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Principles of employment relations in Islam: a normative view

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Abstract

Purpose – The purpose of this paper is to describe a normative perspective of employment relations in Islam.

Design/methodology/approach – The perspective on employment relations offered in this paper is based on a reading of the principal Islamic texts (the *Qur'an* and the hadith) and a review of the literature on Islamic economics.

Findings – Despite varied interpretations and practices of the economic system in Islam, it is possible to identify a common emphasis on ethical conduct of employers and employees and social justice in Islamic ideology.

Originality/value – Given the paucity of research on employment relations in Islam, the paper offers an original perspective on this topic.

Keywords Islam, Industrial relations, Employee relations, Business ethics, Labour

Paper type Research paper

Introduction

Undoubtedly, employment relations in a country are influenced by its particular socio-cultural, normative and legal institutions (Black, 2001; Locke, 1995; Streeck, 1998; Syed, 2008; Tayeb, 1997). The institutional and socio-cultural environment is a complex web of rules and traditions that tend to constrain and specify the direction of labor relations in a society. The aim of this paper is to offer an Islamic perspective of employment relations and to highlight its possible implications for the relationship between employers, employees and state.

With an estimated population of above 1.5 billion and 57 countries as members of Organization of the Islamic Conference, Islam today is the second largest religion in the world (Flynn and Ghanmi, 2008). Muslim majority countries (MMCs) are located in three continents, namely Asia, Africa and Europe, and form an important hub of international business activity. It is, however, a fact that despite a plethora of studies on employment relations in the west and also internationally, the state of employment relations in MMCs remains largely under-explored. Given that Islam has a dominant role in everyday life in a wide majority of MMCs (Lazreg, 1990; Syed *et al.*, 2010), Islamic faith is likely to have significant influence on laws and practices of employment relations in those countries.

This paper offers a normative view of employment relations in Islam based on an analysis of the principal Islamic texts, the *Qur'an* and the hadith[1], and also a review



of literature on Islamic economics. The paper argues that despite varied interpretations and practices of Islam, and despite the fact that Islam does not seem to provide an in depth plan for employment relations, it is possible to identify a common emphasis on ethical conduct of employer and employee and social justice in Islamic ideology.

The paper is structured as follows. The next section offers a historical perspective on Islamic economics and its implications for diverse interpretations and practices today. The ensuing section identifies key principles of employment relations in Islam, namely significance of work and work ethics, equal opportunity and diversity, social welfare, consultation and employees' rights. Finally, the paper discusses implications of these principles and interpretations for employment relations including trade unions, which is followed by conclusion.

Historical context and the diversity of interpretations

Immediately after the death of the Prophet Muhammad (in about 632 AD), three major groups emerged with their own interpretations and practices of Islam: the established Arab aristocracy, the intellectual and underprivileged city-dwellers and the tribal groups. Although representatives of the three groups had different economic, political or tribal priorities, all uttered allegiance to the core of the Islamic message. It is only around 754 AD during the reign of the Abbasid Caliph, al-Mansur, that the division was ideologically articulated between two main schools of thought: Sunni and Shia (Al-Syuadi, 1996). That is, conflicting political aspirations and jockeying for power were expressed in terms of religion and certain set of beliefs which focused primarily on who should assume the Caliphate and how civil and family affairs should be managed. Such division has evolved over centuries but has never ventured far away from its political root as all subscribe to the same Islamic pillars of the faith (i.e. oneness of God, daily prayers, almsgiving, fasting and pilgrimage to Makkah).

Historically, all Muslim states, especially in the first six centuries of Islam (610-1258) encouraged trade and facilitated merchants' operation (Ali, 2005; Rodinson, 1974). After the collapse of the Islamic state and the defeat of the Abbasid Caliph in Baghdad, on the hand of the invading forces of Mongols, fragmented and rival states emerged. With a few exceptions (e.g. the Safavid dynasty in Iran and Azerbaijan, 1502-1737; the Mughal emperor Akbar of India, 1556-1605), these new states did not give much attention to economic growth. The thriving professional societies of the Abbasid era, the craftsmen, and the infrastructure necessary for sustaining healthy economy experienced major setback and rapidly deteriorated.

