

## LEGAL ANALYSIS OF ISLAMIC BINDING ON THE PROBLEMS IN THE EMPLOYMENT CONTRACT BETWEEN EMPLOYEES AND COMPANIES

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### ABSTRACT

*Agreements Between Employees and Companies. Currently, the fact is that there are still many disputes between employees and companies caused by non-fulfillment of work agreements which are not in accordance with sharia economic law and statutory law, even though in labor law and sharia economic law legal regulations have been made regarding work agreements. The formulation of the problem in this research is what are the problems with work agreements between employees and companies, and how sharia economic law reviews problems in work agreements between employees and companies. This research method uses the Library Research type of research, research that takes and analyzes data from library sources such as statutory regulations, books or scriptures that have relevance and relationship to the research focus. The results of this research show that problems occur in employment agreements, including non-compliance with the receipt of overtime wages promised by the company, lack of clarity regarding legal protection, not providing severance pay to employees whose employment relationship is terminated unilaterally, lack of social security protection for workers and injustice in providing rewards and punishment. This problem is not yet in accordance with Islamic contract law because the problem that occurs is still contrary to the agreement, harmony, conditions, rights, obligations and termination of the work agreement in an Islamic contract.*

**Keywords:** *Work Agreement Problems, Sharia Economic Law*

### ABSTRAK

Saat ini faktanya masih banyak terjadi perselisihan antara karyawan dan perusahaan disebabkan oleh tidak terpenuhinya perjanjian kerja yang tidak sesuai dengan hukum ekonomi syariah dan hukum perundangan, padahal dalam hukum ketenagakerjaan dan hukum ekonomi syariah sudah ada rumusan hukum terkait perjanjian kerja. Rumusan masalah dalam penelitian ini adalah apa saja yang menjadi problematika terhadap perjanjian kerja antara karyawan dan perusahaan, dan bagaimana tinjauan hukum ekonomi syariah terhadap problematika pada perjanjian kerja antara karyawan dan perusahaan. Metode penelitian ini menggunakan jenis penelitian *yuridis normatif* penelitian yang mengambil dan menganalisis data kualitatif berupa bahan hukum seperti peraturan perundang-undangan, buku atau kitab yang mempunyai relevansi dengan fokus penelitian. Dari hasil penelitian ini menunjukkan bahwa problematika terjadi dalam perjanjian kerja diantaranya yaitu, ketidaksesuaian terhadap penerimaan upah lembur yang dijanjikan oleh perusahaan, tidak ada kejelasan tentang perlindungan hukum, tidak memberikan pesangon kepada karyawan yang diputuskan hubungan kerjanya secara sepihak, kurangnya perlindungan jaminan sosial tenaga kerja dan ketidakadilan dalam memberikan *reward* dan *punishment*. Banyaknya problematika ini belum sesuai dengan hukum perikatan Islam karena bertentangan dengan rumusan *aqad* dalam hukum ekonomi syariah.

**Kata Kunci:** *Problematika Perjanjian Kerja, Hukum Ekonomi Syariah*

## LEGAL ANALYSIS OF ISLAMIC BINDING ON THE PROBLEMS IN THE EMPLOYMENT CONTRACT BETWEEN EMPLOYEES AND COMPANIES

## **A.INTRODUCTION**

In social life, the economy plays a crucial role that greatly affects the well-being of an employee. The economy encompasses various aspects that stem from human labor, such as trade, agriculture, and services. Additionally, there are other economic sources, such as salaries received by employees and transportation facilities that facilitate mobility and the distribution of goods. All these economic resources heavily depend on humans as the main actors. Without human labor, goods and services would be of no use. Humans have the ability to work, involving various activities such as managing goods, producing, trading, gardening, and farming. In other words, all these economic activities would not function without the contribution and hard work of humans. Humans are at the core of the economy because they possess the skills and energy to perform various jobs that support and advance the community's economy.

Humans are fundamentally social beings who naturally and unconsciously always interact and relate to others in order to meet their life needs. This interaction encompasses various aspects of daily life, such as communication, cooperation, and mutual assistance. As economic beings, humans tend to seek pleasure and satisfaction as much as possible. They always strive to improve their quality of life, both materially and non-materially. Therefore, humans always seek to achieve a better life through various means. To meet their life needs, humans need to work. Work can be done through one's own efforts or by working for others. Working with one's own efforts means that a person starts and runs their own business or venture. This form of work requires a considerable amount of capital and hard work. Working for someone else means that a person works as an employee under the orders and directions of another person, commonly referred to as an employer or business owner. In this form of work, an employee follows the instructions of the employer and receives a salary in return for their work.

