
ESTABLISHMENT OF MINIMUM WAGE IN THE EMPLOYMENT SECTOR ACCORDING TO MAQASID SYARIAH; COMPARATIVE STUDY OF MALAYSIA AND INDONESIA

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ABSTRACT

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Penetapan upah minimum di setiap sektor pekerjaan merupakan langkah efektif untuk stabilitas, perlindungan kesejahteraan sektor berpenghasilan rendah dari dampak eksploitasi, dan mengurangi kesenjangan kemiskinan. Tujuannya adalah untuk meningkatkan produktivitas dan memerangi biaya hidup yang tidak pasti akibat konflik ekonomi di tingkat global. Namun, masih ada sektor pekerjaan yang belum menyesuaikan upah minimum karena peningkatan biaya operasional pengusaha, potensi inflasi, dan ketergantungan pada pekerja asing. Hal ini berdampak pada kesehatan mental pekerja dan mempersempit peluang kerja bagi masyarakat lokal. Oleh karena itu, penelitian ini akan membandingkan penetapan upah minimum di Malaysia dan Indonesia berdasarkan perspektif Maqasid Syariah dan mengusulkan langkah-langkah efektif untuk mengatasi setiap masalah yang muncul. Metode kualitatif diterapkan untuk mencapai tujuan penelitian melalui wawancara dan studi pustaka dari karya-karya para sarjana. Hasil penelitian menunjukkan bahwa penetapan upah minimum sejalan dengan tujuan Maqasid Syariah untuk membangun harmoni dan keadilan dalam pengembangan sektor pekerjaan. Penelitian ini berpotensi untuk dijadikan dasar panduan bagi setiap sektor pekerjaan dalam mengelola upah minimum karyawan sesuai dengan tuntutan hukum Islam.

Setting the minimum wage in every sector of employment is an effective measure of stability, protection of the welfare of low-income sectors from the effects of exploitation, and reducing the poverty gap. It aims to increase productivity and fight the uncertain cost of living caused by economic conflicts at the global level. However, there are still employment sectors that do not adjust the minimum wage due to increases in employer operating costs, potential inflation, and dependence on foreign workers. This leads to an impact on the mental health of workers and narrow

employment opportunities for local people. Therefore, this study will compare the minimum wage settings in Malaysia and Indonesia according to the Maqasid Syariah perspective and propose effective measures to address each issue that arises. Qualitative methods are applied to achieve the objectives of the study through interviews and library studies from the studies of scholars. The results of the study found that the setting of the minimum wage is in line with the purpose of Maqasid Syariah to establish harmony and justice in developing the employment sector. This study has the potential to be used as a basis for guidance to each employment sector in managing the minimum wage of employees in accordance with the demands of Islamic law.

Introduction

In the context of current economic developments, the issue of setting the minimum wage rate is gaining more and more attention in the study of Public Policy and Labor Economics. This stems from the main problems related to the inequality between the minimum wage rate and the workload and productivity of workers, as well as the existence of significant differences according to the employment sector. In many cases, the minimum wage is not fully reflected in the actual value of the work performed, especially in labor-intensive sectors. This situation raises questions about the effectiveness of the minimum wage policy as an instrument of social justice, especially when there is a significant gap between the contribution of Labor and the remuneration of wages received. In addition, the problem is also shown through the differences in the cost of living between urban and rural areas that directly affect the effectiveness of the implementation of the minimum wage.

In urban areas or cities, the high cost of living, such as housing, transportation and food, makes the existing minimum wage rate insufficient to cover the basic needs of workers. This situation indirectly creates prolonged economic stress, especially among low-income households. At the same time, the public is also increasingly inclined to compare the local minimum wage rate with Income offers in foreign countries that are seen as more competitive and attractive, thus increasing the tendency of labor migration (Kunaifi et al., 2021). This phenomenon shows that increasing the minimum wage rate is not only seen as a domestic necessity but also as a response to changes in an increasingly open and competitive global labor market. Therefore, this study will explore the comparison of legislation on setting the minimum wage involving the concept of setting, the current economic factors and the effects that can be obtained from the perspective of maqasid syariah. To deepen the discussion, it is important to recognize that the determination of minimum wages is not merely an economic mechanism but also a public policy instrument designed to balance economic growth with social welfare. Governments are often confronted with the challenge of ensuring that wage policies protect workers' living standards while simultaneously maintaining business competitiveness and employment opportunities. Excessive wage increases may create financial burdens for employers, particularly small and medium-sized enterprises (SMEs), potentially leading to reduced hiring or workforce downsizing. Conversely, stagnant or inadequately adjusted minimum wages may weaken workers' purchasing power, increase poverty risks, and widen income inequality (Rosyid & Kunaifi, 2025). Therefore, the

formulation of minimum wage legislation requires a comprehensive consideration of various economic indicators, including inflation rates, labor productivity, economic growth, unemployment levels, and regional living costs. These factors are essential in ensuring that wage policies remain responsive to changing economic conditions while safeguarding the dignity and welfare of workers (Kunaifi & Sodik, 2026). Consequently, the effectiveness of minimum wage regulations should be evaluated not only through economic outcomes but also through their ability to promote equitable income distribution and sustainable social development.