In recent years, especially after the oil boom in 1973 and cultural awakening in some MMCs, there has been an increasing interest in what is called Islamic economy. Nevertheless, this area of research is still in its infancy and its practice varies considerably across countries. Liberal outlook and the application for economic concepts, in Turkey, for example, is different from that which is found in Saudi Arabia. A case in point is life insurance industry. It has thrived in Turkey and Malaysia for a long time, but it was outlawed in Saudi Arabia until recently. Similarly, Malaysian banks issued, a few years ago, corporate Islamic bonds in line with prohibition on interests. Banks in Saudi Arabia and other Gulf states banned them and labeled them incompatible with Islamic teaching. Once these bonds proved to be successful in the market, these same banks issued their own similar Islamic bonds (*Wall Street Journal*, 2007). It should be pointed out that differences in economic practices are more likely

influenced by political orientations and societal openness. Liberal interpretation of religious economic instructions is common in countries where prevailing political environment is relatively more open, e.g. Turkey, Malaysia, Tunisia and Iraq, vs highly conservative countries, e.g. Saudi Arabia and Sudan.

Theoretically, Islamic economy is an economic system where Islamic law pertaining to the utilization and distribution of resources including investments and savings, and the behavior of the market actors is applied. Chapra (2001, p. 33) argues that Islamic economy focuses on realizing “human well-being through an allocation and distribution of scarce resources [...] in conformity with Islamic teachings without unduly curbing individual freedom or creating continued macroeconomic and ecological imbalances”. Ali (2005) indicates that economic activities in Islam must be beneficial and meaningful for self and society and are founded on effort, competition, transparency and morally responsible conduct in the marketplace.

However, the practices and commitment to Islamic economy differ among MMCs making it impossible to articulate a coherent view and develop workable conceptualizations. For example, Saudi Arabia, Iran, Turkey and Malaysia, have a variation of economic systems with the state assuming differing role. In Saudi Arabia, the state is the primary economic actor and its role as supplier and buyer is pivotal. In contrast, in Turkey and Malaysia, the state cautiously interferes in the market system. The practice of Islamic economy, whether in Arab or non-Arab states (e.g. Indonesia, Iran, Malaysia, Turkey, Azerbaijan, etc.), differ and most Arab states in some way observe Islamic tradition and instructions, especially in employment.

The nature and scope of economic systems thus remains subject to varying forces of historical and cultural context in Muslim societies. In what follows, the paper offers a normative view of employment relations in Islam based on a reading of principal Islamic texts and their classical interpretations.

Principles of employment relations in Islam

Significance of work and work ethics

Earlier in Islamic history, workers were treated as the creator of value and wealth in the marketplace. Imam Ali (1989, pp. 329-30) (the fourth Caliph, died 661) stated that merchants and artisans are the “providers of benefits and goods”. In comparison to bureaucrats and state employees, in general, Imam Ali underscores the importance of merchants and workers in improving the societal welfare and strengthening the state when he stated that they are “the people who will assure durable peace and respected allegiance”. On the other hand, Ibn Khaldun (1989, p. 273) (1332-1406), the medieval Arab sociologist, argued (p. 241) that “labor belongs to the things that constitute capital” and that “profit is the value realized from labor”. That is, Islamic thinking situates workers at the centre of economic activities and without them there will be no value or wealth creation.

Work from an Islamic perspective is an obligatory activity and a virtue in light of the needs of human beings and the necessity to establish equilibrium in one’s individual and social life (Ali, 1988). Indeed, hard work is equated to spiritual fulfillment; seen as a duty for all individuals (Wilson, 1982), those who have the mental or physical capacity to perform work. According to the *Qur’an*: “And say: ‘Work (righteousness): soon God will observe your work, and His Messenger and the believers [...]’” (9: 105).

Seeking to earn one's living in a lawful manner is considered as a religious observance. Muslims are ordained to earn their living through work and to refrain from begging. According to a tradition of the Prophet Muhammad, when a wearied worker returns home after a day spent in an honestly earned living, he is pardoned his sins (Said, 1972, pp. 27-8).

Islam values work because it is through work that a person can express herself and contributes to the society. According to another Islamic tradition, the Prophet was once sitting with his companions, who, when seeing a sturdy young man, said: "Alas for that man! Had it been for his power and sturdiness to be for jihad in the cause of God". The Prophet replied: "Do not say so! For if he is striving to abstain himself from begging people, he is in the cause of God. And if he is striving for the sake of weak parents or progeny to suffice them, he is in the cause of God" (El-Sayyad, 1993).

Similarly, the second Caliph, Omar (581-644 AD), once said: "I would prefer dying while struggling for my sustenance and the sustenance of my children, to dying while fighting in the defense of faith" (Abdul-Rauf, 1984, p. 23). These traditions suggest that work *per se* is considered a religious duty in Islam. Therefore, Islam does not consider working as an obstruction to dedication to God.