In an employment relationship, the employment agreement plays a crucial role, and the main objective of an employee toward the company is to obtain a fair employment agreement. If there is no element of an employment agreement in an employment relationship, then it cannot be considered an employment relationship. The employment agreement falls under the chapter of Islamic obligations, which is the contract and promise that means a binding bond by gathering or collecting both ends of the rope and tying one to the other until they connect and become like a single rope.

In the concept of Sharia economic law, an agreement is equivalent to an obligation in Islam, which includes a contract, pillars, and conditions that must be fulfilled. The contract is a prerequisite for the validity of the agreement, meaning that the company and the employee make the agreement together. The pillars are what must be fulfilled for the validity of a work, while the conditions are the provisions that regulate the guidelines that must be adhered to and implemented. The pillars and conditions are the most important parts of an obligation relationship. In determining the employment agreement, there are several principles that must be considered, namely, when the agreement is made, it can generate rights and obligations that can improve the welfare of the employees and meet their living needs. Therefore, employment agreements are made in accordance with contracts and the employment agreement. Thus, with the existence of employment agreements, it is hoped that the rights and obligations of the parties can be realized fairly in accordance with the agreements of the employment contract.

The employment agreement is designed so that both parties, namely the worker and the employer, act honestly and fairly in all aspects of their cooperation. Fairness in this context does not always mean that everyone receives the same rights, but it is more about providing rights that are appropriate to the roles and contributions of each party. Fairness does not mean equality of rights; rather, fairness takes into account the differences in rights obtained based on the responsibilities and contributions of each party. For example, a manager may receive higher compensation than a new

employee due to differing responsibilities and experiences. Fairness is achieved through compliance by the company, meaning the company must adhere to the agreed employment agreement to ensure fairness. If the company fulfills all obligations stated in the agreement, such as providing fair wages, ensuring safe working conditions, and respecting employees' rights, then fairness will be realized.

The implementation of employment agreements in the form of wages, severance pay, health, safety, rewards, and punishments plays a very important role in the employment relationship. The main goal of an employee towards the company is to achieve fair employment. One example is that if there is no element of wages in an employment relationship, it cannot be considered an employment relationship.<sup>6</sup>

In determining the employment agreement, there are still many parties who ignore legal rules. Therefore, all parties should also refer to the provisions set forth in the Labor Law as amended by the government regulation in lieu of the job creation law article 1 number 14. The labor law stipulates that the formulation of the employment agreement must be made based on:

1. Agreement of both parties
2. Ability or skill to perform legal acts
3. There is a job that has been agreed upon
4. The agreed work does not contradict public order, morality, and applicable laws and regulations. One reason that is not prohibited.

The first requirement and the second requirement in the valid conditions of the agreement above are subjective requirements. Meanwhile, the third requirement and the fourth requirement are included in the objective requirements. Failure to fulfill the subjective requirements in the agreement can result in cancellation. Meanwhile, failure to meet the objective requirements results in the agreement being null and void by law. Such mistakes often occur, such as employment agreements between employees that result in unilateral termination of employment, according to a study by Safira Iznil Faoza.

## **B. RESEACRH METHODS**

This research is normative legal in nature, relating to literature or library materials. The research data is obtained through a literature review, which includes laws and regulations, official documents, publications, and previous research results regarding legislation. To collect data, this research uses sources from books. The type of data used in this research is qualitative data, where the research employs qualitative data, with secondary data in the form of legal materials, both primary legal materials and secondary materials discussing labor regulations, employment agreements, Sharia economic law, the theory of Islamic obligations, existing case phenomena, the Qur'an, and Hadith. The search for legal materials can be conducted by reading, observing, listening, or exploring through internet media on all matters related to the research theme. This research analyzes the data that has been collected using descriptive qualitative methods. Then, the analysis is continued with qualitative methods so that conclusions can be drawn using deductive methods. The deductive method functions to transform general knowledge into specific conclusions, which helps in drawing conclusions from the issues being researched.

