

Integrating Compensating Wage Differential Theory and Maqashid Shariah in the Determination of Wages for High-Risk Workers: Towards an Islamic Labor Compensation Framework

Ahmad Miftahuddin^{1*}

¹ UIN Sunan Gunung Djati Bandung, Indonesia

*Corresponding author: miftah0910@gmail.com

Abstract: This study examines the integration of compensating wage differential (CWD) theory and maqashid shariah in the determination of wages for high-risk workers. The central problem addressed in this research arises from the inequities embedded in modern wage systems, which tend to treat occupational risk merely as an economic commodity mediated through labor-market mechanisms. In practice, workers in hazardous sectors—such as mining, construction, oil and gas, healthcare, and the informal economy—frequently confront substantial occupational risks without adequate protection or compensation. Although CWD theory accounts for the relationship between occupational risk and additional wage compensation, the approach remains essentially utilitarian and pays limited attention to the moral dimension, social justice, and the protection of human life. Against this backdrop, the study aims to develop an integrative, maqashid-based model of wage determination for high-risk workers. Methodologically, it adopts a qualitative conceptual approach, employing an integrative literature review that draws on labor economics, Islamic economics, and classical Islamic scholarship. The analysis combines thematic analysis, a maqashid shariah approach, and comparative analysis. The findings indicate that an Islamic compensation system should integrate five principal components: basic wage, risk compensation, welfare protection, a spiritual–ethical dimension, and occupational safety obligation. On this basis, the study advances a conceptual Islamic Risk Compensation Framework as a theoretical contribution to the development of Islamic labor economics. In practical terms, the proposed model may serve as a foundation for designing fairer, more humane, and more sustainable wage policies for high-risk workers in Muslim-majority countries such as Indonesia.

Keywords: Compensating Wage Differential; Maqashid Shariah; High-Risk Workers; Wage Determination; Islamic Labor Economics.

Introduction

1. Background

The advance of industrialization and the expansion of modern economic sectors in Indonesia have intensified the demand for labor in high-risk industries, including mining, construction, oil and gas, healthcare, and the informal economy. In practice, workers in these sectors are exposed to a range of occupational hazards, from workplace accidents and exposure to dangerous substances to psychological strain and even threats to life (International Labour Organization, 2025). Data from the Indonesian Ministry of Manpower indicate that the incidence of occupational accidents in Indonesia remains comparatively high and is dominated by the construction, mining, and manufacturing sectors (Ministry of Manpower, 2025). These conditions underscore that occupational risk constitutes a strategic issue within the national employment system.

Although high-risk workers contribute substantially to national economic growth, the modern wage system in Indonesia continues to exhibit various forms of inequity. In many cases, workers in hazardous sectors do not receive compensation that is proportionate to the level of risk they bear (Rosen, 1986). This imbalance is evident in inadequate social protection, employment insecurity, and weak occupational-safety standards, particularly in the informal sector and in contractual work (Fields, 2011). The phenomenon becomes increasingly complex when firms prioritize the efficiency of production costs over the protection and welfare of their workers.

From the perspective of labor economics, these conditions can be explained through compensating wage differential (CWD) theory. The theory holds that jobs entailing greater risk or discomfort should offer higher wage compensation as a form of redress for the risks borne by workers (Smith, 1776). First articulated by Adam Smith, the concept was subsequently elaborated through the hedonic wage approach, which explicates the relationship between job characteristics and wage levels (Rosen, 1974). Accordingly, workers in hazardous sectors should receive a risk premium as an economic offset for occupational risk.

Nevertheless, conventional approaches to risk compensation tend to be oriented toward market mechanisms and economic utility alone. Such perspectives do not fully account for ethics, morality, and the protection of human life within the employment relationship (Stiglitz, 1987). In the context of a Muslim-majority country such as Indonesia, an Islamic economic perspective offers a more comprehensive view of wage justice and worker protection.