Al-Ghazali (1058-111), the celebrated Muslim philosopher of the medieval period, reports a tradition which highlights the significance of work in Islam. According to the tradition, Jesus Christ once saw a man who had totally devoted himself to God's worship. When Jesus inquired about how he got his daily food, the man replied that his brother, who worked, provided his sustenance. Jesus said, "That brother of yours is more religious than you are". Al-Ghazali notes that the second Caliph, Omar, emphasized this point further by advising people: "Never should anyone of you think that supplication for sustenance without work will avail him, for heaven never rains gold nor silver" (Al-Ghazali, 1938; quoted in Badr, 2005).

However, in order for work to be considered as a religious observance, Islam requires workers to endeavor to perform their work in a professional manner to the best of their abilities (El-Sayyad, 1993). The Prophet said: "The worker, if employed, and takes what is right and gives what is right, is like a mujahid (struggler in the cause of God) till he returns home" (Al-Tabarani, 1983). Also, in another tradition, the Prophet said: "When any man does any work, God wishes him to give it perfection and grace" Islam urges workers to fulfill all legitimate obligations with respect to their employment. According to the *Qur'an*: "O you who have attained to faith, Be true to your covenants" (5: 1). Similarly Imam Ali states in *Nahjul Balaghah* (1989, p. 483): "Persist in your action with a noble end in mind [. . .] Failure to perfect your work while you are sure of the reward is injustice to yourself". Imam Ali further states (p. 469): "One who does not perfect one's work, will bring confusion to self" (Ali and Al-Owaihan, 2008).

Empirical studies conducted in various countries suggest that Muslim employees and individuals score high on Islamic work ethic. Furthermore, Islamic work ethic was found to be correlated with individualism, loyalty, *locus* of control, work commitment and satisfaction (Abu-Saad, 2003; Ali *et al.*, 1995; Yousef, 2001). While these studies, among others, demonstrate the centrality of work in Islam, the religious and social reasoning for work represents, at time, a major development in projecting work as an instrument for personal independence and a means for serving the community and faith. That is, the philosophical foundations of work in Islam rest on the assumption that work is a virtue with spiritual, organizational and social dimensions.

In almost all MMCs, the right to work is a public policy. However, in case of disputes between employers and employees, the state often serves as the ultimate arbitrator. Though the objective is to defend and protect workers' right and ensure the welfare of the society, in many cases, government officers or judges in Labor Court, have no coherent and clear guidelines upon which to make their judgments. In countries where there are no trade unions (e.g. Saudi Arabia), workers have no legal protection. This particular issue along with centrality of work in Islamic thought constitutes a challenge to management and organization practices. That is, it underscores the discrepancy between the ideal and practice, pillars of the faith and the pressure of market competition and government prohibition or sanctioning of workers' rights, including the formation of union, and its application.

Indeed, managers in MMCs are confronted with a plethora of conflicting forces making observance of their espoused ethics nearly impossible. This raises a question of whether or not managerial ethics are translated into reality at the workplace. It may be kept in mind that managerial ethics in Islam to a large degree are similar to Western managerial ethics (e.g. approach towards workforce diversity, respect for human dignity, equality, consideration to the welfare of employees and community, etc.). Ethics may differ across cultures, groups, individuals and time. However, Western and Islamic cultures share similar foundation when it comes to ethics, i.e. Judaism and its elaborated guidelines for ethical conduct. Islam and Christianity not only have their roots in Judaism but also over centuries have experienced close interaction and exchange of knowledge. Thus, these religions share in common various ethics (Hofstede and Hofstede, 2005). Managerial ethics deal with issues of right and wrong, human conduct in the marketplace and especially within an organization. Specifically, ethics addresses individual character and the moral rules that govern and limit conduct (Shaw and Barry, 2010). Likewise, de George (1999, p. 20) views ethics as "[a] systematic attempt to make sense of our individual and social moral experience in such a way as to determine the rules that ought to govern human conduct". While human conduct is assumed to vary across culture (Attia *et al.*, 1999; Pitta *et al.*, 1999), in both Western and MMCs, religion emphasizes integrity and trust. More importantly, all monotheistic religions sanction justice, righteousness, kindness, humbleness, fulfillment of contracts, fidelity and avoidance of cheating, lying and thievery (Ali, 2005; Shaw and Barry, 2010).

Nevertheless, there are few differences. Islamic instructions neither sanction profit maximization nor give priority to shareholders' interest at the expense of other stakeholders. Furthermore, Islamic thinking places emphasis on intention of work rather than outcomes. The classical practice in Western world appears to treat people as a means and never an end in themselves (Schwartz, 2007); it underscores the necessity of maximizing the interest of shareholders (Bruner and Paine, 1988) and is concerned with economic outcomes (Lipset, 1990; Zubboff, 1983).

