Compensation Management from Islamic Perspective

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Abstract
Around the world Muslims are rediscovering Islam; consequently there is a growing demand of practicing Muslims for compensation from Islamic perspective. But lack of adequate Islamic guidelines regarding compensation system is one of the key constraints to the way of ensuring employee compensation from Islamic point of view. So this study is an attempt to minimize the gap found therein. In this study a framework for determining and ensuring employee wages and compensation system has been developed in the light of Islamic principles. If the compensation system is managed from Islamic perspective both employees and employers will not only gain conducive, congenial and productive working environment in this world but also can expect for getting salvation in the hereafter.

Key Words: Islam, compensation, Justice, brotherhood.
1.0 Introduction

Compensation management has become one of the issues both for employees and employers around the world due to its importance. Naturally, employees want to get more remuneration for their work where as employers want to pay as minimum as they can. So regarding the compensation there is a conflict between employees and employers in many of the organizations. Even, it has become common phenomenon that there is poor industrial relations in many business enterprises in Bangladesh (Hoque, 2012). There are many reasons behind this poor industrial relations and compensation issue is one of the reasons which can be overcome following Islamic guidelines. Furthermore, as a Muslim it is mandatory to follow Islamic guidelines in each and every case of life. But unfortunately, Muslims pay no or little attention to the Islamic guidelines with rare exception while designing and ensuring wages and compensation from Islamic perspective. This is because, in one side, many Muslims lack clear idea about Islam and on the other side, absence of clear guide lines and framework regarding compensation from Islamic point of view. So, this study is an attempt to design a framework of compensation from Islamic perspective for helping those employers and employees who would like to design and manage their wages and compensation in the light of Islamic guidelines.

2.0 Objectives of the study:

In this article, the authors took interest to develop a framework for designing and managing compensation from Islamic perspective. The rationale of the study lies in the fact that no comprehensive research regarding employee compensation from Islam perspective has been undertaken. Furthermore, Islam is the only religion which claims itself as a complete code of life and Islamic guidelines are not only for Muslims but also for all human regardless religion, color, gender, race and age. There are few studies in this line but they are not fully and analytically written from the Islamic point of view. Thus the objectives of the study are:

- To focus on the concept of compensation both from traditional and Islamic perspectives;
- To identify the fundamental principles of compensation from Islamic perspective;
To identify the principles of employers and employees in ensuring compensation from Islamic point of view.

3.0 Methodology

This study is a desk-based and library-oriented research. To develop a framework for compensation from Islamic perspective the researcher studied the Holy Qur’an, Sunnah, and available published literatures, research monograms, journal and magazines in this field. The study has been structured in the light of the research objectives.

4.0 Literature review

Indeed, Islam – being a holistic faith that caters for every aspects of life – regulates with admirable comprehensiveness, the relationship between the employer and the employee. One should hasten to add here that the ultimate goal of Islam in this respect is the establishment of justice (Hoque, Khan & Mowla, 2013). Islamic law is unbiased, fair and justice in every activity of human beings, without discrimination, irrespective of status and position between other parties relationships. There are no any options for partial practices of Islamic law. Islam ensures appropriate recognition to the dignity of work and employment through sufficient reward and compensation system (Ali, 2005). The employee is permitted to a just wage for his contribution to output. This right cannot be legally taken away from him. The Prophet said three persons will face God's wrath on the day of Judgment and these are: one who dies without fulfilling his promise to God, one who sells a free person into slavery and devours the proceeds and one who engages a laborer and denies him wages after his service (Bukhari, 2075). The gravity of infringing on an employee's right to just wages becomes conspicuous when one considers that the Prophet has placed such an act on equal criminal footing as the enslaving of a free man. This should make our leaders careful and be true to their duty of promoting the welfare for all (Ather, khan & Hoque, 2011). They would not only be cruel, self-centered and avaricious for denying labor the payment of wages, they would be criminally deserving of God’s punishment on the Day of Reckoning (Hoque, Mamun& Kabir, 2010).

By the definition of Islam, wages just should be such that would, in the least, enable an employee to get an adequate quantity of reasonably good food and clothing for himself and his family without overburdening himself (Hoque, 2012). This was why the Prophet declared that "an employee is entitled to at least moderately good food and clothing and not being burdened with labor beyond what he can bear.” (As-Sunnan Al-Kubrra Lil-Byhaqee)(Quran-2:286)The Prophet's companions deemed this the minimum level of income needed to manage the material, social and spiritual welfare of the society. To make the remuneration an employee earns meaningful, Islam also advice that the payment should not be unduly deferred. The Prophet said, “Pay the laborer his wages before his sweat dries up.”(Sunanu Ibn Majah-2434, vol 7, p294) This fellow-feeling and graciousness would not only ensure that the difference between the over-
feeding employers and the poverty-stricken employees is bridged, it would significantly reduce crimes and the temptation to accumulate undeserved gains.

