethical values of society, religious commands etc. Islam has details directives towards the fixation of wages, rights of workers, and the legitimate role of the government. Prophet Muhammad (pbuh) said, *"The worker should be given what is considered to be a proper diet and dress, and the workload should not be more than what he could bear of tolerance."* The Rightly Guided Caliph Ali wrote to one of his governors, *"Before appointing any official on any position, inquire about him and examine him thoroughly. Never permit favoritism or nepotism, for the officials are the fountainhead of oppression, embezzlement, and dishonesty. Also, keep in view who belong to a more experienced, modest, and righteous family and what status they enjoyed in Islam. Such men are comparatively well-mannered and are neither greedy nor spendthrift. They also have a deep insight into the affairs of the state. Pay them a reasonable salary, sufficient to meet their requirements. Whatever is left in their trust is more likely to remain safe. The chances of embezzlement will be reduced to the minimum"* (Rehman 2010, p.73).⁸

Islam also regulates the demand side of the economy. Islam clearly teaches which types of goods and services are not allowed to consume and supply. However, these regulations are only limited to those goods which are not permitted or which have negative impacts on the well-being of the community.

It is also interesting to note that the old and current literature of economics did not mention the moral duties of indirect or direct employers⁹. In the Islamic system, it is the duty of its members to reduce the exploitation, injustice, or bad actions via hands, tongue and to a lesser extent from the hearts. Therefore it is the moral duty of the indirect employer to stop the exploitation or injustice especially when prices of the raw material or semi-finished goods are low because of the low wages of the workers. This is because exporters could control wages only whereas the prices of other products are fixed in the market (Mathur, 1991). In this way, exporters are exploiting the workers. In this respect, it is the moral duty of the importers to examine the labor policy of the partner country and excrete some kind of pressure on the partners to stop the injustices practices. Scholar Ibn Taymiyyah says, *"Allah helps an equitable state even it is totally composed of unbelievers, but if it is an unjust state, Allah does not help that state even if it totally consists of Muslims ..."* (Kozak, 1999: 254 cited in Erdem 2010, p.21). Meanwhile, Scholar Ibn Khaldun said that *"Since all these activities cease the prosperity of the country, the loss and damages belong to the state. Because, if the state is a statue and a figure, these are the materials of that figure, and each of these*

⁸ This paragraph explains the characteristic of worker and employer in the Islamic labor economy.

⁹ The term "indirect employer" when used in labor law literature usually refers to the usage of work performed by persons formally employed by a third party.

oppressions decreases the job and working abilities and the power of the exposers. Know that here it is the reason and wisdom why the legislator forbids oppression. This stems from the fact that oppression dissipates the prosperity of the world and destroys the world" (Khaldun, 1986: 80).

However, it is realized from the teachings of Islam that this is not only the duty of employers but it is also the moral duty of consumers to recognize the complex relationship which has an impact on the labor market. Consumers should understand their moral duty to improve the well-being of the whole society by following the Islamic teachings. Because for the Muslim consumer, the "needs" are more important than the "wants" as is typical of the conventional system. *Al-Qur'an* emphasizes Muslims to abstain from worldly "wants" via the verse... *"O you who have believed; indeed, intoxicants, gambling, sacrificing on stone alters to other than Allah, and divining arrows are but defilement from the work of Satan, so avoid it that you may be successful"* (5: 90). *"And do not make your hand [as] chained to your neck or extend it completely and thereby become blamed and insolvent (17: 29).* And *"And whoever is protected from the stinginess of his soul - it is those who will be the successful"* (59: 9). *Al-Qur'an* also denounces extravagance and stresses on prohibitions of waste in consumption thus: *"O children of Adam, take your adornment at every masjid, and eat and drink, but be not excessive. Indeed, He likes not those who commit excess"* (7: 31). As regards sustainability of the property *Al-Qur'an* advices.. *"And do not give the weak-minded your property, which Allah has made a means of sustenance for you, but provide for them with it and clothe them and speak to them words of appropriate kindness"* (4: 5).

According to the teachings of the *Al-Qur'an* that if bad creates more temptations and goodness is less appealing then of course good things should prevail as narrated in the *Al-Qur'an*: *"Say: Not equal are things that are bad and things that are good even though the abundance of bad may dazzle thee. So fear Allah, so that you understand, so that you may prosper"* (5:100). Besides the moral duties of the direct and indirect employer and the State, the responsibility falls also on the consumers. Islam provides a clear distinction between wages, productivity, physical capital, knowledge and labor. Scholar Ibn Khaldun says: *"Thus, whatever is obtained by one is denied to the other unless he gives something in exchange for it"* (Khaldun 1986: 311). Scarcity of resources and occupational specialization underlie this observation. But exchange essentially involves real goods. Scholar Ibn Khaldun uses the word barter more often than exchange. Even when money is a go-between, the exchange takes the nature of barter as gold and silver as these are real goods that can be considered as money (Khaldun, 1986: 313).