Islam positions the worker as a subject who must be treated fairly and with dignity. The principle of wage justice in Islam is reflected in the concepts of *ujrah* and the *ijarah* contract, both of which emphasize a balance between the rights and obligations of the contracting parties (Al-Ghazali, 2005). Furthermore, *maqashid shariah* identifies the preservation of life (*hifz al-nafs*), the preservation of property (*hifz al-mal*), and the preservation of human dignity as primary objectives of the *Shariah* (Al-Shatibi, 2004). Workers facing high risk should therefore receive adequate protection and compensation, grounded not merely in market logic but also in the values of social justice and humanity.

In this context, integrating compensating wage differential theory with *maqashid shariah* becomes essential for constructing a wage model for high-risk workers that is not only economically efficient but also ethically and religiously just. Such an integrative approach is expected to provide a conceptual alternative to the modern wage system, which has tended to be materialistic and utilitarian in character.

Conventional wage theory generally emphasizes labor-market efficiency and the relationship between productivity and wage levels (Borjas, 2020). Within this framework, risk compensation is regarded as the outcome of the interaction between labor supply and demand through market mechanisms. Although this approach can explain inter-occupational wage differentials, it has not adequately integrated the ethical, moral, and humanitarian dimensions of the wage system.

Islamic economics, by contrast, devotes considerable attention to social justice, worker welfare, and the protection of vulnerable groups. Even so, Islamic economic scholarship on occupational risk compensation remains relatively limited and has not yet matured into an operational, *maqashid*-based model of wage determination for high-risk workers (Chapra, 2000). Consequently, no integrative framework has yet emerged that links compensating wage differential theory with the principles of justice in Islam.

The absence of a *Shariah*-based risk-compensation model means that employment policy in Muslim countries, including Indonesia, continues to draw heavily on conventional paradigms oriented solely toward economic efficiency. Yet workers in hazardous sectors require more comprehensive protection, encompassing both economic and humanitarian dimensions.

The phenomenon of high-risk work in Indonesia continues to reveal weak labor protection and compensation, particularly in the mining and extractive industries. In coal mining, workplace accidents remain frequent, driven by hazardous working conditions, unsafe acts, and weak implementation of occupational safety. Studies of mining workers show that accidents are generally precipitated by low compliance with safety procedures, insufficient supervision, and high-risk working environments (Muhamad et al., 2021).

A similar pattern is found in the limestone mining area of PT Semen Padang. Research indicates that although the company has provided personal protective equipment and standard operating procedures, accidents still occur because of workers' limited knowledge and the weak implementation of the occupational safety system. Company records document a range of accidents, from minor to severe, across the mining area (Kristiawan et al., 2020). These conditions demonstrate that financial compensation alone is insufficient to guarantee worker protection.

In addition, large-scale mining operations such as PT Freeport Indonesia also face serious challenges relating to worker safety and protection. A study of the implementation of the national social-security scheme (BPJS Ketenagakerjaan) in the Freeport working environment highlights the importance of social security and occupational-safety protection for workers in high-risk sectors (Napitupulu et al., 2025). This evidence shows that high-risk workers require a compensation system that rests not only on wage supplements but also on comprehensive social protection and occupational safety.

Theoretically, hedonic wage theory and compensating wage differential theory are built on the assumptions of utilitarianism and individual economic rationality (Cahuc et al., 2014). These approaches conceive of risk compensation as a trade-off between wages and the level of occupational risk. They have not, however, incorporated the spiritual, ethical, and social-responsibility dimensions emphasized in Islamic economics.

Islamic economic scholarship, for its part, has dealt more extensively with distributive justice, zakat, and social welfare than with the wage-risk trade-off or occupational risk compensation. Research on the relationship between occupational risk, labor protection, and *maqashid shariah* remains very limited, particularly with respect to the development of an Islamic wage model.