If the employee gets standard welfare package from his job while failing in his obligation to his employer than justice would be defeated, Islam equally seats some moral obligations on the employee (Hoque, 2012). One is to practice utmost diligence and proficiency in discharging his employment duties for the assistance of his employer and the latter’s customers (Hoque, Mamun & Mamun, 2014). The Prophet assured that “an employee who excels in his devotion to God and also renders to his master what is due to him of duty, sincerity and obedience, for him there is double rewards (with God).” (Bukhari 2361, vol 8, p481) He equally said: “God likes one of you, if he does a job, to perfect it.” The learning here for the workers is to keep away from unethical work habits like absenteeism, lateness to work, maltreating customers and the public or unscrupulously receiving wages for work not done. Ghost workers and their accomplices should desist from such criminal practice (Hoque, 2012).

Another responsibility is to be honest and refrain from having unlawful wealth from the employment. The Glorious Qur’an says “Verily, the best of men for you to hire is the strong, the trustworthy” (Qur’an, 28: 26). In absolute corroboration, the Prophet said: “He whom we have appointed for a job and have provided with livelihood, then whatever he appropriates beyond this is ill-gotten.” (Sunanu Abee Daud, Fee Arzaqil Ummal, Vol 8, hadith no-2554, p169). Islam recognizes that rights are dependent upon, and go in correspondence with, responsibilities. Thus it has established the scale of justice to both the employer and the employee in their relationship. Labor should not only ask for earnings, but also serve the public diligently. And government should not only tap labor’s industry, but also give them their lawful rights. It is only in such a harmonious economic environment stressing common rights and responsibilities with full encouragement and installation of justice, fairness, moral rectitude and altruistic brotherhood that there can be hope of fleecing the employer-labor relations of industrial frictions and trade disputes.

5.0 Value of Work in Islam

Islam is not only a religion but also a “way of life”. In a word, it teaches how a believer has to oblige to the promise to his faith. In the circumstance of “Islam and Work,” it sheds light on the obligations of the worker towards his work in particular and his employer or employee in general. The more loyal to his religion, the more committed he has to be to his work (Ather, khan & Hoque, 2011). Hence, as per the teachings of Islam – by working more dedicatedly as per the agreed terms of his employment, the employee justifies his income and livelihood and at the same time stands out as a role model for the believers and non-believers alike. Sherif (1975) identified nobility, patience, self-discipline, good appearance, abstinence, resolve, sincerity, truthfulness, servitude, and trust as major Islamic values. These could clearly have an impact on both management and productivity of employees.
In the value system of Islam, work is equal to Jihad in Allah's way. The element of God's satisfaction and pride in the hereafter, is equal or higher than prayer and is a sign of being faithful (Khanifar, 2006). Work values are the values that are directly related to individual job duties. They are sources of internal satisfaction for the individual (Ather, Khan & Hoque, 2011). The magnitude of work values associated with doing work include: Itqan and work solidity, work obligation, work spirituality motivation, effort and perseverance, continuous improvement, service-oriented morale. (Khanifar, H. et al, 2011)

Values of work associated with working conditions are values that influence on work values associated with doing work. These values are desires and ideals which the value system of Islam expects from the employer or institution. The dimensions of work values associated with working conditions include: justice and welfare. Imam Ali in his government command to Malek Ashtar says: 'Raise your employees’ aliments so that, the extension of aliments give them energy to correct their outcome, and make them needless and not to betray the properties at hand and it is a warrant to reject your command, or betray the trust' (Shahidi, 2000). Values of work are evaluative standards connecting to work or the work environment which individuals exercise to discern what is "right" or to assess the importance of preferences for actions or outcomes (Dose and Klimoski, 1999). Although the body of work value literature is growing, a consistent definition of "work value" has not yet been established (Dose, 1997). Work values are goals that one seeks to attain to satisfy a need (Li, 2008).