From the perspective of *Maqasid al-Shariah*, the issue of minimum wage determination extends beyond material compensation and encompasses broader objectives of justice (*al-'adl*), human dignity (*karamah al-insan*), and social welfare (*maslahah*). Islamic economic principles emphasize that workers are entitled to fair remuneration that corresponds to their contributions and enables them to fulfill their essential needs. This principle aligns with the protection of wealth (*hifz al-mal*) and the preservation of life (*hifz al-nafs*), two fundamental objectives of the Shariah. Furthermore, an equitable wage system contributes to social stability by reducing economic disparities and preventing exploitation in labor relations.

In this regard, minimum wage legislation should not be viewed solely as a regulatory framework but as a mechanism for achieving socio-economic justice and enhancing collective well-being. Therefore, this study seeks to analyze and compare existing legislative approaches to minimum wage determination while examining their economic implications through the lens of *Maqasid al-Shariah*, thereby contributing to a more holistic understanding of wage policy in contemporary labor markets.

Literature Review

1. Concept and History of The Implementation of The Minimum Wage

The minimum wage is one of the significant economic policy instruments in regulating the labor market and ensuring the welfare of workers, especially among low-income groups. In the context of globalization and increasing economic inequality, the implementation of the minimum wage policy is seen as an important mechanism to ensure distributive justice and socio-economic stability of a country. From the point of view of definition, the minimum wage refers to the lowest rate of payment of wages established by the authorities and which the employer is obliged to comply with in the employment relationship.

According to the International Labor Organization, the minimum wage is defined as the minimum amount of remuneration payable to an employee for a certain period of work. It cannot be reduced by any individual or collective agreement. This definition emphasizes the element of legal protection as well as the mandatory binding nature of both parties to the employment contract. From a conceptual perspective, the minimum wage is rooted in the discipline of Labor Economics that examines the interaction between labor supply and employer demand. In the framework of neoclassical economic theory, setting a minimum wage above the market equilibrium rate could potentially create an oversupply of Labor, further increasing the unemployment rate (Jakubiec, 2015). However, alternative approaches such as Keynesian and institutional theories assert that the minimum wage is capable of increasing the purchasing power of workers, stimulating aggregate demand, and reducing income inequality. Thus, the minimum wage is not just an economic instrument, but also a social mechanism that reflects government intervention in ensuring a balance between market efficiency and social justice (Bomba, 2022).

In addition, the implementation of the minimum wage is driven by several key objectives, including protecting workers from exploitation, reducing poverty, and ensuring a minimum standard of living. In many countries, the setting of minimum wage rates is done through a tripartite consultation mechanism involving the government, employers and workers' representatives, to ensure that the policies formulated are inclusive and realistic.

Historically, the implementation of the minimum wage began at the end of the 19th century as a response to the exploitation of labor during the industrial era. New Zealand was one of the first countries to introduce the system in 1894, followed by Australia through the landmark Harvester Judgment which introduced the concept of "living wage". This development was later followed by other developed countries, such as the United Kingdom and the United States, through the drafting of the Fair Labor Standards Act of 1938. At the international level, the International Labour Organization plays an important role in promoting minimum wage standards as part of its fair and inclusive employment agenda. In developing countries, the implementation of the minimum wage became widespread after the Second World War as part of the national development strategy. In Malaysia, the minimum wage policy was officially introduced in 2012 through a systematic legislative framework; to improve the living standards of workers as well as reduce dependence on low-wage labour.

The implementation also reflects the government's efforts to restructure the economy towards a high-income model. In conclusion, the introduction of the minimum wage is a significant policy evolution in the development of the modern economy. It not only serves as a mechanism for labor protection, but also as a tool for government intervention in ensuring a balance between economic growth and social well-being. Thus, the effectiveness of this policy is highly dependent on the ability of a country to adapt its implementation to the current economic reality, as well as the level of labor productivity.

2. Importance of Setting the Minimum Wage

The establishment of a minimum wage is an important element of a country's economic and social policy as it serves as a basic protection mechanism for workers as well as a tool of government intervention in the labor market. Its importance can be elaborated from several key dimensions such as worker well-being, economic stability, and social justice. From the point of view of labor protection, the minimum wage ensures that low-income groups receive adequate wages to meet the basic needs of life such as food, shelter and health. In this context, the guidelines highlighted by the International Labour Organization affirm that the minimum wage serves as a "social safety net" to prevent labour exploitation, particularly in the informal sector and low-skilled jobs. Without a minimum rate, workers are at risk of receiving wages that are not commensurate with the current workload and cost of living. The minimum wage also contributes to reducing poverty and income inequality. Within the framework of the labor economy, increasing incomes for low-income groups will help narrow the gap between rich and poor groups. This is important for creating a more balanced and inclusive society. In the long term, this reduction in inequality can also reduce social problems such as crime and social instability.