Equal opportunity and diversity

According to Islamic teachings, human diversity is a divine design. It is not permissible to discriminate on the basis of race, gender, color of skin and other attributes. According to the *Qur'an*:

O mankind! Reverence your Guardian Lord, Who created you from a single soul, created, of like nature, his mate, and from them two scattered (like seeds) countless men and women;

reverence God through Whom you demand your mutual (rights) and (reverence) the wombs (that bore you) [...] (4: 1).

The Prophet Muhammad, in his last sermon to the pilgrims of Makkah, described what may be termed as an Islamic charter of equality and diversity:

All mankind is from Adam and Eve, an Arab has no superiority over a non-Arab nor a non-Arab has any superiority over an Arab; also a white has no superiority over black nor does a black have any superiority over white except by piety and good action (Latif, 2004).

The *Qur'an* prohibits discrimination on the basis of gender. "Never will I suffer to be lost the work of any of you, be he/she male or female: you are members one of another [...]" (3: 195). Also: "If any do deeds of righteousness, be they male or female, and have faith, they will enter paradise and not the least injustice will be done to them" (4: 124).

About El-Fadl (2001) notes that Islam, as a religion, neither limits women to the private sphere nor does it give men supremacy over the public and private life. For example, Khadija, the Prophet Muhammad's first wife, was one of the most eminent business persons of ancient Arabia. Similarly, the second Caliph, Omar used to entrust Shaffa bint Abdullah as an inspector over the market in Medina.

Furthermore, both the Qur'anic teachings and the sayings of the Prophet Muhammad emphasize the virtue of hiring competent people and to avoid nepotism and discrimination. For example, the *Qur'an* advises (28: 26), "Truly, the best of people for thee to employ is one who is competent and trust worthy". Interestingly, the Prophet recognized that those who hire unqualified individuals do disservice to their community and faith. He stated, "He who is in a leadership position and appointed knowingly a person who is not qualified to manage others, then he violates the command of God and His messenger" and "when a person assumes an authority over people and promotes one of them because of personal preferences, God will curse him for ever". Furthermore, the second Caliph, Omar, who was known for his administrative skills, underscored the importance of behavioral and moral aspects along with performance potential in selecting employees for jobs. He is reported to have said, "When a person is in charge of Muslim affairs and appointed for reasons of favoritism or kinship relationship [nepotism], then he cheats God, the Prophet, and the community" (Quoted in Ali, 2005, p. 190).

Consistent with Islam's emphasis on socio-economic justice, Islam discourages discrimination based on class and socio-economic status. Organizations are not supposed to make different rules and regulations based on ethnicity or race of their employees, or other discriminatory factors. Ills such as nepotism or favoritism are against the spirit of the *Qur'an*:

O believers, be you securers of justice, witnesses for God. Let not detestation for a people move you not to be equitable; be equitable – that is nearer to the God-fearing (5: 8).

Imam Ali in his instructions to the Governor of Egypt made it clear that there should be no discrimination among employees and no one should be given credit for work done by others. He stated (1989, p. 319) "Give each of them [subordinates] the appreciation he deserves [...] Do not overestimate one's deeds on account of his position or ancestry, or underestimate one's deeds on similar grounds".

Once again, there is ample evidence of anti-discrimination laws in MMCs, e.g. constitutional and legal provisions for gender and other forms of equality in

Turkey, Pakistan and Malaysia; however, there is a huge gap between the rhetoric and the actual practices of equal opportunity. This gap has been attributed to powerful patriarchal (cultural and religious) regimes of inequality that currently prevail in the majority of MMCs (Syed, 2008; Syed *et al.*, 2009).

Social welfare

The social welfare aspect of employment relations in Islam is visible in the workplace logic of *ehsan* (i.e. goodness and generosity in employee relations). Idealistically, Islam places a special emphasis on social justice and considers ethical behavior to be an integral part of Islamic economics. In the words of Naqvi (1994, p. XVII):

The Islamic perception of [the] socio-economic process is dynamic and its insistence on social justice is uncompromising. This is because injustice disrupts social harmony and, for that very reason, is unethical. To produce the best social structure, according to this view, man's economic endeavors should be motivated by a meaningful moral philosophy.

As noted earlier, according to Islamic sharia, workers should be paid a living wage to satisfy their basic everyday needs. Furthermore, regarding public servants, it is the responsibility of an Islamic state to provide for all requirements of their livelihood, as this will facilitate their devotion to work. The celebrated Umayyad Caliph Omar Ibn Abdul Aziz (682-720) said: whoever undertakes a public job, and has no house, should have a house, and if he has no wife, should get married, and if he has no beast to ride, should have one (El-Sayyad, 1993).