Work is considered as a fact of life in the Islam (Ather, Khan & Hoque, 2011). Human being expresses his existence with effort and determines his true value by work (Javadi, 2007). Islam has always attracted human being to this point that whatever is remained is his action. Holy Quran emphasized the work frequently (Khanifar, 2006) and says: "For human is nothing except his efforts" (The Quran, Sura Najm, Verse 39). Prophet says: "The first command of God to Adam after the fall of the land is work to plant the earth with his hands and takes advantage of his earning" (Al-Hor Al-Amely, 1970). In the culture of Islam work is the superior prayer. Prophet stated: "worship of God has seventy parts which the best of this is solvent business" (Al-Hor-AlAmeli, 1970). However, Hadith says: "Those working under you are your brothers. They have been made by God subservient to you and should not be burdened with tasks beyond their powers and if such a burden has been put on their shoulders, then you should help them.” (Sahih Muslim, Itamul-Mamlook Mimma Yakulu Wailbasuhi Mimma Yalbisu, vol 8, Hadith-3139, p479). “If you give light work to your servant God shall reward you on the Day of Judgment”. (Sahih Ibn Hiban, Babu-Suhbatil Mamalik, vol 18, hadith 4391, p125).

6.0 Islamic versus traditional wage system

An ethical problem may come up when undue labor exploitation takes place to create unpaid gains. It may also arise through favoritism in pay and promotion (Danley et al., 1991). A mere interaction of demand and supply forces may not lead to a fair and ethical amount of compensation in a labor abundant society and this may lead to undue exploitation of workforce. Islamic principles of ethics in human resource management say the compensation should correspond to the employee’s contribution. According to the Principle of Fair Compensation (Al-
Ujrah 83:1-3) “Woe to those who deal in fraud, those who take the full measure when they receive from others, but give less when give them in measure or weight.”

Besides this, Islamic system requires a humane and fraternal design while fixing the compensation. An organization should structure the compensation package for its employees in such a way that it lets them meet their basic needs and with a standard of living that is comparable with the employer (Beekun, 1991, Ahmad, 1995; Hoque, 2012), subject to the maximum of the employees’ contributions with the employer (Sadeq, 1989). This is required by the Islamic principles of ethics, namely brotherhood and benevolence (Al-Ukhawwah and Al-Ihsan) and fair compensation. There may not be any favoritism regarding the pay and promotion since it is against the Islamic principles of people’s rights and justice and fairness (4:29, 5:8).

7.0 Employees Remuneration: Islamic Principles

Islamic principles of educational administration has put into effect that any agreement about payment or salary should include the following:

As practiced and spelt in any contract of employment, the payment must be defined in advance by the employer to avoid any confusion and argument between both parties. This will create concentration and ensure that the employee’s work is according to a well-defined terms of the agreement. The formulation of the salary scale should be made carefully according to employees’ past experience and qualification. More importantly, the wage to be granted by the employer to the employee must commensurate with the work done and performance made by the employee. Islam encourages employers to reward their employees according to their qualification, experiences, knowledge, capabilities and amount of work they do. (Surah al-Yasin: 54, Surah An-Najm: 39).

In deriving the quantum of the salary, employers should refrain themselves from any prejudice, bias, favoritism in order for them to arrive at a very just and fair amount of salary to be granted to the employees. Islam affirms the need to give out salaries in full without the unwanted elements as said above. At all material time, it is stressed by the Islamic principles of educational administration that the amount of the salary should be sufficient enough to cover the needs of staff (especially taken into consideration the prevailing standard/cost of living). The amount of reward should be adequate for them to buy food, clothing, place to stay and transportation. There is no discrimination in rewarding workers no matter the gender of the worker is (Surah an-Nahl: 97; Surah al-Kahfi: 30, Surah al-A’raf: 85).

It is also worth to be noted by the employer of the organization that salary should be given immediately after a job is completed by the employee (this is also in tandem with prominent Hadith by the Holy Prophet (s.a.w) who has said "Pay the laborer his wages before his sweat dries” and Anas (r.a) states that Prophet (s.a.w) never paid a low wage to any person. One of the three persons that the Prophet (s.a.w) will argue against on the Day of Judgment is a man who engaged a laborer and enjoyed full benefit from him, yet did not pay him (his due) wages. The reward should be given as soon as they have completed their work (Sunan Ibn Majah). To delay
paying the employees is not allowed in Islam as it is an act of cruelty. Those employers that do not pay their workers are the enemies of the Holy Prophet and also Allah swt. (Sunan Bukhari, Surah Hud: 85; Surah al-A’raf: 85; Surah al-Maidah: 8)

As such, employer should refrain themselves from delaying in payment of staff (as the employee may in dire and urgent need of the money for their personal/family needs). Be that as it may, in the Islamic principles of administration, remuneration in real sense does not only confine to monetary or materialistic sense but more importantly the pleasure of Allah S.W.T and the promise of paradise are other forms of valuable and precious rewards which motivate Muslim to struggle and work hard. This can be aptly described in the light of the following verse: “Whoever does righteousness, whether male or female, while he is a believer - We will surely cause him to live a good life, and we will surely give them their reward [in the Hereafter] according to the best of what they used to do” (An-Nahl:97). The above Quranic in fact is a strong motivation to every employee in any organization to work hard in carrying out the duties entrusted to them as these good deeds would be given endless reward in the Hereafter; a reward which could not be compared with any monetary reward given by the employer or organization in this world.