From a macroeconomic perspective, setting the minimum wage can stimulate economic growth through increasing consumer purchasing power. When workers earn higher incomes, they tend to increase spending on goods and services, thus stimulating aggregate demand. This approach is in line with Keynesian economic views, which emphasize the role of demand in driving economic growth. Therefore, the minimum wage

not only benefits employees; but also contributes to the development of the business sector and the economy as a whole. In addition, the establishment of a minimum wage also promotes an increase in labor productivity and efficiency. Better wages can increase employee motivation, job satisfaction, and commitment to the organization. This, in turn reduces the rate of Labor turnover and improves the quality of output. In many cases, employers are also tempted to invest in training and technology to increase productivity, thus offsetting rising labor costs. Another interest is in the aspect of governance and standardization of the labor market. The minimum wage serves as a benchmark in the national wage structure, helping to standardize pay rates and reducing unhealthy competition between employers who try to excessively lower labor costs. It also facilitates the government to monitor and enforce fair and ethical employment practices.

In the context of Malaysia, the implementation of the minimum wage has become an important instrument in efforts to improve the living standards of the people and support the agenda of a high-income economy. It also helps to reduce dependence on cheap labour and promotes the transformation towards a skills-based economy. In conclusion, the establishment of the minimum wage has a comprehensive importance covering social, economic and institutional aspects. It is not just a labor protection policy, but also a strategic instrument in the development of the country. However, its effectiveness depends on setting a balanced rate, taking into account the cost of living, productivity levels and the current economic situation so as not to affect employment opportunities or industry competitiveness.

3. Maqasid Syariah

Maqasid Syariah is an important framework in Usul Fiqh that discusses the objectives and goals behind the implementation of Islamic law. God's purpose for you is to protect you from the evils of this world and the hereafter. This approach emphasizes that every Islamic law is not only evaluated based on purely textual arguments, but also needs to be understood based on the wisdom and goals that Sharia seeks to achieve. Therefore, Maqasid Syariah serves as an important foundation in ensuring that Islamic law remains relevant, fair, and able to deal with the changing realities of society. From a structural point of view, Maqasid Syariah is generally divided into three main levels, namely *daruriyyat*, *hajiyyat* and *tahsiniyyat* (Citrasari, 2024). *Daruriyyat* refers to the basic needs that must be preserved, such as religion, life, intellect, heredity and property, while *hajiyyat* is related to the needs that reduce difficulties in human life. *Tahsiniyyat* also includes complementary aspects that aim to beautify life from the point of view of morals and manners. All these stages show that Islamic Sharia is comprehensive and balanced in regulating human life.

In the current context, Maqasid Syariah plays a very significant role as the basis of *ijtihad* in various modern issues including economics, finance, health and administration. This approach emphasizes the principle of "attracting benefit and rejecting harm" as the main basis in the determination of the law. Therefore, Maqasid Syariah not only serves as a legal theory, but also as a practical guide in formulating policies and policies that benefit society as a whole. With this, it proves that Islamic Sharia is dynamic, flexible

Methodology

The methodology of this study is based on a qualitative approach that emphasizes a deep understanding of the phenomena studied. Primary Data was obtained through a semi-structured interview session involving ten respondents among civil servants who were selected by purposive sampling, based on the suitability of their experience and knowledge on the issues studied. This interview session aims to obtain the views, perceptions and

experiences of respondents holistically. In addition, secondary data were collected through a review of relevant previous works of scholars, including journal articles, policy reports and official documents, in accordance with the objectives of the study that have been developed to ensure the validity and accuracy of the findings. For data analysis, this study uses thematic analysis method by identifying the main themes that emerge from the interview data and literature highlights. A comparative approach is used to assess the differences and similarities in minimum wage legislation between Malaysia and Indonesia. This analysis involves examining the legal framework, implementation mechanisms as well as policy implications in both countries. The findings of this comparison are critically elaborated to provide a more comprehensive picture of the effectiveness and challenges of implementing the minimum wage policy in the regional context.

Result And Discussion

Based on the researchers' observations on the comparison of minimum wage legislation between Malaysia and Indonesia, it can be divided into three aspects, including national legal policies, current economic factors and the impact on employees, employers and the national economy. The results of the study were presented as follows:

1. Legal Basis for Setting the Minimum Wage

In Malaysia, the setting of the minimum wage is regulated by the National Wages Consultative Council Act 2011, which provides for the establishment of the National Wages Consultative Council as an advisory body to the government. Minimum wage rates are set through regularly updated Minimum wage orders based on tripartite consultations. A recent example is the implementation of the RM1, 700 per month rate through the Minimum Wage Order 2024 which will come into force in 2025. This approach reflects a structured regulatory system with an emphasis on national uniformity and law enforcement. On the other hand, Indonesia has adopted a decentralized system that empowers provincial governments to determine the minimum wage (Kunaifi & Zhilalil Haq, 2025). The main legislative framework includes Labor Law No. 13 of 2003 and reform through the latest policy on remuneration. Determination of levels is done through a layered structure involving the provincial Minimum wage (UMP), the minimum wage District/City (UMK) and the minimum wage sectoral. This approach allows adjusting rates based on local economic realities, but also creates significant variation between regions. The comparison can be seen based on aspects of basic philosophy, institutional structure as well as methods of determining rates.