Islam also appreciates human capital and entrepreneurial activities. Islam discourages begging and appreciate labor and entrepreneurs' skills. The Prophet (pbuh) said:

"A person who resorts to begging, God makes him a beggar in this world and in the hereafter, for one who begs to add his possessions, these will continue to decline. That is his need will continue, and his income will proportionately decline and such a person is begging for the children of hell. It depends on him whether he begs for more or less". Allah (swt) declared about efforts of men in Chapter 53 verses 38 to 41, and about prayers and work in chapter 62 verse 10. Kayed (2006, p.93) reviewed the work of

Chapra and summarized it as: "*Chapra (1985) explained that Socio-economic justice based on the theory of 'social equilibrium,' implies that people are entitled to have the opportunity and does not entail that they should be equal in poverty or in richness.*" Earning a lawful (*halal*) living is tenable through engagement in productive activities, namely employment (working for others) and being self-employed and employing others (undertaking entrepreneurial activity). Although Islam endorses working for others for a fixed salary, it encourages and stimulates Muslims to embark on entrepreneurship as the preferred option to earning *halal* income.

The Prophet (pbuh) said, "*A faithful and trustworthy businessperson will be resurrected at the day of judgment with the prophets, truthful and martyrs.*" The Prophet (pbuh) also encouraged Muslims to partake on business and trading activities and said.. "*ninth-tenth of the sustenance is derived from the trade*".

6. Power of Corporations

Concerning the role of the corporate sector, it is argued by experts and international institutions that the rising power of big corporations has a negative impact on the economic growth and the level of inequality especially in the developing countries. Furthermore, they further argued that if it is left unchecked, it will be a disaster for the world economy and will have a massive impact on the incomes of the people. It is observed that whenever the companies are getting more powerful in the market i.e. via trade monopoly, they increase their prices and reduce their output (Cordeiro and Sarkis, 1997). Consequently, the demand for capital and investment will decline and then the aggregate demand and employment level will substantially reduced. Ultimately this will increase the income inequality whereby the income of capital owners will increase while the income of wage earners will decrease (World Economic Outlook, April 2019). It is also worth to note that the senior management will naturally demand their corporations to increase their perks and benefits leaving the general employees with less benefits. Maybe, in the long run, it will not be detrimental to the firms, but in the short run, it creates injustices which is not the objective of the *Shari'ah*. In this situation, both employers and consumers should play their roles.

From the discussions above, the market can be evil if it is promoting the consumption of non-permitted goods and services, for example, drugs, pornography, human trafficking, liquor, gambling, and so forth. However, the consumer can change the direction of the market. One classic example was shown by the people of Medina as regards prohibition of wine by Allah (swt). According to Abu Sa'id al-Khudri, the Prophet (peace and blessings be upon him) was addressing the people in Medina.... "*O people, Allah Almighty is alluding to wine. Perhaps Allah will soon reveal an order regarding it. Whoever has some of it, let him sell it and benefit from it.*" The people of Medina waited a little while until the Prophet said, "*Verily, Allah Almighty has forbidden wine. Whoever knows this verse and has some of it, let him neither drink it nor sell it.*" The people came out into the street with what they had and poured it out. (Ṣaḥīḥ Muslim, 1578) (see Figure 5).

Perhaps, in the short run it will cause involuntary unemployment but in the eyes of the *Shari'ah*, this type of damage is morally justified. Consequently, if the illicit drug industry is closed, it is actually a 'blessing in disguise' for the whole society.

This study indeed covers the area of Islamic labor economics that were not discussed in details in the literature of this area. For instance, it discussed free and regulated market. In addition, it presented a novel idea related to consumption-production set which gave attention to the unique characteristics of Islamic labor market. It is worthwhile to note, this study highlighted the role of wages in the local and international markets within the framework of Islamic labor market. Last but not least, the moral values of labor market throughout the power of corporation were discussed in this study.

7. Conclusion

Before concluding this research, it worthy to highlight the limitations and policy recommendations of it. For the limitations, it would not be possible to analyse empirical data related to labor market in Islamic economics here due to the nature of this conceptual study. This is simply because it has been found that no Muslim Majority Country really practice Islamic Economics a hundred per cent. Therefore, examining these theoretical foundations would be relevant for future research like standardizing *Maqasid Al-Shari'ah* concepts and factors that influence labor markets.

While for the policy recommendations, the moral and ethical values which are driven especially from religious sources like the *Al-Quran* and *Sunnah* have proven to be essential in improving the market forces including labor markets (Poole and Wineburg, 2019; Azid et al. 2022). Therefore, policy makers especially in Muslim Majority Countries are highly recommended to incorporate Islamic moral and ethical values in laws and regulations of the labor market.

Furthermore, this study distinguished the uniqueness of Islamic Economics epistemology. Although the foundations of Islamic labor market based on the *Al-Qur'an* and *Sunnah*, fortunately they are universal applicable. The main aspect that should be emphasized labor should not considered as a commodity or as a fictitious commodity as discussed by Polanyi.

Above all, one cannot analyze the labor market without taking into consideration the set of production-consumption factors. Simply because the demand for and supply of labor is derived from the demand for and supply of commodities. In fact, these commodities are handled not only to surmount labor issues but also to strength the labor market. Consequently, this would play a crucial role towards the win-win situations for employers, workers and the market place in the first place. Islamic economics address these factors amicably.

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