Empirically, studies that integrate labor economics, Islamic economics, and occupational risk compensation are likewise scarce. Most existing work focuses on labor compensation from a conventional economic standpoint or discusses Islamic economics without linking it to modern labor theory (Askari et al., 2015). An integrative study capable of bridging the two approaches is therefore needed in order to generate a fairer and more sustainable wage model for high-risk workers.

2. Compensating Wage Differential Theory

Compensating wage differential (CWD) theory is one of the foundational theories in labor economics. It explains that differences in wage levels across jobs may stem from differences in job characteristics, especially the level of risk and discomfort involved. The concept was first introduced by Adam Smith in *The Wealth of*

Nations, who argued that jobs that are more arduous, dangerous, or unpleasant must offer higher wage compensation than safer and more agreeable work (Smith, 1776).

The theory was subsequently reinforced through the hedonic wage approach developed by Rosen (1974). In this approach, wages are viewed as the outcome of the interaction between workers' preferences regarding risk and firms' decisions about the level of safety to provide. Consequently, the labor market determines wage levels not only on the basis of productivity but also on the basis of the non-monetary attributes of a job.

Within CWD theory, workers are assumed to weigh the relationship between the wage level and the probability of occupational risk—the wage–risk trade-off. Occupational risk is represented by the probability of a workplace accident or injury, denoted by ρ (rho), while worker utility is determined by the function $Utility = f(w, \rho)$. This expression indicates that worker utility is influenced by the wage level (w) and the probability of occupational risk (ρ); workers tend to demand higher wages as occupational risk increases (Ehrenberg & Smith, 2018). Under competitive labor-market conditions, high-risk jobs offer additional compensation in the form of a risk premium, expressed as $w_1 - w_0$, where w_1 denotes the wage in the risky job and w_0 the wage in the safe job. This differential reflects the additional compensation for the occupational risk that workers face (Borjas, 2020).

Another important concept in CWD theory is the reservation wage, namely the minimum wage a worker is willing to accept to perform a given job at a given level of risk (McConnell et al., 2019). Workers with low risk tolerance tend to have a higher reservation wage than those who are more tolerant of risk.

Rosen also developed the concept of the hedonic wage function—the empirical relationship between wage levels and job characteristics observed in the labor market. Within this function, workers self-select into jobs according to their respective risk preferences, while firms determine the level of safety on the basis of the cost of producing safety and of labor productivity.

From a labor-market perspective, CWD theory describes the interaction between labor supply–risk and labor demand–risk. On the supply side, the higher the risk compensation offered, the more workers are willing to enter risky jobs (Cahuc et al., 2014). On the demand side, by contrast, firms weigh the additional cost arising from higher risk compensation against the productivity benefits obtained (Rosen, 1986). Labor-market equilibrium is attained when the number of workers willing to accept risky jobs equals the number of workers that firms require.

Although CWD theory can explain the relationship between occupational risk and wage levels in economic terms, the approach remains oriented toward individual utility and market efficiency. Ethics, social justice, and the protection of human life are not central concerns within this conventional model (Stiglitz, 1987).

3. Wage Determination in Islamic Economics

Islamic economics regards wages as a right of the worker that must be granted fairly, in proportion to contribution, capability, and the difficulty of the work. The concept of wages in Islam is oriented not only toward economic efficiency but also toward the moral, spiritual, and social-welfare dimensions. In *fiqh muamalah*, the employment relationship is governed through the *ijarah* contract, namely a contract for the use of a person's services or labor in exchange for a specified remuneration (*ujrah*).

The concept of *ujrah* affirms that workers are entitled to fair and proportionate compensation for the work they perform. Islam prohibits all forms of labor exploitation, the delayed payment of wages, and injustice within the industrial relationship (Mannan, 1997). This is affirmed in the hadith of the Prophet Muhammad (peace be upon him): “Give the worker his wages before his sweat dries” (Ibn Majah, 2009).