In Malaysia, the setting of the minimum wage is carried out centrally through the mechanism of the National Wages Consultative Council, whose role is to advise the government before a rate is gazetted. This approach is based on the principles of social protection and economic justice, where the government acts as a key determinant to ensure a balance between the welfare of employees and the ability of employers. The setting reflects efforts to standardise the minimum standard of living across the country, despite differences in the cost of living between regions such as the Klang Valley and other states. However, this approach has often led to debate among economists and employers, particularly regarding the ability of small and medium enterprises (SMEs) to adjust their operating costs, as well as the risk of job cuts if labour costs increase dramatically. From the point of view of Maqasid Syariah, this approach contributes significantly to the

preservation of basic needs (*daruriyyat*), especially in the aspect of the protection of property (*hifz al-mal*) and life (*hifz al-nafs*). With the national minimum wage rate in place, workers are guaranteed a basic income capable of supporting minimum living needs such as food, shelter and health. This directly reduces the risk of labour exploitation and extreme poverty. In addition, this uniform approach also supports labor market stability and investor confidence due to clear and consistent policies. It also facilitates law enforcement as well as reduces uncertainty in industrial relations. However, this approach is not devoid of drawbacks. Inequality in the cost of living between urban and rural areas causes that uniform minimum wage rates do not necessarily reflect local economic realities. In this context, the objectives of *tahqiq al-maslahah* may not be optimally achieved because there are workers in different areas who face unequal levels of economic pressure.

In contrast, Indonesia displays a more complex and layered approach through a decentralized system involving the central government and local governments. While the basic formula is set at the national level, which combines indicators such as inflation and economic growth, the real determining power is at the provincial and district/city levels. This makes the minimum wage structure in Indonesia more dynamic and contextual, taking into account local economic realities such as the level of industrial development, cost of living and regional productivity. For example, the significant gap between UMP Jakarta and other regions reflects the imbalance of National Economic Development. Furthermore, Indonesia's policy of limiting the implementation of the minimum wage to new employees (less than one year) shows an emphasis on the flexibility of the labor market and the freedom of employers in setting salary structures based on employee performance and experience. From the perspective of *Maqasid Syariah*, this approach provides advantages in terms of contextual Justice. The establishment of a minimum wage based on factors such as regional inflation, cost of living, level of economic development and productivity allows workers to obtain wage rates that are more relevant to their real needs. This helps to meet the needs of *daruriyyat* and *hajiyyat* more realistically. Furthermore, this flexibility allows small and medium enterprises (SMEs) to adjust labour costs to their economic capabilities, thus supporting job creation and local economic growth. Nevertheless, this approach also faces significant challenges. Significant differences in minimum wage rates between regions can create gaps in economic and social inequality. In the context of *Maqasid Syariah*, this situation has the potential to undermine the principle of distributive justice (*al-'adl*) when there is a large imbalance between developed and less developed regions.

Comparative analysis between Malaysia and Indonesia can be refined through the *jalb al-masalih wa dar' al-mafasid* method, which attracts benefits and rejects harm. Malaysia's approach clearly emphasises efforts to maximise *maslahah* through the form of protection of workers from exploitation, guarantee of a uniform minimum income, and stability in the labour market. However, this approach has also resulted in several *mafsadah*, among which is the mismatch between salary rates and the local cost of living, a possible pressure on small employers in low-income areas. Meanwhile, Indonesia's approach highlights problems in the form of policy compatibility with local realities, increasing contextual justice and supporting regional economic growth in a sustainable and comprehensive

manner. On the other hand, the mafsadah that arises causes inequality in the determination of the minimum wage between regions in the country, the potential for instability in the labor market and challenges in consistent enforcement. Based on the above analysis, it is clear that both approaches have their own strengths and weaknesses. Malaysia tends towards stability and uniformity, while Indonesia emphasises flexibility and contextual Justice (Kunaifi et al., 2025). In the framework of Maqasid Syariah, the most ideal approach is the concept of tawazun (balance), which combines the best elements of both models. This hybrid approach can be implemented through setting the national minimum wage rate as the baseline of protection (daruriyyat), and additional adjustments at the regional level to account for differences in cost of living and productivity (hajiyyat and tahsiniyyat). This approach is not only more in line with the objectives of shariah, but also able to ensure a more comprehensive and sustainable social justice.

