

ENHANCING WAGE DETERMINATION THROUGH THE IHSAN CONCEPT: STRATEGY TO SOCIAL JUSTICE AND ECONOMIC EQUITY

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Abstract

The determination of regional wage plays a crucial role in mitigating socioeconomic inequalities. However, existing policies often struggle to ensure justice and welfare for all workers. This research proposes the implementation of the concept of Ihsan as an alternative approach to wage determination, emphasizing fairness and individual welfare. Ihsan, which embodies the awareness of Allah's presence through *Muraqabah* (self-awareness) and *Munadzarah* (observational accountability), encourages individuals to act with excellence and integrity in all aspects of life, including economic practices. Despite its potential, the application of Ihsan in wage policies faces challenges, particularly in aligning the needs of workers with corporate economic demands. This study aims to analyze how the principles of Ihsan can be effectively integrated into wage-setting policies to create a more equitable system. By considering the perspectives of various stakeholders, including workers and business owners, this research seeks to provide a comprehensive understanding of how Ihsan can contribute to social justice and economic balance.

Keywords: *Ihsan concept; Wage Determination; Social Justice.*

A. INTRODUCTION

Wage determination is a critical aspect of labor economics, shaping the distribution of income and influencing socioeconomic well-being. Globally, wages are often determined by market dynamics, government policies, and collective bargaining. However, this process frequently reflects and perpetuates structural inequalities within societies (Sisma & Subekti, 2023). In many cases, wage-setting mechanisms fail to account for the disparities in worker's needs, contributions, or living costs, leading to several adverse outcomes. This issue has been addressed through the increase in the Provincial Minimum Wage (UMP) for 2024, which average 6,5% (Anggela, 2023). However, many business actors still feel berdened by this adjustment, as it is perceived to negatively impact business competitiveness, especially in remote areas.

Inadequate minimum wage, particularly in developing nations, perpetuates cycles of poverty and dependency, leading to social unrest and dissatisfaction. Moreover, low wages contribute to diminished human capital development, as workers and their families may forgo education, healthcare, and other essential investments due to financial constraints. Over time, this not only hampers individual upward mobility but also undermines broader economic growth by perpetuating a cycle of low productivity and limited innovation. According to the International Labor

Organization (ILO) Global Wage Report 2024-25 highlights several key findings about the state of global wages. Notably, global wages have grown at a faster pace than inflation, with real wage growth projected to be 2,7% in 2024, the highest in over 15 years. However, disparities remain, particularly in low-income countries where wage inequality persists significantly. This inequality has been more pronounced in developing nations, with approximately 22% of workers in low-income countries earning less than half the median wage (ILO, 2024).

Addressing these issues requires a multidimensional approach that combines fair wage policies, robust social safety nets, and ethical frameworks such as *Ihsan*, which advocate for compassion and justice in economic dealings. The concept of *Ihsan*, which embodies the awareness of Allah's presence through *Muraqabah* (self-awareness) and *Munadzarah* (observational accountability) (Asmuni, 2010). Provides a powerful framework for promoting fairness and equity. *Ihsan* encourages individuals and institutions to act with excellence and integrity, fostering a sense of moral responsibility in wage determination. By integrating *Ihsan* concept into economic systems, wage-setting mechanisms can prioritize both justice and compassion, ensuring that workers receive fair compensation that reflects their contributions and meets their needs. This approach can mitigate the harmful effects of wage inequality, create more sustainable economic structures, and promote societal harmony (Naqvi, 1994).

Integrating these elements can create a more equitable wage structure that fosters societal harmony and sustainable economic development. This research aims to explore how *Ihsan* can be effectively integrated into wage-determination frameworks to address socioeconomic inequalities, ensuring that wage-setting mechanisms prioritize both justice and compassion. By applying *Ihsan* concept, this study seeks to propose strategies for mitigating the harmful effects of wage inequality, creating sustainable economic structures, and promoting societal harmony rooted in ethical and equitable principles.