**Figure: 1 Model of Islamic Compensation**

**Islamic principles for employer**
- Trust and honesty
- Cooperation
- Fair compensation
- Justice and fairness
- Brotherhood and benevolence
- Fulfilling the contract
- People’s right

**Islamic principles for employee**
- Commitment
- Dedication
- Sincerity

**Financial payment**
- Basic pay
- Allowances
- Benefits
- Incentives

**Non financial payment**
- Recognition
- Responsibilities
- Advancement
- Achievement
- Growth

**Source: Developed by authors**
8.0 Islamic principles for employer

8.1 Trust: Searching for Allah’s pleasure by emphasizing the importance of obedience to Allah and to the staff. Believe that the position granted is amanah as vicegerent on earth & consider task as a form of ibadah (worship) which brings man closer to Allah S.W.T. Manager should be trustworthy since trust is a moral responsibility for everyone in the performance of their duties and their social, political and economic lives (Hanafi and Sallam, 2006). The Quran says “Allah doth commend you to render back your trust to those to whom they are due and when ye judge between man and man. That ye judge with justice” (4:58).

8.2 Fair compensation: Islamic principles of ethics in human resource management, out of which one says the compensation, should correspond to the employee’s contribution. According to the Principle of Fair Compensation (Al-Ujrah 83:1-3) “Woe to those who deal in fraud, those who take the full measure when they receive from others, but give less when give them in measure or weight.”

8.3 Brotherhood: It is also interesting to note that brotherhood (ukhuwwah) or the so-called teamwork spirit is nothing peculiar to Islamic principles of educational administration particularly in the specialization and division of labour. Even though the concept of specialization and division of labour entails that the employee will be working on different scope of work in different division, Islam sees this does not stop them from exercising the spirit of teamwork in the performance of the work.

In fact the concept of teamwork amongst the specialized employee in carrying out the different task assigned by the management of the organization according to the division of the labour will assist the latter to achieve their organization target effectively (this is very obvious in a big organization such as manufacturing companies in which each of the employee work in shoulder with his fellow colleague in the midst of specialized and different division of labour harnessing output aimed by the companies in less cost and time: achieving profit effectively). The impact of the principle of brotherhood (ukhuwwah) or teamwork also can be seen from the fact that those employees who practice these principles would assume the qualities of modesty, kindness and humbleness since these are the worthy qualities to develop brotherhood at the very beginning.

Islamic system requires a humane and fraternal (brotherhood) design while fixing the compensation (Hoque, 2012). An organization should structure the compensation package for its employees in such a way that it lets them meet their basic needs and with a standard of living that is comparable with the employer (Beekun, 1991, Ahmad, 1995; Hoque, 2012), subject to the maximum of the employees’ contributions with the employer (Sadeq, 1989). This is required by the Islamic principles of ethics, namely brotherhood and benevolence (Al-Ukhuwwah and Al-Ihsan) and fair compensation.

8.4 Knowledge (ilm): Knowledge of the Quran and the Sunna are highly required for managers, operatives and employers in an Islamic organization (Hoque, Khan & Mowla, 2013). In Islam, there is always a room for improvement, Prophet Muhammad (SAWS) always prays to Almighty Allah to increase him in knowledge (Holy Quran 20:114) no matter how knowledgeable or
skilful he is. As regards knowledge, Allah says “Those truly fear Allah, among His servants, who have knowledge, for Allah is exalted in Might, Oft-forgiving” (Quran 35:28). The Holy Quran also declares, “Pursue not that of which thou hast no knowledge” (25:67). Imam Ali (1989) (R) stated that a person “who acts according to knowledge is like one whose road is clear”. Excellence in knowledge increases humbleness and develops sense in man which helps in understanding and exploring the new areas of knowledge.

It is a fact that job allocation should be done properly in ensuring effective performance amongst the employee for the task entrusted to them and in ensuring the target set by the management can be achieved accordingly towards the success of the organization. Arising from this, it is pertinent that in allocating the task amongst the employee, the employer should take into consideration the knowledge (‘ilm) that the employee possess in relation to the task to be entrusted to him. This indirectly gives some advantage to those having the necessary knowledge (needed for the performance of the task) over those without such knowledge. By doing so, this would allow the employee to practice their job perfectly as expected by the management of the said organization.