## **C. DISCUSSION**

### **Problems in the Employment Agreement Between the Company and Employees**

#### **1. Wage**

The issue of wages is often not clearly regulated in employment agreements, even though this provision is required in the formulation of Article 54 paragraph (1) of the Labor Law, which states that one of the provisions in the employment agreement must include; "the amount of wages and the method of payment." Article 1 number 15 of the Labor Law clarifies this provision, defining the employment relationship as the relationship between the employer and the worker/laborer based on an employment

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agreement that includes elements of work, wages, and orders.

Based on a case study at PT Citra Alam Sentosa Mandiri in KM 19 Batuah Village, the fixed-term work agreement was made unilaterally by the company, while the workers, as the party receiving the work, did not participate in the drafting of the work agreement. However, they are still required to understand the contents of the fixed-term work agreement before signing it. An employee at PT Citra Alam Sentosa Mandiri stated that there is a problem with the work agreements at PT Citra Alam Sentosa Mandiri because the company has not fully paid attention to the rights and welfare of employees. This dispute arises because several employee rights have not been fulfilled, one of which is the payment of overtime that does not comply with the Collective Labor Agreement that has been agreed upon between the company and employees. In practice, whenever there is work that requires overtime, employees do not receive overtime pay. PT Citra Alam Sentosa Mandiri has committed a breach of contract. Where the payment of overtime is one of the points included in the Collective Labor Agreement (PKB) that has been agreed upon between the company and the employees, but the company does not provide overtime pay.

## **2. Severance Pay**

Severance pay is provided by the company as a form of responsibility to employees who are no longer receiving wages after being laid off. Therefore, the severance money can be used to support living expenses until they find another job. It is also given as a reward for the employee's service and achievements during their employment at the company. This provision is also stipulated in the Labor Law Article 156 Paragraph 1. In fact, there are still cases of companies not providing severance pay.

As stated in Court Decision Number 26/Pdt.Sus-PHI/2022/PN Smg, PT Duta Sumpit Indonesia is found guilty and must pay severance to its former employees in accordance with the law. The sudden termination carried out by PT Duta Sumpit Indonesia without prior notice can make workers feel unfairly treated and unappreciated for their contributions to the company. In the employment agreement, the company is not allowed to terminate employees unilaterally. This sudden job loss can cause anxiety and disrupt the stability of workers' lives, both financially and emotionally. In addition, PT Duta Sempit Indonesia also delayed severance payments to employees who were laid off, which can have a significant financial impact on workers. Employees heavily rely on that money to meet daily needs, such as paying bills or living expenses. Many of them may depend on that money for daily necessities, such as paying bills or living costs. This delay can cause severe pressure and make it difficult for workers to maintain their financial stability. The uncertainty regarding their financial situation can lead not only to losses but also to stress, anxiety, and emotional instability for the affected workers. This can negatively impact their mental well-being as well as their personal life.

## **1. Social security for workers**

*Social security for workers* is a protection system for workers against risks related to work, such as workplace accidents, retirement, and job loss. The program aims to provide guarantees of welfare and financial security for workers and their families.

The issue of social security is still frequently encountered, such as in the limestone mining of the Pendabah village, where a majority of companies do not register their workers with BPJS Employment under the pretext that it is complicated and too administrative. As a result, employees do not receive employment social security. Although limestone mining employers are responsible for ensuring their workers have safe working conditions and provide social assistance for medical treatment and other needs, not all mine owners behave this way; thus, security for workers is not guaranteed. Overall, BPJS Employment has implemented social security programs for workers registered by companies. If workers are disadvantaged because they are not registered in social security, they can report to the Bangkalan Regency Manpower Office and Bangkalan Regency BPJS Employment to be processed according to applicable procedures. The results of the interviews with Mr. Budi, Mr. Nuri, and Mr. Agus indicate that the majority of workers there do not receive labor social security guarantees. In the event of an accident, the medical expenses must be borne by the workers themselves, although employers usually help voluntarily.