From the point of view of enforcement and compliance, Malaysia is seen to have a clearer and centralized system, with enforcement carried out by agencies such as the Manpower Department through monitoring and penalties to employers who fail to comply with the minimum wage order. The uniform structure facilitates monitoring because it does not involve complex rate variations. On the other hand, in Indonesia, enforcement challenges are more pronounced due to the diversity of rates by region as well as varying levels of compliance between the formal and informal sectors. In many cases, informal sector workers or small enterprises may not enjoy full minimum wage protection, thus raising issues of fairness and policy effectiveness (Ramly et al., 2022). Critically, both countries present their own strengths and weaknesses. Malaysia excels in policy uniformity and comprehensive protections for workers, but lacks flexibility in adjusting for local economic differences. Indonesia offers high flexibility and the ability to tailor policies to regional contexts, but faces challenges in terms of inequality gaps and enforcement. Thus, this comparison shows that the effectiveness of the minimum wage policy depends not only on the established rate, but also on the institutional design, efficiency of implementation, as well as the balance between the interests of employees and employers in an economic system.

Economic Factors Affecting the Establishment of the Minimum Wage

A comparison of the economic factors that influence the setting of the minimum wage in Malaysia and Indonesia shows significant differences in economic structure, level of development and Public Policy Priorities. In Malaysia, the determination of the minimum wage rate is heavily influenced by macroeconomic indicators such as inflation rate, cost of living, labour productivity and Gross Domestic Product (GDP) growth. As a high-middle-income economy with a more structured industrial structure, Malaysia tends to emphasize a holistic approach to social protection. The increase in the cost of living, especially in urban areas, has become a dominant factor in justifying the increase in the minimum wage rate. However, considerations on labour productivity and firm competitiveness also play an important role, particularly in ensuring that wage increases do not affect foreign investment and labour market stability. Therefore, the minimum wage policy in Malaysia often reflects a compromise between the need to improve the standard of living of workers and the ability of employers to bear labor costs. On the other hand, Indonesia as a country

with a large-scale economy and low to middle income, shows a more complex diversity of economic factors in setting the minimum wage (Kunaifi et al., 2022). Key factors include regional inflation, local economic growth as well as the level of industrial development in each province. Economic imbalances between regions such as Jakarta, West Java and the outer regions of Java cause the setting of the minimum wage rate to be adjusted decentrally to reflect local economic realities. In addition, the uneven level of labor productivity and the dominance of the informal sector also affect the ability to implement this policy as a whole. In this context, Indonesia emphasizes the flexibility of the labour market to ensure that the minimum wage policy does not hamper job creation, especially among small and medium enterprises.

From a comparative perspective, the factor of labor productivity becomes an important element that distinguishes the two countries. Malaysia, with a relatively higher level of education and skilled workforce, has the capacity to support a more uniform and higher minimum wage rate. On the other hand, Indonesia faces the challenge of increasing productivity evenly across the region, thus requiring a more flexible minimum wage approach. In addition, the difference in the rate of urbanization and the cost of living also play a significant role. Malaysia, despite the urban-rural gap, is still able to implement the national minimum wage rate, while Indonesia needs to take into account the very significant variation in the cost of living between regions. For example, rising food, housing and transport prices have put pressure on low-income households, prompting the government to raise the minimum wage to ensure workers' purchasing power is not eroded by inflation. At the same time, the government also took into account the country's stable economic growth rate as well as the increasing level of labor productivity in the service and manufacturing sectors. However, this implementation is done in stages for small employers, reflecting consideration of the economic capacity of small and medium enterprises (SMEs) facing increased operating costs.

In Indonesia, a clear example can be seen through the significant differences in provincial Minimum wage (UMP) rates between regions. As an illustration, Jakarta's UMP for 2026 reached around 5.7 million rupiah, while in regions such as Central Java the rate was around 2.3 million rupiah. This difference reflects the gap in the cost of living and the level of economic development between developed and less developed regions. For example, the cost of Housing and transportation in Jakarta is much higher than in rural areas, requiring a higher minimum wage to cover the basic needs of workers. In addition, regional economic growth also influences the setting of this rate; rapidly industrializing regions such as West Java tend to offer higher minimum wages than agrarian regions. Productivity factors also play a role, where regions with more skilled workforces and high-tech industries can support higher pay rates.

From the perspective of Maqasid Syariah, this approach meets the needs of daruriyyat by guaranteeing a consistent minimum income level to all employees, thus protecting aspects of property preservation (hifz al-mal) and life (hifz al-nafs). However, this uniformity also poses a challenge when the rate does not fully reflect the difference in the cost of living between regions, which can affect the achievement of real benefits (tahqiq al-maslahah). On the other hand, Indonesia adopts a decentralized approach in setting the

minimum wage by taking into account economic factors at the regional level such as local inflation, regional economic growth and the level of industrial development. This approach makes minimum wage rates vary between regions, thus being more responsive to local economic realities. Within the framework of Maqasid Shariah, this approach is in line with the principles of hajiyyat and raf' al-haraj, namely reducing the difficulties of life by adapting policies to the real needs of society. This adaptation allows workers in areas with a high cost of living to obtain more appropriate wage rates, while employers in less developed areas are not burdened with exorbitant labor costs. However, this flexibility also leads to significant inequalities between regions, which can create social and economic disparities and challenge the principle of distributive justice in Islam.