The principle of offering citizens a house and covering their essential marriage expenses is still practiced in some MMCs, such as the United Arab Emirates where the state uses its wealth to keep its small population (citizens only) happy and co-opted. Generally, however, the needy and those who have no jobs, regardless of their faith or ethnicity, should be supported by the state. Imam Ali (1989, p. 333) succinctly articulated this policy when he stated:

Allocate for them a share in the treasury and a share of the returns of the land [...] They should have equal rights irrespective of where they reside. Do not underestimate their needs. You will not be excused for neglecting smaller matters by attending to more important ones. Therefore, give them due care and treat them with respect and compassion.

In Islamic faith, the state exists not only to safeguard its citizens but also to achieve social justice. It is an Islamic state's duty to "enhance human dignity and alleviate conditions that hinder individuals in their efforts to achieve happiness" (Said, 1979). In contrast to a Western philosophical emphasis on knowledge, Goodman (1992) argues, the foundation of Islamic philosophical challenge is ethics. In particular, Islam is focused on an intuitive understanding of the role of the divine in human existence. Therefore, at least in principle, ethical considerations may take precedence over financial considerations in employment relations.

Consultation

According to Islamic ethics, management of affairs (be it the business or the state affairs) should be done by popular participation. In the words of the *Qur'an*: "And their business is (conducted) through consultation among themselves" (42: 38). Democratic principles today and the old tribal councils instituted in the early Islamic period (e.g. the Rashidun Caliphate) are some possible routes to such consultations. Islam ordains that

such consultation should be based on mutual respect and kindness. Consultation in Islam is a policy, which is sanctioned both in the *Quran* and the Prophet's traditions. The Prophet said: "He who consults is guarded against regret" and "One who mistreats those under him will not enter paradise".

In terms of employment, the consultation principle implies that employers not only have to be transparent in recruitment and hiring affairs but also have to consult with employees on matters that are related to their work and welfare. The relationship between the employer and employees, while is founded on trust and good intention, has to be based on an understanding of the scope and nature of the contract, and the expectations of each. This is best exemplified by the Prophet's saying, "Meet your obligations while not overlooking your entitlements".

Trade unions

Ali (2005) argues that during the first six centuries of Islam's Golden Age (since the sixth century), knowledge, trade, industry, agriculture and construction of complex organizations flourished. The industries and trades were organized in corporations or guilds. These corporations were of great social importance. Guilds were common in major cities as Baghdad, Cairo and Damascus. In recent history, most of these guilds were independent and were instrumental in maintaining standards and continuation of trade unions. After many of Muslim countries got their independence from Britain, France and other colonial empires, unions have been either prohibited (e.g. Saudi Arabia) or allowed to operate (e.g. Iran and Pakistan). In the latter case, the majority have become an extension of the state (e.g. Iran). These states, in theory, sanction bargaining between employees and employers. The practice of it, however, is far from ideal. For example, in Bahrain, despite the constitutional right for association, the Civil Service Bureau warned public employees of dismissal from work if they are convicted of protests and illegal gatherings. The instructions made it clear that public employees are prohibited from forming their own unions (*Gulf News*, 2008). In Saudi Arabia, for instance, some Indians workers claimed that just after their arrival in the kingdom employer forced, under threat, workers to sign new contract that stipulated lower salaries and perform manual work (Rasooldeen, 2008).

Similarly, in Kuwait, although citizens have the right of association (union), expatriate workers appear not to have the same. The *Khaleej Times* (2008) recently reported that police broke up a demonstration in Kuwait by Bangladeshi workers and made several arrests among the protesters who were demanding a pay rise. The government announced that that the contract between the employers and workers has to be honored. Nevertheless, it warned that it "will not tolerate disturbances and chaos caused by any group of people", adding that those who instigated trouble will be deported. This same policy direction is found almost in all Gulf states, where strike workers or protesters will invariably be subject to jail and deportation.

In theory, there are varied Islamic perspectives on the role of political activities in society, ranging from "being a tool of legitimation and preservation of the status quo to being a vehicle for protest and a spearhead for revolution" (Ayubi, 1991, p. 61). Such differences are also evident in Islamic perspectives on political activities of employees (Belal, 2005). For example, in their work on Islamic labor and unionism, Al-Faruqi and Al-Banna (1985) present two divergent perspectives. Al-Faruqi treats "work" as a form

of worship in a broad Islamic sense; a point that has been discussed earlier in this paper[2].

The main category in Al-Faruqi's conceptual framework is "egalitarianism", which is based on the Islamic injunction that all human beings are subject to the same law (Al-Faruqi and Al-Banna, 1985, pp. 12-4). Al-Faruqi's (1992) notion of egalitarianism derives from the oneness and equality of human beings, which is connected to the unity of the Creator.