The principle of distributive justice in Islam is reflected in the Qur'an, Surah An-Nahl (16:90), which affirms the importance of justice and beneficence in all economic activity. In addition, Surah Al-Mutaffifin issues a stern warning against the practice of diminishing others' rights and against dishonesty in economic transactions. The Islamic wage system must therefore guarantee a balance between the rights of the worker and the interests of the firm.

In Islamic economics, wages are also linked to the concept of worker welfare. Chapra explains that the goal of the Islamic economic system is not merely productive efficiency but the attainment of comprehensive human well-being (*falah*) (Chapra, 2000). High-risk workers should therefore receive additional protection and compensation that reflect the principles of social justice and the preservation of human dignity.

In contrast to the conventional economic approach, which emphasizes market mechanisms, Islamic economics positions the state and the firm as parties responsible for the protection of workers (Naqvi, 2003). Wage determination in Islam is thus not based solely on labor-market interaction but also takes into account ethical values and the broader social interest (*maslahah*).

4. Maqashid Shariah Framework

Maqashid shariah constitutes the framework of higher objectives of Islamic law, which aim to safeguard human well-being. According to Al-Shatibi, maqashid shariah encompasses the preservation of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-aql*), lineage (*hifz al-nasl*), and property (*hifz al-mal*) (Al-Shatibi, 2004). In the employment context, several dimensions of maqashid shariah bear directly on the wage system for high-

risk workers.

First, *hifz al-nafs* emphasizes the importance of protecting the life and safety of workers. Jobs that pose a high risk to occupational health and safety require greater protection, both through occupational-safety standards and through adequate risk compensation (Auda, 2008).

Second, *hifz al-mal* concerns the protection of workers' economic rights. Islam mandates the payment of fair wages and prohibits labor exploitation. In the context of risky work, additional compensation can be regarded as part of the protection of workers' economic rights (Dusuki & Abdullah, 2007).

Third, *hifz al-karamah al-insaniyyah*, or the protection of human dignity, emphasizes that workers must be treated humanely and with dignity (Kamali, 2010). Workers must not be positioned merely as factors of production but as human beings entitled to safety, welfare, and social protection.

Viewed through the lens of *maqashid syariah*, the compensation of high-risk workers is understood not only as an economic exchange but also as a form of the firm's moral and social responsibility toward its workers. The Islamic wage system must therefore balance economic efficiency with the protection of human life and welfare.

5. Islamic Perspective on Occupational Risk

From an Islamic perspective, the firm bears a moral and social responsibility for the safety of its workers (Beekun, 1997). The principle of responsibility (*mas'uliyah*) requires firms to provide a safe working environment and to minimize the risk of workplace accidents. Occupational risk must not, therefore, be transferred wholly onto workers through market mechanisms alone.

Islam also emphasizes the importance of worker protection through the provision of accident compensation, social security, and occupational-health protection (Hasan, 2017). Throughout Islamic history, the concept of social responsibility toward workers has been operationalized through the institution of the *baitul mal* and through mechanisms of social protection for vulnerable groups (Islahi, 2005).

In Islam, compensation for workplace accidents is regarded not merely as a legal obligation but also as part of the realization of social justice. Siddiqi explains that social justice in Islamic economics calls for a fairer distribution of economic benefits and for the protection of groups that face greater risk (Siddiqi, 2001).

The Islamic approach to occupational risk thus has a broader scope than conventional economic theory. Islam considers not only financial compensation but also the protection of life, social welfare, and the firm's moral responsibility toward its workers.

On the basis of the foregoing background and the identified research gap, this study formulates the following research questions:

1. How does compensating wage differential theory explain the compensation of high-risk workers?
2. How does *maqashid syariah* view the compensation of occupational risk?
3. How can an integrative, Shariah-based model of wage determination be developed for high-risk workers?

Accordingly, this study aims to:

1. analyze compensating wage differential theory in the determination of wages for high-risk workers;
2. examine the *maqashid syariah* perspective on occupational risk compensation; and
3. construct an integrative, *maqashid*-based Islamic wage model for high-risk workers.