From a comparative standpoint, the two countries show a different balance in applying the principles of jalb al-masalih wa dar' al-mafasid. Malaysia places greater emphasis on attracting benefits through policy stability and comprehensive protection of workers, as well as reducing the risk of labour exploitation. However, this approach faces the risk of mafsadah in the form of a mismatch between salary rates and the reality of the local cost of living. On the other hand, Indonesia further highlights the ability of policies to adapt to local economic conditions, which results in benefits in terms of elasticity and contextual Justice. However, this approach also opens up space to mafsadah such as regional inequality and labor market instability. Overall, this analysis shows that current economic factors play an important role in shaping minimum wage policy in both countries, however the approaches taken differ based on the economic structure and policy priorities of each. From the perspective of Maqasid Syariah, both models have their own strengths in achieving benefits, but are not free from certain constraints. Therefore, a more balanced approach or tawazun that combines elements of national uniformity and regional flexibility is seen as more capable of meeting the objectives of Shariah as a whole, namely ensuring basic needs, reducing the difficulties of life, and improving the welfare of society without neglecting long-term economic stability.

A comparison of these examples shows that Malaysia relies more on national macroeconomic indicators such as inflation and economic growth in determining a uniform minimum wage rate, while Indonesia uses a micro-regional approach taking into account variations in the cost of living, productivity and local economic development. As an implication, workers in Malaysia enjoy a more uniform minimum wage standard across the country, while workers in Indonesia are faced with inequality in pay rates depending on location. However, Indonesia's approach provides advantages in terms of policy elasticity which is more responsive to local economic realities, compared to Malaysia, which emphasizes more stability and uniformity in the implementation of the minimum wage policy. Overall, this analysis shows that economic factors such as inflation, productivity, labor market structure and regional imbalances are key determinants in the formation of minimum wage policies in both countries. Malaysia emphasizes stability and policy uniformity based on national economic capacity, while Indonesia prioritizes regional elasticity and adaptation to address domestic economic heterogeneity. This difference implies that the effectiveness of a minimum wage policy depends on the extent to which it

is in line with local economic realities as well as the ability of institutions to implement and enforce the policy effectively.

Impact of Minimum Wage on Workers, Employers, and the Economy

The establishment of minimum wage is a significant economic policy instrument in influencing the well-being of workers, the cost structure of employers as well as the macroeconomic stability of a country. From the perspective of workers, the implementation of the minimum wage typically increases basic income, thereby strengthening purchasing power and living standards, especially among the low-income group. In the Malaysian context, the increase in the minimum wage rate to RM1, 700 by 2025 has helped low-skilled workers cope with the rising cost of living, especially in urban areas. For example, workers in the retail and food service sectors earn increased incomes that allow them to meet basic needs such as housing, food and transportation. However, this effect is not absolute; there are also indirect implications such as the possibility of reducing new job opportunities when employers reduce hiring to offset rising labor costs. From the employer's point of view, setting the minimum wage increases operating costs, especially for small and medium enterprises (SMEs) that have limited profit margins. In these situations, employers may respond by raising the prices of goods and services, reducing the workforce, or increasing productivity through automation and the use of technology. For example, in Malaysia and Indonesia, there is a tendency in the manufacturing sector to replace low-skilled labor with semi-automatic machines to reduce dependence on labor. In Indonesia, this effect is more pronounced in industrial regions such as Jakarta and West Java, where high provincial Minimum wage (UMP) rates encourage some companies to move operations to regions with lower labor costs, such as Central Java. This phenomenon shows that while the minimum wage is intended to protect workers, it can also trigger strategic adjustments among employers that affect the structure of the labor market.

At the macroeconomic level, the setting of the minimum wage has complex and bilateral effects. On the positive side, an increase in worker income stimulates domestic demand through increased consumer spending, further contributing to economic growth. For example, in Malaysia, the increase in the minimum wage has supported the retail and services sectors through increased household purchasing power. However, negative consequences can also arise if increased labor costs lead to cost inflation (cost-push inflation), where the price of goods increases due to higher production costs. In Indonesia, variations in the minimum wage rate between regions also affect the distribution of investment and economic development; investors tend to choose locations with lower labor costs, which can ultimately widen the development gap between developed and less developed regions. The analysis shows that Malaysia prioritizes uniformity and stability through a centralized system, while Indonesia emphasizes regional flexibility and adaptability. From a theoretical perspective, Malaysia's approach is more in line with the institutional model, while Indonesia's reflects a market-based approach with minimal but structured intervention. Both approaches have significant implications: Malaysia: fairer in

terms of equality, but less flexible and Indonesia: more adaptive, but at risk of creating regional inequalities.

The setting of the minimum wage has far-reaching implications for the structure of the labour market, the well-being of workers, business continuity and economic performance of the country. In Malaysia, the implementation of a centralized and uniform minimum wage has increased the level of social protection for workers, especially among low-income earners. The immediate effect is an increase in purchasing power and the ability to meet basic needs such as food, housing and health. From the point of view of Maqasid Sharia, this situation clearly contributes to the preservation of the daruriyyat, in particular hifz al-mal and hifz al-nafs, as workers have a stable minimum income to continue life. However, the increase in the minimum wage also has consequences for employers, especially small and medium enterprises (SMEs), which face increased operating costs. In some cases, employers may reduce hiring or increase the price of goods and services to cover these costs. This can lead to chain effects on the economy such as inflationary pressures or job cuts, which need to be handled carefully so as not to compromise the balance between masalah and mafsadah.