B. LITERATURE REVIEW

1. The Concept of *Ihsan*

Etymologically, *Ihsan* originates from the Arabic language and is a noun from *mashdar* derived from the imperative verb "أحسن" (*Ahsana*), which means to do good, act kindly, or perform something, with perfection. *Ihsan* can be interpreted as anything that brings goodness (Al-Manzhur, 1993). Terminologically, *Ihsan* refers to an individual's actions in doing good and avoiding sinful deeds. A person practicing *Ihsan* shows kindness towards others in various aspects, including wealth, honor, knowledge, and physical support (Munawwir, 2018). In the Qur'an, the term *Ihsan* appears in various forms. The word *Ihsan* itself is mentioned 13 times, while terms such as *Muhsin*, *Muhsinun*, and *Muhsinin* are mentioned 38 times. Other variations like *Ahsana* appear 9 times, *Ahsana* is mentioned 6 times, and words similar to *Hasuna* are recorded approximately 221 times (Al-Baqi, 1981).

The most well-known definition of *Ihsan* comes from the Hadith of Jibril, where prophet Muhammad SAW explained: "Worship Allah as if you see Him; if you do not see Him, then indeed He sees you." This hadith emphasizes the importance of

achieving perfection in worship and daily life by being fully aware of Allah's presence. Ihsan in Islam encompasses two main aspects (Asmuni, 2010):

- a. Self-awareness (*Muraqabah*): ihsan stresses the awareness that Allah is always present and observes every action. This fosters sincerity and integrity in worship and life.
- b. Observational accountability (*Munadzarah*): Ihsan also involves inner vision, where a Muslim Strives to feel Allah's presence in every action.

As discussed by (Yugo & Surana, 2024), Ihsan is regarded as the highest ethical principle in Islam. This concept helps shape character, maintain integrity, and provide spiritual guidance amid modern challenges. Research by (Othman et al., 2023) similarly highlights the role of Ihsan encourages self-development based on spiritual values and productivity. And research by (Dayusman et al., 2023) Ihsan is a foundation for respecting human dignity, protecting vulnerable groups, and prioritizing solidarity to achieve social justice.

2. Minimum Wage Determination

The minimum wage is a critical issue due to its connection to workers' welfare. Research by (Albariq et al., 2024) highlights the importance of continuously adjusting the minimum wage based on inflation rates and economic growth to sustain public welfare. The relationship between poverty and the minimum wage is highly complex.

According to Regulation No. 1 in 1999, the minimum wage is the lowest monthly salary that includes basic wages and fixed allowances. It applies to unmarried workers with 0-1 year of experience. Furthermore, article 94 of Law No. 13 of 2003 on Manpower states that basic wages must constitute at least 75% of the total basic wage and fixed allowances.

The primary objective of setting a minimum wage is to ensure workers receive sufficient income to meet basic needs according to the regional standard of living. The determination process involves three main parties; Government: aims to maintain economic stability by balancing wage increases with the potential impact on company competitiveness. Employers: focus on keeping production costs, including labor costs, low. Labor Unions: advocate for fair wages to improve workers' welfare (Manullang et al., 2024).

The way to address wage-related issues is by minimizing the differing interests between employers and workers. Implementing wage regulations based on justice is a shared goal desired by all parties (Yetniwati, 2017). This research aligns closely with the study conducted by (Sisma & Subekti, 2023), which emphasizes the importance of applying the principle of justice in the wage system. In contrast, the study by (Hukum et al., 2021) highlights the alignment between the job Creation Law (*UU Cipta Kerja*) and Ibnu Khaldun's perspective on determining wage scales.

From various studies, it can be concluded that Ihsan is a holistic approach encompassing work ethics, productivity, and self-improvement. Meanwhile, the issue of minimum wage determination often falls short of the desired social justice. Previous research has not extensively explored the integration of Ihsan wage determination policies. This study aims to explore the application of Ihsan in wage-setting processes to create a balance between the needs of workers, the responsibilities of employers, and the role of the government. Additionally, it seeks to highlight the positive impact

of applying Ihsan principles in wage policies, contributing to poverty alleviation in Indonesia.