## 2. Reward And Punishment On Employee Performance

Case study on the implementation of reward and punishment on employee performance in the Ministry of Law and Human Rights regarding employee performance appraisal in the Ministry of Law and Human Rights, the implementation of reward and punishment has not been effective, due to the heterogeneous nature of the assessment of tasks and organizational functions, resulting in varying responsibilities, workloads, and risks across different units. Consequently, the levels of violations committed by employees in each unit also vary. The rewards given to high-performing employees have so far only consisted of plaques, certificates, and diplomas. Employees feel that this does not reflect fairness and does not align with the goal of enhancing motivation to improve their performance, as the rewards are perceived merely as a formality. It is not as promised, where they would receive plaques and certificates. In addition, the implementation of punishment within the Ministry of Law and Human Rights has not been maximized because if one employee who makes a mistake is punished, all employees are affected.

In the case study above, the author concludes that the causes of the problems occurring between the company and the employees at PT Citra Alam Sentosa Mandiri are due to the company's breach of contract with the employees, causing them to work without receiving compensation. This results in employees continuing to work overtime while still hoping to be granted their overtime pay, yet the company does not pay attention to their rights and welfare. Additionally, the issues at PT Duta Sumpit Indonesia arise from the company not providing severance pay and terminating employment unilaterally due to bankruptcy and closure, which reduces the number of employees at the company. This has led employees to feel that the employment agreement is unfair, as the company cannot terminate employees unilaterally without certain grounds.

In addition, the causes of the problems arising from the case study in the Mining of Batu Kapur Village are that there is no social security guarantee for employees registered due to the complicated and overly administrative reasons; therefore, the company is not receiving and is not yet registered with the BPJS employment program, and the company provides voluntarily for employees. As a result, if an employee has an accident, the costs are borne by the employee themselves. Furthermore, the causes of the problems in the Ministry of Law and Human Rights regarding the provision of rewards and punishments are that the company wants to discipline employees so they do not neglect their duties. Therefore, if an employee performs well at work, a ceremony is held, and if the employee makes a mistake, all employees will be reprimanded so that they are reminded not to make mistakes. However, employees feel it is unfair because it does not comply with the agreement, which states that employees should only have a ceremony, while the company was supposed to provide a plaque certificate and certificate, not just a ceremony.

## **Legal Review of Islamic Contracts Regarding the Issues of Employment Agreements Between Companies and Employees**

### **1. Wage**

#### **a) According to the definition of Islamic obligations**

The employment agreement is part of a contract and a promise that mutually reinforce one another, thus both are interconnected like a piece of rope. Meanwhile, the case study of the problematic issues in the employment agreement occurring between employees and the company at PT Citra Alam Sentosa Mandiri involves a unilateral employment agreement made by the company, where the workers, as the parties receiving the job, do not participate in the creation of the content of the work agreement. This is contrary to the Islamic contract principles because the company makes a unilateral employment agreement without the knowledge of the employees, who only understand the content of

the agreement. This means that the employment agreement established by both parties is not interrelated according to the Islamic contract principles. This employment contract also contradicts the Quran, as explained in Surah Al-Maidah verse 1 which states:

يَا أَيُّهَا الَّذِينَ آمَنُوا أَوْفُوا بِالْعُقُودِ أُحِلَّتْ لَكُمْ بَهِيمَةُ الْأَنْعَامِ إِلَّا مَا يُتْلَى عَلَيْكُمْ غَيْرَ مُحِلِّي الصَّيْدِ  
وَأَنْتُمْ حُرْمٌ إِنَّ اللَّهَ يَحْكُمُ مَا يُرِيدُ

Meaning: O believers! Honour your obligations. All grazing livestock has been made lawful to you—except what is hereby announced to you and hunting while on pilgrimage. Indeed, Allah commands what He wills.

The above verse can be concluded that the work agreement contract must be fulfilled so as not to contradict the work agreement contract in Islamic law.

b) According to the principles and conditions of Islamic obligations

The employment contract must have harmony and conditions within the employment agreement. The valid conditions of the employment agreement must also include types of work that are permissible or halal according to Islamic law. Work that is prohibited by religious law cannot be the object of an employment contract. In practice, PT Citra Alam Sentosa does not provide overtime pay to employees, one of which is the payment of overtime that does not comply with the Collective Labor Agreement that has been agreed upon between the company and employees, where employees are required to work overtime but are not compensated for overtime by the company. Moreover, according to the principles and requirements of a work agreement, this is contrary to the requirements of an Islamic contract because in an Islamic contract, the work agreement must clearly define the benefits derived from the agreed work, which must be well understood and have transparency regarding the benefits of the work obtained through the limitation of time or the type of work to be done, the wages as compensation for the work must be clear, including the amount, the form, and the payment schedule.