In Indonesia, the impact of setting the minimum wage is more complex because the approach used is decentralized. From the point of view of workers, setting the minimum wage by region allows the salary rate to be more in line with the local cost of living, thus increasing the well-being of life more realistically. This is in line with the principle of hajiyyat in Maqasid Shariah, which aims to reduce the difficulties of life through policy adjustments. However, differences in minimum wage rates between regions have created significant inequality gaps, where workers in less developed areas receive significantly lower wages compared to developed areas. From the employer's point of view, this approach is advantageous because labor costs can be adjusted to the capabilities of the local economy, thus supporting business continuity and job creation. However, the dominance of the informal sector in Indonesia has caused most workers to not fully benefit from the minimum wage policy, thus raising the issue of injustice in labor protection.

From a national economic perspective, Malaysia is showing a more stable effect as a result of the implementation of a uniform minimum wage policy. The increase in labor income contributes to the growth of domestic demand, which in turn stimulates economic activity. However, if the increase in the minimum wage does not keep pace with the increase in productivity, it can affect the competitiveness of the country and attract foreign investment. In the context of Indonesia, the impact on the economy is more heterogeneous. In developed regions, high minimum wages support economic growth and improve living standards, while in less developed regions, low pay rates help maintain employment opportunities but do little to contribute to improved well-being. This situation reflects the dilemma between the need for economic growth and social justice. Through the framework of jalb al-masalih wa dar ' al-mafasid, the two countries present a different balance of benefits and risks. Malaysia managed to attract problems in the form of worker protection and economic stability, but faced serious risks such as cost pressures on employers and cost-of-living mismatch. Indonesia, on the other hand, highlights problems in terms of flexibility and policy compatibility with local realities, but faces problems in the form of

regional inequality and labor market uncertainty (Rosyid et al., 2026). From the point of view of Maqasid Syariah, both approaches reflect the pursuit of prosperity, but still require improvements to ensure more comprehensive justice.

Overall, the impact of setting the minimum wage should be evaluated in a balanced manner, taking into account the interaction between employee welfare, employer resilience and national economic stability. While these policies have the potential to improve social well-being and reduce poverty, their implementation requires careful consideration of current factors of productivity, industrial structure and economic capacity. Therefore, a dynamic and evidence-based approach is essential to ensure that the minimum wage policy can achieve its goals without compromising long-term economic growth.

Table 1: Comparative Analysis of Minimum Wage Policies in Malaysia and Indonesia

Aspect	Malaysia	Indonesia	Maqasid Shariah Perspective
Legal Basis	National Wages Consultative Council Act 2011 and Minimum Wage Order.	Labour Law No. 13/2003 and subsequent wage regulations.	Both aim to protect workers' rights and economic welfare (<i>hifz al-mal</i>).
Policy Approach	Centralized and nationally uniform system.	Decentralized system through UMP, UMK, and sectoral wages.	Malaysia emphasizes uniform protection, while Indonesia emphasizes contextual justice.
Institutional Structure	National Wages Consultative Council advises the federal government.	Central government formulates wage formula; provincial governments determine rates.	Reflects different mechanisms to achieve public welfare (<i>maslahah</i>).
Wage Determination Method	Based on national consultations and macroeconomic indicators.	Based on inflation, economic growth, productivity, and regional conditions.	Indonesia better accommodates local needs; Malaysia provides stronger national protection.
Economic Considerations	Inflation, GDP growth, labour productivity, cost of living, competitiveness.	Regional inflation, local economic growth, industrial development, productivity.	Both seek to balance welfare and economic sustainability.
Cost of Living Adjustment	Limited regional differentiation despite cost variations.	Explicitly reflects regional cost-of-living differences.	Indonesia aligns more closely with <i>raf' al-haraj</i> (reducing