The main category in Al-Banna's (1981) perspective on employer-employee relationship is "justice". Al-Banna's notion of justice is socio-economic in nature that is capable of capturing class differences and inequalities. This notion is much different from an abstract Islamic idealization of justice as a moral principle. The word "justice", according to Al-Banna, crystallizes the primary aims of trade unions. To him, justice represents a proactive approach to save workers from exploitation: "All the world knows that workers are still exploited, that the conditions of work are inhumane, that trade unions were established to prevent these gross outrages and enable workers to live a decent life" (Al-Faruqi and Al-Banna, 1985, p. 67). It may be noted that this perspective has a resonance of Al-Sadr's (1982, p. 6) perspective who defines Islamic economics as Islam's preferred approach to the pursuit of economic life and to resolve practical economic problems in line with its concept of justice.

In his attempt to resituate justice in the context of employer-employee relations, Al-Banna argues that the primary aim of both Islam and trade unions is justice. In this context, the existence of a union is treated as a virtuous endeavor and a necessary condition for the prevention of wickedness. This implies that the formation of trade union has a religious dimension and is a moral duty to counter possible abuse at the workplace. Al-Banna's approach is clearly inclined towards a just distribution of material resources, for example, when he writes about everyone's right to a decent life. That right is enshrined in the following verse of the *Qur'an*: "Let them adore the Lord of his house Who provides them with food against hunger, and with security against fear (of danger)" (106: 4).

Employment relations

In terms of employment relations, Muslim scholars are divided into two camps: the idealists who view management-workers relations as a harmonious, and the pragmatics who treat the relationship as adversarial. Al-Faruqi appears to represent the idealist camp in his emphasis on normative Islamic teaching pertaining to equality and just conduct without probing the reality in the marketplace. This is especially true as Al-Faruqi fails to take note of the fact that a world of unequal power and widespread inequality, the less powerful players, the workers, are not in a position to get fair and just share of their contributions. Indeed, his statement that all employees, be they rulers or ditch diggers, are "equally obligated to fulfill what their employers and society have hired them to do" (Al-Faruqi and Al-Banna, 1985, p. 16) may weaken workers' position relative to employers.

The second camp is represented by Al-Banna. Based on the principles enshrined in the *Qur'an*, Al-Banna argues, the role of trade unions can be seen as pertaining to two essential needs: "food against hunger" and "security against fear". That is, trade union is an instrument for the protection of the weak actor in a world that is fraught with greed and exploitation. In his reflection on Islamic emphasis on morality and ethics, he

identifies the custodianship of the poor as an Islamic state's most important responsibility (Al-Faruqi and Al-Banna, 1985, p. 69). From this angle, Islam takes a clear position, in what Al-Banna calls the great social problem, i.e. the poor vs the rich, the haves vs the have-nots. The position of Islam is decisive; it stands by the poor and the have-nots (p. 69).

It may be noted that the *Qur'an* permits that those who have been oppressed may organize themselves against such injustice. Any individual or group can peacefully protest against unjust acts of an organization or the state itself. "But indeed if any do help and defend themselves after a wrong (done) to them, against such there is no cause of blame" (42: 41). However, the *Qur'an* also urges its followers to abide by all types of contracts and agreements. This rule is equally applicable to collective or individual agreements between employers and employees. "O you who have attained to faith! Be true to your covenants!" (5: 1).

Al-Banna's pro-worker stance becomes rather explicit when he discusses the concept of contract in Islam and applies it to trade unions[3]. He identifies the following prerequisites of a contract in Islam: equality of the contracting parties; prohibition of coercion; and conformity with general Islamic values. Al-Banna notes that in employer-employee relations, legal or formal equality is not translated into substantive equality. Employees always remain under immense pressure to earn a living and therefore accept employers' terms and conditions. Al-Banna terms such contracts as "submission contracts", because of the employer's influence to dictate its terms in violation of the Islamic principles of justice and equality. According to these principles, if a party to a contract is in an influential position due to intellectual, physical, economic or any other form of advantage, a guardian should be entrusted with negotiating the conditions of the contract on behalf of the disadvantaged party. Al-Banna considers trade unions as a legitimate guardian for workers, and suggests that "a collective contract negotiated by a trade union with an employer contains all the Islamic merits, advantages and guarantees sought in such a contract" (pp. 77-8).