8.5 Justice (adalah): Dealings with people would be just regardless of their race, colour, national origin, or religion. The Quran commands Muslims to be fair even when dealing with those opposed to them: “And when you judge between man and man that you judge with justice” (Quran 4: 58). The Quran also commands Muslims to be fair and just in any circumstances even if the verdict goes against their parents or themselves. Allah says “O you, who believe! Stand out firmly for justice, as witness to Allah, even as against yourselves or your parents or your kin and whether it be against rich or poor, for Allah protects both” (4:135). Justice (adalah) is one concept that is synonym with Islam and Muslim is ordained to do justice in every aspect of their life and this includes in the task specialization and division of labor. The employer is required to assign proper tasks to the proper and qualified person regardless of their acquaintance, friendship or personal connection with such employee.

To treat people equally is a prerequisite of fairness and justice, an ethical code that modern corporations are trying to achieve. Islam has emphasized justice among human beings (Hanafi and Sallam, 2006). A verse in the Quran says, “Allah commands justice, the doing of good and liberality to kith and kin. He forbids all shameful deeds, injustice and rebellion; he instructs you, that ye may receive administration” (16:90). Another verse from Quran says, “To those who believe and to deeds of righteousness hath Allah promised forgiveness and a great reward.” A manager should judge employees in an unbiased manner, because employees expect justice from their employer. There may not be any favoritism regarding the pay and promotion since it is against the Islamic principles of people’s rights and justice and fairness (4:29, 5:8).

8.6 Contract: Islam attaches extraordinary importance to the fulfillment of contracts and promises. The following verse of the Quran and traditions of the Holy Prophet (s.a.w.) throw light on this fact: “O ye believers! Fulfill your contracts” (5:1). It is clear that Muslim businessman has to fulfill his commitments to his employees, customers, suppliers and
government and the general public in all respect. He should not indulge in cheating, violation of promises or arbitrary actions (Hoque, Khan & Mowla, 2013).

8.7 Cooperation: It is considered as one of the features of Islamic organizational culture (Hoque, Khan & Mowla, 2013). Prophet Muhammad (SAWS) stated that, “The best of people are those who benefit others”. The Prophet Muhammad (SAWS) also says, “Allah shows no mercy to them who are not merciful to the people” (Sahih Muslim). While fixing the compensation mutual cooperation is highly required but the employers must play key role in this regard.

9.0 Islamic principles for employee

Islam places importance of adhering to the Shari`ah principles in dealing with protection accorded to employees. As employment is regarded as ‘ibadah’ the employees are required and enjoined to observe full dedication, sincerity and commitment to their tasks (Shaharuddin, et al. 2013)
The main objective of the “employees” was to seek the pleasure of Allah which was enjoined by Allah in Surah al-Dzariyyat verse 56 which provides that “I created the jinn and humankind only that they might worship Me”. With this direction in mind, the employees have the responsibility to work with sincerity and not to enter into wrongful personal gains in discharging their duties and be fully aware that they will accountable for their acts. Allah has promised rewards for goodness and punishment for wrongful acts are held in this world or the hereafter.

Employees should know their duties and responsibilities and they should be told their rights in terms of vacations, leaves, compensations, etc (al-Maidah 5:1). The Prophet SAW said:‘Muslims must abide by their agreements, unless there is an agreement that makes halal what is haram or makes haram what is halal’ (Sunanul Kubraa, Babush-Shurut Fin-Nikah, Vol 7, p248), (Baihaqy 1344H: Bab Syurut Fi al-Nikah: Hadis no. 14820). Hanafi, M. and Sallam, B. (2006), Perspectives on Islam and Management, Working Paper No. 141, International Islamic University, Kuala Lumpur.

10.0 Conclusion

Good compensation can be ensured only when the employers and employees will comply with Islamic guidelines of Compensation. The employee of the organization should consider that his work is part and parcel of ibadah and he must be accountable for his work in the hereafter. Employees will perform their duties with dedication, sincerity, and commitment only when the feeling of accountability will be alive and vibrant in their mind. The employer should think that he must be accountable in the hereafter if he does not maintain Islamic guideline while designing and ensuring compensation. The employer should also think that employees are the valuable resources of his organization and good remuneration can help in deriving best effort from the employees which will ultimately help in achieving the predetermined goals of the organization. Undoubtedly this research will help those employees and employers who would like to manage
compensation from Islamic point of view. Finally, the study recommends that anyone can get benefit from this research regardless color, race, gender and religion.

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