c) According to the rights and obligations in Islamic contracts

Rights and obligations are two sides that reciprocate between the company and employees, both are confronting and recognized in Islamic law. According to the covenant of rights and obligations, one of the components is to fulfill the elements of justice. However, in practice, PT Citra Alam Sentosa does not provide justice to employees because it does not give employees their rights, and the company does not fulfill its obligation to provide overtime pay in accordance with the main points of the employment agreement between the company and employees. This contradicts the rights and obligations in the Islamic covenant because the rights and obligations in the covenant state that employees are entitled to receive fair and appropriate wages for the work they perform, in accordance with the principles of justice in Islam.

d) According to the end of the agreement in Islamic obligations.

The employment contract between PT Citra Alam Sentosa Mandiri can be canceled by the contracting party. Because the company did not fulfill the employment agreement regarding the provision of overtime pay to employees, it is clear that there is an element of fraud, because according to Islamic obligations, an employment contract can be canceled if one party violates the terms of the agreement or if one party knows that there are

elements of mistakes or fraud in making the agreement, then the contract is void and terminated.<sup>16</sup> As explained in the Qur'an among others Q.S. At-Tawbah (9) verse 7 which reads:

كَيْفَ يَكُونُ لِلْمُشْرِكِينَ عَهْدٌ عِنْدَ اللَّهِ وَعِنْدَ رَسُولِهِ إِلَّا الَّذِينَ عَاهَدْتُمْ عِنْدَ الْمَسْجِدِ الْحَرَامِ فَمَا  
 ۞ اسْتَقَامُوا لَكُمْ فَاسْتَقِيمُوا لَهُمْ إِنَّ اللَّهَ يُحِبُّ الْمُتَّقِينَ

Meaning: "How can there be a covenant for the polytheists in the sight of Allah and His Messenger, except for those with whom you made a treaty at al-Masjid al-Haram? As long as they are upright with you, be upright with them. Indeed, Allah loves the righteous (who are conscious of Him)"

Wages encompass all workers and are the money received after completing the work, given fairly according to each person's duties. Hasibuan defines an employee as an individual who provides services to a company or organization that requires labor and receives wages or compensation in return. Every worker is entitled to a job and a decent income for a humane life. To achieve this, the government has established wage policies that protect workers, in accordance with Article 88 of Law No. 13 of 2003 on Manpower. The government has regulated wage technicalities in various regulations, including Government Regulation No. 78 of 2015 on Wages.

The conclusion from the above article explains that if a company violates the applicable provisions as stated in Article 88A paragraph (6) of Law 13/2003 jo intentionally, then the company will be subject to sanctions based on the wages provided. If there is a violation in wage payment, the company faces criminal sanctions and administrative penalties that can be imposed on employers who fail to pay wages in accordance with the agreement, which includes a prison sentence of at least 1 year and up to 4 years and/or a fine of at least Rp 100,000,000 and up to Rp 400,000,000.

## 2. On the Problem of Severance Pay

### a.) According to the definition of Islamic obligations

The employment agreement in the case study at PT Duta Sumpit Indonesia, as issued by Court Decision Number 26/Pdt.Sus-PHI/2022/PN smg, has upheld the employment agreement according to Islamic contract principles, because before working, the company and the employee had properly made the employment agreement. This is due to the fact that the contract in Islamic obligations involves agreements and promises that mutually strengthen one another, thus binding them together like a string. This means that both parties must engage directly when creating the employment agreement and should not establish the agreement unilaterally.