C. METHODS

This study employs a qualitative research methodology to explore the application of the Ihsan concept in wage determination and its potential to address socioeconomic inequalities. The qualitative approach is chosen for its ability to provide in-depth insights into the social realities and complexities surrounding wage-setting practices. The research utilizes a library research approach, which involves comprehensive data collection through the review of relevant literature, including books, academic journals, articles, and reports related to the concept of Ihsan and wage determination. This method allows for a thorough examination of existing theories, frameworks, and case studies that inform the study's objectives. The collected data will be analyzed thematically, identifying key patterns and themes that emerge from the literature (Niam et al., 2024). This analysis will focus on how the principles of Ihsan can be integrated into wage-setting policies and the implications of such integration for various stakeholders, including workers, employers, and policymakers.

D. RESULTS AND DISCUSSION

1. Enhanced Worker Welfare

In Islam Ethics, Ihsan transcends basic obligations and encourages individuals to perform acts of kindness and justice out of a sense of moral integrity and devotion to Allah (Tsalis et al., 2023). When employers adopt Ihsan in their interactions with employees, they shift their view of workers from being merely functional resources to becoming integral and valued members of the organizational family (S., 2014). By practicing Ihsan, employers prioritize treating employees with respect, fairness, and kindness, creating a nurturing work environment this approach leads to a significant increase in job satisfaction, as employees feel appreciated for their contributions and secure in their roles (S., 2014). Beyond basic compliance with labor laws, the spirit of Ihsan drives organizations to ensure equitable wages, humane working conditions, and meaningful opportunities for personal and professional development (Hidayat & Najah, 2020). Employees who feel cared for in this way are more likely to develop a sense of loyalty and dedication to their employer (Fauziah & Mudawamah, 2023).

The concept of Ihsan also enhances morale and motivation within the workforce. A culture rooted in benevolence and mutual respect encourages employees to trust their leadership and fosters collaboration and teamwork (Hidayat & Najah, 2020). This positivity often becomes contagious, creating an atmosphere where individuals are motivated not just by financial rewards but also by a sense of purpose and shared goals. When employees feel intrinsically motivated and emotionally connected to their workplace, productivity and creativity naturally increase (Yono & Amelia, 2021). They become more willing to contribute innovative ideas and go beyond their formal responsibilities.

Furthermore, Ihsan fosters organizational commitment by cultivating a sense of belonging and community among employees. Unlike purely transactional relationships, where the focus is on output and performance, relationships guided by

Ihsan emphasize human connection and empathy, employees who feel included and respected are more likely to remain committed to the organization., reducing turnover rates and fostering stability (Hukum et al., 2021). This stability enables businesses to build cohesive teams and establish long-term success. By prioritizing human well-being over short-term profits, companies practicing Ihsan set a benchmark for ethical leadership in the business world. This ripple effect can lead to more equitable wealth distribution, reduced workplace conflicts, and enhanced society harmony.

2. Balancing Interest

Applying the principle of Ihsan in building relationships between workers and employees in the world of work will be the foundation for ethical and balanced business practices. Ihsan, derived from the root word “*Hasan*” meaning excellence and goodness, transcends mere compliance with obligations and encourages actions rooted in kindness, fairness, and moral responsibility (Tsalis et al., 2023). This concept will bridge the two interest of workers and the employees.

Employers, driven by the need to maximize profits, frequently focus on minimizing operational costs, including labor expenses. While this approach aligns with conventional economic objectives, it can inadvertently lead to unfair treatment of employees, such as inadequate wages, limited benefits, or exploitative work conditions (Chapra, 1992). In contrast, the principles of Ihsan advocate for justice and equity in compensation, recognizing the dignity of labor and the well-being of workers as paramount considerations (Al-Ghazali, n.d.)

Islamic teachings emphasize this balance through several scriptural and ethical frameworks. The Qur’an and Hadith command believers to act justly and honorably, as seen in verses such as, “And give full measure and weight in justice” (Qur’an 6: 152). And in hadith (Hajr, 2003):

939. قال رسول الله صلى الله عليه وسلم: أَعْطُوا الْأَجِيرَ أَجْرَهُ قَبْلَ أَنْ يَجِفَّ عَرْقُهُ (رواه ابن ماجه)

“Give a hired person his fees before his sweat dries up”

These principles encourage employers to view their employees not merely as cost factors but as valuable contributors to the organization’s success. Ihsan calls for wages and benefits that reflect the labor market value and accommodate workers' social and economic needs, promoting a sense of dignity, respect, and mutual benefit.