This study offers a theoretical contribution by integrating labor economics and Islamic economics within the discussion of high-risk worker compensation. Such integration is expected to broaden the development of wage theory, which has hitherto been dominated by utilitarian and market-economy approaches.

In practical terms, the study provides recommendations for a fairer wage system for workers in high-risk sectors in Indonesia. The model developed here may serve as a reference for firms in formulating compensation policies grounded in worker protection and social justice.

The study likewise contributes to the development of Shariah-based employment policy through the design of an Islamic labor compensation policy. The model is expected to support the formation of a national wage system that is more inclusive, more equitable, and oriented toward the protection of human dignity.

Method

This study adopts a qualitative approach with a conceptual-paper design, employing an integrative literature review. This approach was selected in order to integrate compensating wage differential theory in labor economics with the *maqashid syariah* perspective in Islamic economics. The research focuses on developing a conceptual model of wage determination for high-risk workers grounded in the values of justice and labor protection.

Data were drawn from academic sources, including Scopus-indexed international journals, books on labor economics, Islamic economics, and Islamic human resource management, as well as classical Islamic literature addressing the concepts of *ijarah*, *ujrah*, and *maqashid syariah*. In addition, the study draws on Indonesian employment regulations and case studies of high-risk-sector workers to strengthen the empirical context.

The analysis combines thematic analysis, a *maqashid syariah* approach, and comparative analysis. Thematic analysis was used to identify the principal themes relating to occupational risk compensation and wage justice.

The *maqashid shariah* approach was used to evaluate the protection of life, welfare, and the dignity of workers. Comparative analysis was then conducted to contrast the conventional and Islamic economic perspectives within the wage system for high-risk workers.

Results and Discussion

1. Conventional Perspective on Risk Compensation

From the conventional labor-economics perspective, occupational risk compensation is understood as a market mechanism that arises from differences in job characteristics, particularly the level of risk and workplace hazard. Compensating wage differential (CWD) theory explains that jobs entailing higher risk offer additional compensation in the form of a *risk premium* in order to attract labor (Smith, 1776). Wage levels are thus determined not only by worker productivity but also by the level of risk inherent in the job.

In a competitive labor market, workers are assumed to be rational and to maximize utility by weighing the wage level against the probability of occupational risk (Borjas, 2020). Workers willing to accept high-risk jobs receive greater compensation than those in relatively safe sectors. This mechanism produces a labor-market equilibrium through the interaction between labor supply and firms' demand for high-risk workers.

The conventional approach rests on a utilitarian framework that views occupational risk as an economic commodity exchangeable for financial compensation (Bentham, 1717). Within this framework, workplace safety is frequently positioned as part of the firm's production-cost calculus: the greater the occupational risk, the higher the compensation cost the firm must pay to workers.

Nevertheless, this approach exhibits several fundamental weaknesses. First, CWD theory tends to be excessively materialistic, since it assumes that all occupational risk can be offset through wage supplements (Rosen, 1986). In practice, risks to workers' health, life, and quality of life cannot always be measured in financial terms. Second, the utilitarian approach neglects the moral and humanitarian dimensions of the employment relationship (Stiglitz, 1987). Workers are regarded merely as rational economic agents, while human dignity, social justice, and the firm's moral responsibility receive insufficient attention.

In practice, the compensating wage differential mechanism does not always yield optimal worker protection. Numerous accident cases in Indonesia's mining sector demonstrate that additional risk compensation is not necessarily accompanied by improvements in workplace safety. A study of PT Semen Padang found that most accidents were attributable to weak implementation of the occupational health and safety (OHS) system, workers' limited knowledge, and ineffective safety communication (Kristiawan et al., 2020). Indeed, in several mining areas, moderate-to-high accident risks persisted even though firms had implemented occupational-safety procedures (Muhamad et al., 2021).