### b.) According to the pillars and requirements of Islamic obligations

The principles and conditions in the case study at PT Duta Sumpit Indonesia, as stated in the Court Decision Number 26/Pdt.Sus-PHI/2022/PN smg, have not been implemented in accordance with the principles and conditions of Islamic obligations because PT Duta Sumpit unilaterally terminated the employment relationship with employees and delayed severance payments. The employment agreement that was promised is unclear, including the compensation for the work. This contradicts the principles and conditions of Islamic obligations, as in Islamic obligations the valid conditions for the promised employment agreement must be permissible or halal. In addition, the benefits from the promised work must be clear, which can be adequately understood through clarity regarding the benefits of this work that can be acquired

through time limits or the type of work that must be done, the wages as compensation for the work must be clear, including the amount, its form, and the payment timeframe.

c.) According to rights and obligations in Islamic obligations

Rights and obligations in the case study at PT Duta Sumpit Indonesia as issued by Court Decision Number 26/Pdt.Sus-PHI/2022/PN Smg, the rights and obligations are not in accordance with the rights and obligations in Islamic contracts, because PT Duta Sumpit Indonesia does not provide rights to employees as severance pay due to unilateral termination of employment.<sup>19</sup> The unilateral termination of the employment relationship carried out by the company is contrary to the rights and obligations in Islamic contracts. In Islamic contracts, rights and obligations have elements of justice. Employees have the right to sue the company that unilaterally terminates the employment relationship, as it is not in accordance with the employment agreement. Workers cannot be dismissed without cause without any element of justification. Meanwhile, the company's obligation is to provide welfare protection because employees have the right to work in a safe and healthy environment and to receive fair wages. Compensation is not only in the form of basic wages but also includes severance pay. Employees are entitled to receive severance pay that is fair and commensurate with the work they do, in accordance with the principle of justice in Islam.

d.) According to the termination of the agreement in Islamic obligations

In the case study of PT Duta Sumpit Indonesia issued by Court Decision Number 26/Pdt.Sus-PHI/2022/PN Smg, it is not in accordance with Islamic legal agreements. Because in practice, PT Duta Sempit Indonesia terminated the employment relationship before the contract period expired, unilaterally terminating the employment of its workers. Meanwhile, in Islamic obligations, the company and employees have correctly made a work agreement. This is because the contract in Islamic obligations is an agreement and promise that mutually reinforce one another, connecting both sides like a single string. This means that both parties must directly interact during the creation of the work agreement and not engage in unilateral contract creation.

The termination of the employment contract occurs when the term of the employment agreement ends. This sentence states that a specific time has been set for the termination of the agreement. That is, when the predetermined time arrives, the agreement will automatically terminate. However, there are exceptions if the parties subsequently agree on other matters that may alter those provisions.<sup>20</sup> In addition, the termination of employment agreements is also explained in the Quran, as can be seen in Q.S At-Taubah (9) verse 4 which states:

إِلَّا الَّذِينَ عَاهَدْتُمْ مِنَ الْمُشْرِكِينَ ثُمَّ لَمْ يَنْقُصُوكُمْ شَيْئًا وَلَمْ يُظَاهِرُوا عَلَيْكُمْ أَحَدًا فَأَتِمُّوا ۚ  
إِلَيْهِمْ عَهْدَهُمْ إِلَىٰ مُدَّتِهِمْ إِنَّ اللَّهَ يُحِبُّ الْمُتَّقِينَ

Meaning: "As for the polytheists who have honoured every term of their treaty with you and have not supported an enemy against you, honour your treaty with them until the end of its term. Surely Allah loves those who are mindful (of Him)."

The meaning of the above verse can be concluded that making a work agreement does not diminish the content of the work agreement in any way. If there is a promise in the work agreement, then fulfill it until the time limit of the agreement.

In addition, the employment agreement ends if canceled by either party to the

contract or by termination of the agreement. If one party violates the agreement's provisions or if one party discovers that there are elements of error or fraud in the creation of the agreement. Errors and fraud can also relate to the object of the agreement or to the individuals involved; employees are permitted to cancel the agreement if the other party deviates from what was agreed upon, as based on the Quran, among others Q.S. At-Taubah (9) verse 7 which states:

كَيْفَ يَكُونُ لِلْمُشْرِكِينَ عَهْدٌ عِنْدَ اللَّهِ وَعِنْدَ رَسُولِهِ إِلَّا الَّذِينَ عَاهَدْتُمْ عِنْدَ الْمَسْجِدِ

الْحَرَامِ فَمَا اسْتَقَامُوا لَكُمْ فَاسْتَقِيمُوا لَهُمْ إِنَّ اللَّهَ يُحِبُّ الْمُتَّقِينَ