According to Islamic sharia, the state itself is responsible to safeguard and implement justice in its area of authority. Imam Abu Ya'la (1966), an eleventh century scholar, in his book "Al-ahkam al-sultaniyya" (The Rules of Government) explains the duties of a muhtasib (ombudsman), who will be responsible to ensure that employees are not being exploited by their employers. It is the responsibility of the ombudsman to resolve any dispute between employees and employers, to ensure that employers do not overload employees with excessive work and that employees are paid wages commensurate to their work. An employee has the right to lodge a complaint with the ombudsman against any excesses by his employer. In case the employer refutes or contests the employee's complaint, the employer's refutation will be considered credible only after the ombudsman has made an independent assessment of the employee's circumstance and also understood and verified complaint. Furthermore, the ombudsman will also discourage any employee who does not perform his work according to the legitimate work requirements or who demands more payment than the work he has performed. The institution of ombudsman has also been supported by Al-Mawardi (1978, died 1058) who states that in case a work dispute has arisen between employee and employer, the matter will be referred to a government authority or judge. Al-Mawardi clearly states that an employer must not have the authority to resolve such

disputes, and that all labor disputes must be assessed and resolved in special courts set up by an Islamic state.

Situating these Islamic principles in the modern world of work, Al-Banna compares the role of trade unions in Islamic society with their roles in communist and capitalist societies. He argues that in capitalist society, struggles arise due to the conflict between the pursuit of self-interests by both labor and management. Similarly, in communist countries conflict exists between workers and the ruling party, which has a monopoly on power (Al-Faruqi and Al-Banna, 1985, p. 106). Al-Banna envisages an Islamic society that is free of polarization along self-interest or class-conflict lines. He argues that Islamic societies will be, at least in principle, free of class struggle because of the common goals of both labor and management. Challenging the aversion of traditional Islamic scholars towards trade unions, Al-Banna mentions guilds in Islamic history, dating back to the third century after the Prophet Muhammad's death, to prove the compatibility of trade unions with Islam (Al-Faruqi and Al-Banna, 1985; Belal, 2005; Esposito, 1995).

There are several Islamist scholars who, like Abu Ya'la and Al-Banna, have taken working class concerns into consideration (Belal, 2005), such as Al-Ghanushi and Al-Nafisi. Both scholars note that Islamic movements have generally failed to mobilize workers because their conceptual frameworks are restricted to morality or prayers. Al-Ghanushi (1993, p. 38) argues for freedom to be a breaking free from mortal constraints, emancipation and slavery to one God. Al-Ghanushi notes that working class has offered significant resistance to capitalist and socialist regimes; however, Islamists have generally ignored workers' concerns. In his view, this demonstrates Islamists' historical "ignorance and insensitivity regarding political and social problems of the working class [. . .]" (Ayubi, 1991, p. 235). Al-Nafisi is rather explicit in his opposition to class-based and capitalist societies, and urges that any movement for Islamic revival should pay special attention to "the importance of emphasizing a social dimension to Islam and of taking the side of the needy and oppressed masses" (Al-Nafisi, 1987, p. 327) (Belal, 2005).

Conclusion

This paper has attempted to develop an Islamic perspective on employment relations based on a reading of the principal Islamic texts and works of early Muslim authorities and scholars (e.g. Imam Ali, Al-Mawardi, Abu Ya'la) and contemporary scholars (e.g. Al-Sadr, Al-Faruqi, Al-Banna and several others). Two key features of an Islamic model of employment relations can be identified: an emphasis on ethical conduct of employees and employers, and an emphasis on social justice implemented through equitable distribution of resources and produced wealth. Another related feature is the consideration of working class concerns in Islamic economic thought. Here, we have identified and contrasted two main approaches to employment relations in Islam, i.e. harmonious relations between employees and employers (Al-Faruqi) and adversarial relations (Al-Banna). The paper, however, suggests that the Islamic guidelines are variously interpreted subject to the forces of cultural context and history, and are seldom practiced today in countries where Muslims constitute the majority. This makes it extremely difficult to compare the practice of employment relations in these countries with other nations, which espouse capitalism or socialism.

It is, however, possible to recognize certain common elements between Islam and other economic systems. For example, an emphasis on the distribution of resources and

wealth, as well as on the workplace logic of *ehsan* may appear closer to democratic socialism values. Similarly, an emphasis on right to work and efficient exploration and utilization of resources and the permissibility of pay for performance may appear consistent with the principles of capitalism.

Indeed, as Wilson (2006) argues, Islam has its own distinctive code of business ethics, and the trust this fosters can lower transaction costs and increase management efficiency. Pfeifer (1997, p. 155) notes that an ideal version of Islamic economics aims to provide scope for individual economic initiative and markets, just as proponents of economic liberalization do but it also takes into account the issues associated with unfettered capitalist systems in the west such as extreme poverty and wealth. Given these antecedents, an Islamic model of employment relations may be consistent with a rational mode of production, such as through its emphasis on cost effectiveness, frugality in the use of resources, and equality in the treatment of labor. Furthermore, its associated notions of social obligation and work-orientation may render the Islamic model dually attractive to achieve aims such as productivity and social responsibility.