This phenomenon reveals the limitations of the conventional economic approach, which tends to regard occupational risk solely as an object of economic exchange. From the utilitarian standpoint, workers are assumed to be willing to accept higher risk so long as they receive additional financial compensation. In reality, however, risks to workers' life and health cannot be reduced to wage supplements alone. The *maqashid shariah* approach therefore becomes relevant, as it positions the protection of workers' lives as the foremost priority within the industrial relationship.

Criticism of the conventional approach also arises because market mechanisms do not always produce fair compensation, particularly in developing countries such as Indonesia (Fields, 2011). Informal-sector workers, miners, and construction workers frequently face high risk without obtaining adequate protection or compensation. These conditions indicate that the labor-market mechanism has not been able to guarantee distributive justice within the wage system for high-risk workers.

2. Maqashid Shariah Perspective on Risk-Based Wage

From the perspective of *maqashid shariah*, the compensation of high-risk workers is regarded not merely as an economic transaction but as part of the protection of fundamental human rights. *Maqashid shariah* places the preservation of life (*hifz al-nafs*) among the primary objectives of the Shariah that must be safeguarded in all economic activity, including the industrial relationship and the wage system (Al-Shatibi, 2004).

The importance of protecting workers' lives (*hifz al-nafs*) is also evident in the growing need for employment social security in high-risk sectors in Indonesia. A study of the implementation of the national social-security scheme (BPJS Ketenagakerjaan) in the PT Freeport Indonesia mining environment shows that mining workers require more comprehensive social protection because of the high probability of workplace accidents (Napitupulu et al., 2025). From a *maqashid shariah* perspective, the protection of workers is realized not only through financial compensation but also through health coverage, post-accident rehabilitation, and the protection of workers' family welfare.

Accordingly, *maqashid shariah* views the compensation system for high-risk workers as part of the firm's moral responsibility to safeguard human safety, welfare, and dignity. This approach differs from the conventional

wage system, which places greater emphasis on labor-market efficiency.

Jobs with a high level of risk have the potential to threaten workers' lives and health. Islam therefore demands greater protection for high-risk workers through the provision of a safe working environment, social security, and fair compensation (Auda, 2008). In this context, risk compensation is not merely an economic exchange but also a form of the firm's moral responsibility toward its workers.

The *maqashid shariah* perspective further emphasizes the importance of balancing the pursuit of firm profit with respect for human dignity (Chapra, 2000). Islam does not reject economic profit; however, such profit must be obtained through fair mechanisms that do not harm workers. Firms are thus not permitted to enhance profitability at the expense of the safety and welfare of their workforce.

The concept of ethical compensation in Islamic economics emphasizes that the wage system must reflect the values of justice, social concern, and worker welfare. Wages are viewed not only as economic remuneration for labor but also as an instrument for the distribution of welfare and social protection. High-risk workers should therefore receive additional compensation that takes into account the safety, health, and social impact of the work they perform.

In the Indonesian context, the *maqashid shariah* approach is relevant to hazardous sectors such as mining, construction, oil and gas, and healthcare. This approach can serve as an alternative to the conventional wage system, which tends to be oriented toward cost efficiency and offers minimal worker protection.

3. Integrative Model Development

On the basis of the analysis of compensating wage differential theory and *maqashid shariah*, this study develops an integrative model of wage determination for high-risk workers grounded in Islamic economic principles. The model seeks to integrate economic efficiency with the protection of human life and the firm's moral responsibility. The integrative model comprises five principal components.

a. Basic Wage

The basic wage is the foundational wage granted to workers on the basis of the type of work, skills, productivity, and the standard of a decent standard of living (Mannan, 1997). From an Islamic perspective, the basic wage must be capable of decently meeting the basic needs of the worker and his or her family.

b. Risk Compensation

The second component is risk compensation—the additional compensation granted to workers for the occupational risk they face (Cahuc et al., 2014). The level of risk compensation is determined by the degree of job hazard, the probability of accidents, and the potential long-term health effects on workers.