The companies that adopt this principle can achieve a harmonious balance between profit-driven goals and social responsibility. Furthermore, by aligning with Ihsan, businesses can build trust and loyalty among their workforce, which translates into long-term gains such as improved reputation and customer satisfaction (Khan, 1994). By ensuring that profit generation does not come at the expense of employee welfare, companies contribute to economic sustainability and social equity. This ethical alignment resonates with contemporary movements that advocate for corporate social responsibility and sustainable development. Through the lens of Islamic ethics, the integration of Ihsan not only enhances individual well-being but also elevates societal standards, making it a vital framework for businesses aiming for excellence in both performance and moral values.

3. Social Justice and Economic Stability

Implementing Ihsan in wage determination is more than just an economic strategy; it is a moral obligation rooted in the value of Islam. The concept of Ihsan, which means striving for excellence and benevolence, emphasizes going beyond mere fairness to uphold compassion and justice in all actions, including economic practices. In wage determination, this principle ensures that employers not only fulfill their contractual obligations but also consider the broader welfare of their employees. Fair wages allow workers to live with dignity, meet their basic needs, and support their families, thus reducing the risk of exploitation and poverty (Yono & Amelia, 2021).

Moreover, equitable wage practices directly address income inequality, a significant issue in many societies. When businesses commit to fair compensation, they help narrow the gap between different socio-economic classes, creating a more balanced and harmonious community (Yetniwati, 2017). This reduction in inequality is a cornerstone of social justice, ensuring that every individual has equal opportunities to prosper and contribute to society. Economic stability arises from this justice, as fairly compensated workers are more motivated, productive, and capable of participating in the economy as consumers (Yetniwati, 2017). This increased economic activity fosters growth, reduces dependence on welfare system, and strengthens the overall socio-economic fabric.

From an Islamic perspective, Ihsan aligns with the principles of *Maslahah* (welfare) and *Falah* (success in this world and the hereafter) (Salimudin, 2024). Islamic economics views wealth as a trust from Allah, to be managed responsibly and distributed equitably. Businesses are encouraged to consider the broader societal impact of their wage policies, ensuring that their actions contribute to the collective good. By adopting Ihsan in wage practices, employers fulfill their moral and spiritual duties, paving the way for the more ethical and sustainable economic system.

The integration of Ihsan in wage determination also reflects the Islamic emphasis on holistic development. It promotes a balance between material prosperity and spiritual well-being, ensuring that economic practices are not driven solely by profit motives but by a commitment to justice and compassion. This approach resonates with modern concepts of corporate social responsibility (CSR), where businesses are seen as key contributors to societal welfare (Wajong et al., 2020). By incorporating Ihsan into wage policies, businesses not only comply with Islamic principles but also align with global efforts to achieve equitable and sustainable economic development.

E. CONCLUSION

The concept of Ihsan provides a comprehensive and distinctive framework for addressing issues of socioeconomic inequality and poverty. Its implementation in wage determination serves as a moral bridge that harmonizes the diverse interests of government, employers, and workers. By promoting fairness, compassion, and mutual respect, Ihsan fosters an environment of trust and cooperation, which is essential for resolving conflicts of interest and ensuring equitable outcomes for all parties involved.

In practice, applying the principles of Ihsan in workplace relations can create a harmonious and supportive work environment that directly enhances employee well-

being and productivity. This, in turn, drives business sustainability and long-term success. Furthermore, by embedding Ihsan into economic policies and corporate practices, organizations can address the root causes of inequality, reduce exploitation, and contribute to the development of a balanced and just society.

Ultimately, the concept of Ihsan goes beyond material benefits. It integrates ethical values into economic activities, aligning worldly benefits (*Maslahah*) with the spiritual pursuit of eternal success (*Falah*). This holistic approach underscores the transformative potential of Ihsan not only as a solution to immediate social and economic challenges but also as a guiding principle for achieving a harmonious and prosperous world that upholds the dignity of every individual.

While this study aims to provide a comprehensive understanding of the Ihsan concept in wage determination, it is important to acknowledge potential limitations. The reliance on secondary data may limit generalizability. Future research could benefit from quantitative studies to complement these findings.

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