However, while the normative view of employment relation presented in this paper is rooted in the principal Islamic texts, the practical implementation of employment relations in each MMC would need to be tailored according to its particular institutional and socio-economic conditions. As noted in this paper and also in the UNDP's (2002) Human Development Report, Islam's normative teachings are inconsistently followed in MMCs, and remain heavily influenced by local cultural traditions. Besides some fundamental rules, such as those identified in this paper, Islam does not give a detailed plan for employment relations, nor was it possible to have such a plan because of the temporal and technological gaps between the advent of Islam and the industrial revolution in the west. The onus is therefore on Muslim individuals, organizations and societies themselves to identify and implement adequate initiatives. What this paper has attempted to achieve is to define the normative conditions under which employment relations between employees, employers and the state could be conducted. The discussion has suggested that religious and material aspirations of employees and employers are not necessarily incompatible, and that employment relations in MMCs can be founded on both pragmatic and ethical principles of Islamic economics.

Some implications stand out for consultants and expatriate managers working in MMCs. While work environment and relationships are generally friendly in most countries, Western consultants and managers should understand that senior managers in MMCs often take pride in uttering Islamic sayings (proclaiming their appreciation of Islamic principle). Familiarity with these sayings and principles or attentiveness is necessary for building political capital and enhancing one's leadership and social role in MMCs. Moreover, some managers in MMCs may believe that they are following Islamic instructions in their conduct despite contradictory evidence. Therefore, Western managers should not confront them directly but should carefully sensitize them to the reality of conflicting demands of work and faith.

Likewise, profit maximization should not be an override priority and should be mediated by concerns for the welfare of the employees and larger society. For example, in considering termination of employees, Western managers working in MMCs may be well advised to consider factors other than performance before a decision is made. These managers should understand that in most MMCs both government officials and private sector managers and civic leaders would be willing to go along with the decision

if they were engaged in the decision-making process. And since these players show attachment to societal needs, MNCs representatives have to maintain a balance between organizational and societal goals, especially when it comes to employment issues.

Future research may address issues relevant both to conceptualizing and investigating human resource issues, including employment relations, in a country or a region. Conceptualization studies take on an added value. Primarily because there has been an increasing interest in the West on issues related to Islamic perspectives on organization and marketplace competition and because business in MCCs has flourished with no sound theoretical studies to guide practitioners. In terms of employment relations, a team of scholars with expertise on human resources and Islamic knowledge should undertake studies on Islamic perspectives on employment relations in a globalized market, the nature and evolution of management-labor relations, and how Muslim managers may deal with emerging issues at the workplace, from flexible work schedule, talent acquisition, development and deployment, to the treatment of minorities and guest workers, among others.

There is a need to engage in empirical studies in a specific country or across nations to investigate how corporations tackle human resource management issues and whether or not their approaches are compatible with Islamic instructions and contemporary best practices. In particular, researchers may focus on challenging issues like talent management and the role of knowledge in modern organizations and why several corporations in MMCs lag behind their counterparts in the west in innovating and developing patented products. These and other issues are integral elements for understanding the nature of employment relations in MMCs and for developing human resource polices essential for competing in the global marketplace. While researchers may highlight differences in employment relations practices between MMCs and Western countries, they should go beyond that by focusing on commonality and on how to accommodate new developments without ignoring religiously sanctioned elements.

Notes

1. Hadith (pl. Ahadith) refers to oral traditions relating to the words and deeds of the Prophet Muhammad. Hadith is considered an important tool for determining the Islamic way of life by all traditional schools of jurisprudence.
2. It may be noted that the emphasis on the religious value of work is common in Sunni and Shia traditions of Islam. For example, this Shiite tradition attributed to Imam Jafar Sadiq: "When I invoke Allah for something, I ask Him to give me the power of working and earning lawful income. Allah in verse 10 of the Qur'anic Chapter, the Jumma, says: 'But when the prayer is ended, then disperse abroad in the land and seek of Allah's grace'" (Heli, n.d., p. 225).
3. According to Islamic teachings, the terms of employment should be stipulated through a written agreement. In the words of the Qur'an: "When ye deal with each other, in transactions involving future obligations in a fixed period of time, reduce them to writing [. . .] whether it be small or big; it is juster in the sight of God, more suitable as evidence, and more convenient to prevent doubts among yourselves" (2: 282).

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Further reading

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