c. Welfare Protection

This component encompasses the protection of worker welfare through health coverage, work insurance, accident compensation, and other forms of social protection (Hasan, 2017). From a *maqashid shariah* perspective, welfare protection forms part of the effort to preserve workers' lives (*hifz al-nafs*) and property (*hifz al-mal*).

d. Spiritual–Ethical Dimension

The model also incorporates a spiritual and ethical dimension as a defining characteristic of the Islamic wage system (Islamic work ethics). Firms are responsible not only economically but also morally and religiously for the welfare of their workers. Compensation policy must therefore take into account the principles of justice, trustworthiness (*amanah*), and the broader social interest (*maslahah*).

e. Occupational Safety Obligation

The final component is the firm's obligation to provide adequate occupational-safety standards (consistent with ILO standards). Islam emphasizes that occupational-safety protection cannot be fully replaced by financial compensation. Firms therefore remain obligated to minimize occupational risk through an effective occupational-safety system.

Taken together, the integrative model demonstrates that the compensation of high-risk workers must not depend on labor-market mechanisms alone; it must also attend to the ethical, welfare, and humanitarian dimensions.

4. Proposed Islamic Compensation Framework

Drawing on this conceptual synthesis, the study proposes the following Islamic Risk Compensation Framework:

$$IW = BW + RC + SW + EP$$

where:

- IW = Islamic Wage
- BW = Basic Wage
- RC = Risk Compensation
- SW = Social Welfare Component
- EP = Ethical Premium

The model indicates that the Islamic wage system comprises not only a basic wage and risk compensation but also a social-welfare component and an ethical dimension (Askari et al., 2015). The ethical premium represents the principal conceptual contribution of this study, reflecting the firm's moral responsibility toward its workers.

Within this model, high-risk workers receive not only a wage supplement on account of occupational risk but also social protection and recognition of their human dignity. The wage system thereby becomes more inclusive and equitable and more closely aligned with the objectives of *maqashid shariah*.

5. Policy Implications

The findings of this study carry a number of policy implications for various stakeholders.

a. Government

The government needs to develop employment regulations that give greater attention to the protection of workers in high-risk sectors. Such regulations may encompass minimum standards for risk compensation, social-protection obligations, and the strengthening of occupational-safety oversight.

b. Halal Industry

The halal industry needs to integrate the principles of *maqashid shariah* into its wage and worker-protection policies. Implementing an Islamic compensation system can strengthen the ethical image of the halal industry while improving worker welfare.

c. Shariah-Based Firms

Shariah-based firms are expected to focus not only on formal compliance with Shariah principles but also on implementing a fair and humane wage system (Beekun, 1997). A *maqashid*-based compensation model can form part of a firm's sustainability strategy.

d. Human Resource Management

In the field of human resource management (HRM), this study provides a conceptual foundation for developing an Islamic HRM more strongly oriented toward worker protection and social welfare (Ali & Al-Owaidan, 2008). A *maqashid*-based compensation system can enhance worker loyalty, motivation, and productivity.

e. Labor Regulation

The study also contributes to the development of labor regulation grounded in Islamic values, particularly in Muslim-majority countries such as Indonesia (Naqvi, 2003). This approach can serve as an alternative for creating an employment system that is fairer, more inclusive, and more sustainable.

Conclusion

This study set out to integrate compensating wage differential (CWD) theory with the *maqashid shariah* perspective in the determination of wages for high-risk workers. On the basis of the conceptual inquiry and literature analysis, the study finds that CWD theory can explain the relationship between the level of occupational risk and wage compensation through labor-market mechanisms. From the conventional economic standpoint, workers facing higher risk obtain a risk premium as compensation for the occupational hazards they confront. This approach, however, remains dominated by a utilitarian and materialistic paradigm that treats occupational risk merely as an economic commodity.