			hardship).
Labour Productivity Consideration	Higher and relatively uniform productivity supports national wage policy.	Productivity differs significantly across provinces.	Supports wage fairness according to economic capability.
Enforcement Mechanism	Centralized monitoring and enforcement by labour authorities.	Enforcement varies across regions and sectors.	Malaysia provides stronger legal certainty and compliance.
Advantages for Workers	Uniform protection, stable minimum income, reduced exploitation.	Wages better reflect local living costs.	Protects <i>hifz al-nafs</i> and <i>hifz al-mal</i> .
Advantages for Employers	Regulatory certainty and predictable labour costs.	Greater flexibility according to regional economic conditions.	Supports business sustainability (<i>maslahah iqtisadiyyah</i>).
Challenges for Workers	Wage may not reflect actual local living expenses.	Significant regional wage disparities.	Potential injustice in achieving equitable welfare.
Challenges for Employers	Higher labour costs, especially for SMEs.	Administrative complexity and varying compliance levels.	Risk of economic burden leading to <i>mafsadah</i> .
Macroeconomic Impact	Supports domestic demand and labour market stability.	Encourages regional economic adaptation but may widen disparities.	Both seek economic prosperity while minimizing harm.
Main Benefit (Maslahah)	Social protection, wage standardization, market stability.	Flexibility, contextual justice, regional responsiveness.	Realization of welfare and protection of essential needs (<i>daruriyyat</i>).
Main Risk (Mafsadah)	Mismatch between wages and local cost of living.	Regional inequality and labour market uncertainty.	Potential deviation from distributive justice (<i>al-'adl</i>).
Ideal Policy Model	National protection baseline.	Regional flexibility mechanism.	Hybrid model (<i>tawazun</i>): national minimum standard with regional adjustments.

Source: Result and Discussion, Processed.

Table 2: Summary of *Jalb al-Masalih wa Dar' al-Mafasid* Analysis

Country	Maslahah (Benefits)	Mafsadah (Potential Harms)
Malaysia	Uniform worker protection, stable labour market, easier enforcement, investor confidence.	Cost-of-living mismatch, pressure on SMEs, potential job reductions.
Indonesia	Contextual justice, regional flexibility, support for SMEs and local economic growth.	Wage inequality among regions, enforcement challenges, labour market uncertainty.

Source: Result and Discussion, Processed.

The comparison as shown on table 1 and table 2 demonstrates that Malaysia prioritizes stability, uniformity, and legal certainty, whereas Indonesia prioritizes flexibility, contextual adaptation, and regional responsiveness. From the perspective of *Maqasid Shariah*, neither model is fully optimal in isolation. A hybrid wage framework (*tawazun*) that combines a nationally guaranteed minimum standard (*daruriyyat*) with regional adjustments based on cost of living and productivity (*hajiyyat* and *tahsiniyyat*) appears to be the most appropriate model for achieving sustainable social justice and economic welfare.

Conclusion

From the perspective of *Maqasid Syariah* in *Usul Fiqh*, the conclusion on the comparison of the minimum wage in Malaysia and Indonesia can be elaborated more deeply through the framework of *daruriyyat*, *hajiyyat* and *tahsiniyyat* as well as the basic principles of *jalb al-masalih wa dar' al-mafasid* (attracting benefit and rejecting harm). firstly, from the point of view of *daruriyyat* (basic needs), the establishment of the minimum wage in both countries serves directly in preserving the basic elements of human life, in particular the preservation of property (*h.al al-Mal*) and life (*h.z h Naf Al-nafs*). In this context, Malaysia's centralised and uniform approach aligns more closely with *daruriyyat*'s objectives as it sets a national minimum standard aimed at protecting all workers from extreme wage exploitation. This rate stability helps to guarantee at least a consistent level of basic income, thus reducing the risk of extreme poverty and inadequacy of basic needs. However, if the rate is not in line with the real cost of living in a particular area, then the achievement of the *Maqasid* from the point of view of reality (*tahqiq al-maslaiah*) cannot be optimal.

Second, from the *hajiyyat* (supporting needs) point of view, Indonesia's decentralised approach highlights the element of poverty reduction (*raf' al-araj*) as it allows for the adjustment of the minimum wage based on regional economic conditions such as inflation, productivity and the local cost of living. This suggests an attempt to achieve more flexible contextual justice. However, too large variations in rates between regions can create social and economic imbalances, which to some extent can challenge the principle of distributive justice in *Shariah*, particularly when there is a significant gap between developed and less developed regions. Third, from the perspective of *tahsiniyyat* (complementary needs), both countries are still trying to improve the quality of life of workers through better minimum wage policies from time to time. This includes efforts to improve the well-being of employees, improve industrial relations, and promote a more ethical and productive work culture. However, the achievement of this level is highly dependent on the effectiveness of the implementation of the policy as well as the level of compliance of the employer. Moreover, if analyzed through the principle of *maslahah* and *mafsadah*, the two models show a different

balance. Malaysia is more inclined towards general issues through uniformity and stability, while Indonesia emphasises locality-specific issues through flexibility. However, both are also faced with a particular dilemma: Malaysia risks a rate mismatch with local economic realities, while Indonesia risks creating significant regional inequalities and uncertainties to the labour market.

Therefore, from the point of view of Maqasid synthesis, it can be concluded that no one model is absolutely perfect, but both can be improved through the approach of tawazun (balance) between national uniformity and regional flexibility. This hybrid approach is more in line with the objectives of Shariah because it is able to guarantee the needs of the work entrusted. In conclusion, the maqasid analysis shows that the minimum wage is not only an economic instrument, but also a social justice mechanism that must be managed in a balance between economic reality and Shariah principles. The most ideal approach is one that is able to achieve a comprehensive *maslahah* (al-*maslahah al-'ammah*) without sacrificing long-term economic stability and well-being of society.

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