The study also finds that the *maqashid shariah* perspective offers a more comprehensive approach to the compensation of high-risk workers. The principles of preserving life (*hifz al-nafs*), preserving property (*hifz al-mal*), and protecting human dignity (*hifz al-karamah al-insaniyyah*) indicate that workers are to be regarded not merely as factors of production but as human beings whose rights and welfare must be protected. In this light, occupational risk compensation cannot consist of wage supplements alone; it must also encompass social protection, occupational safety, and respect for the dignity of workers.

Drawing on a synthesis of labor economics and Islamic economics, the study develops the Islamic Risk Compensation Framework, comprising five principal components: basic wage, risk compensation, welfare protection, the spiritual-ethical dimension, and occupational safety obligation. The model affirms that the Islamic wage system must integrate economic efficiency with the values of social justice and the firm's moral responsibility.

The principal novelty of this study lies in its effort to integrate compensating wage differential theory and *maqashid shariah* within a framework for the compensation of high-risk workers. The study not only extends labor-economics scholarship from the perspective of Islamic ethics but also offers a new conceptual model—an Islamic labor compensation framework—that can serve as a foundation for developing Shariah-based employment policy. This conceptual contribution is significant given that scholarship on occupational risk compensation within Islamic economics remains relatively limited.

In practical terms, the study carries implications for governments, firms, and human resource managers in designing fairer and more humane wage systems. For governments, the model can serve as a basis for developing compensation regulations for workers in high-risk sectors. For Shariah-based firms and the halal industry,

implementing a maqashid-based compensation system can enhance worker protection while reinforcing ethical and sustainable business practices. The study likewise offers an academic implication by broadening the integration of labor economics, Islamic economics, and Islamic human resource management.

On the basis of these findings, it is recommended that the wage system for high-risk workers in Indonesia rely not only on market mechanisms but also take into account distributive justice, occupational safety, and social protection. Governments and firms need to develop more comprehensive risk-compensation standards, particularly in the mining, construction, oil and gas, healthcare, and informal sectors, which carry high levels of risk.

Research Limitations

This study is subject to several limitations that merit attention. First, the study is conceptual in nature and adopts a qualitative, literature-based approach; it therefore does not empirically test the model developed. As a result, the operational validity of the Islamic Risk Compensation Framework still requires verification through field research and statistical testing.

Second, the study remains confined to a theoretical analysis of the relationship between compensating wage differential theory and maqashid shariah and does not incorporate primary data from workers in high-risk sectors. Yet the characteristics of occupational risk may differ across industrial sectors and geographical regions.

Third, the limited availability of data on occupational risk compensation in Indonesia's informal sector also constrains the development of a more applicable model. Most employment research and data continue to focus on the formal sector, whereas informal workers frequently face high occupational risk with minimal protection.

Fourth, the study has not examined in depth the institutional and regulatory factors that influence the implementation of a Shariah-based wage system in modern industry. The findings therefore require further development before they can be applied in practice within national employment policy.

Future Research

In light of these limitations, several agendas for future research can be pursued. First, empirical research is needed to test the validity of the Islamic Risk Compensation Framework across various high-risk occupational sectors, such as mining, construction, oil and gas, and healthcare. Such empirical testing may employ quantitative approaches, structural equation modeling (SEM), or mixed-methods designs.

Second, future studies could develop an Islamic HR analytics approach to measure the relationships among Shariah-based compensation, occupational safety, productivity, and worker welfare. This approach is important for integrating human-resource analytics technology with the values of maqashid shariah.

Third, future research could develop an Islamic fair-wage index as an instrument for measuring the level of wage justice for workers. Such an index might incorporate indicators of risk compensation, social protection, occupational safety, and the firm's ethical dimension.

Fourth, comparative cross-country analysis is needed in order to compare the implementation of compensation systems for high-risk workers across Muslim and non-Muslim countries. Cross-national comparative analysis can yield broader insight into best practices in developing wage systems grounded in justice and worker protection.

In addition, future research could explore the integration of digital technology, occupational-safety management, and the principles of maqashid shariah in the development of a modern employment system that is more inclusive and sustainable

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