Meaning: "How can there be a covenant with Allah and with His Messenger for the Mushrikun (polytheists, idolaters, pagans, disbelievers in the Oneness of Allah) except those with whom you made a covenant near Al-Masjid-al-Haram (at Makkah)? So long as they stand firm by you, stand firm by them. Indeed, Allah loves the righteous [who fear Him]"

Providing severance pay to employees is a company obligation. Severance pay is compensation given when an employee terminates their employment or experiences a termination of employment. Additionally, severance pay also serves as a form of appreciation for the dedication and achievements of employees during their tenure. Generally, the provisions regarding the amount of severance pay are divided into two categories: for employees who are terminated and those who resign. The regulations concerning severance pay for these two categories are governed by Law No. 13 of 2003 concerning Employment, which outlines the rules related to severance pay in that law.

- 1.) Article 150 explains that the provision of severance pay to workers or employees is an obligation when a termination of employment occurs. The entrepreneurs referred to include both private and state-owned companies, whether they are legal entities or not, as well as individuals who have management or employ others by providing wages or other forms of compensation.
- 2.) Article 156 paragraph (1) explains that when a termination of employment occurs, the employer is obliged to pay a severance benefit and compensation for rights that should have been received by the employee.
- 3.) BAB XII explains that the company has the right not to provide severance pay if the employee or laborer at the company has committed wrongful acts against the company..<sup>22</sup>

Severance pay for employees who are laid off is regulated in the Labor Law, specifically in Article 156 paragraph (1). This article states that in the event of termination of employment, employers are required to pay severance pay, long service award, and compensation for rights that should have been received. The rules and conditions regarding severance pay for employees who are laid off aim to ensure that the company fulfills its responsibilities towards employees who no longer receive wages after being laid off, so that the severance pay can be used to meet living needs until obtaining new employment.

## 2. Legal Review of Islamic Economic Law on the Problems of Reward and Punishment

### a.) According to the definition of Islamic obligations

The case found in the environment of the Ministry of Law and Human Rights regarding the performance assessment of employees in the Ministry of Law and Human Rights,

related to the implementation of rewards and punishments, contradicts the Islamic contractual agreement because the company provides rewards not in accordance with what was promised in the employment contract. The company was supposed to provide rewards in the form of plaques and certificates, but in practice, it only held a ceremony. Additionally, the imposition of punishment in the Ministry of Law and Human Rights also does not align with the contractual agreement because the company punishes all employees who violate the employment contract.<sup>27</sup> Meanwhile, in the agreement, the company will impose punishment on employees who are at fault only. This is not in accordance with Islamic contractual obligations because in Islamic obligations, a person's statement to perform or not to perform an action is not related to others. Additionally, in Islamic obligations, it is a contract that must be fulfilled according to the previous work agreement as explained in the Quran, Surah Al-Maidah, verse 1 which states:

يَا أَيُّهَا الَّذِينَ آمَنُوا أَوْفُوا بِالْعُقُودِ أُحِلَّتْ لَكُمْ بَهِيمَةُ الْأَنْعَامِ إِلَّا مَا يُتْلَى عَلَيْكُمْ غَيْرَ مُحِلِّي الصَّيْدِ وَأَنْتُمْ حُرْمٌ إِنَّ اللَّهَ يَحْكُمُ مَا يُرِيدُ

Meaning: O believers! Honour your obligations. All grazing livestock has been made lawful to you—except what is hereby announced to you and hunting while on pilgrimage. Indeed, Allah commands what He wills.

The influence of reward and punishment on employee performance is very significant where rewards are considered as motivation and appreciation, while on the contrary, punishment can decrease work motivation and even make employees feel uncomfortable due to feeling threatened. However, the reward and punishment system must be applied wisely so that rewards are accepted as appreciation and punishments can be accepted as efforts for improvement. A reward is an effort by the company to appreciate or provide a form of bonus or other benefits to employees who have performed well or successfully achieved the set targets. The company feels that the performance of these employees contributes more and deserves to be appreciated. Thus, rewards are usually given to provide a sense of comfort and retain the best employees within the company.

Punishment is a form of reprimand from the company for employees whose performance has declined. On the other hand, punishment can also be given based on the assessment of someone behaving negatively or violating rules. In a company, the imposition of punishment is based on measurable assessments and in accordance with certain regulations within the company. An employee does not simply receive punishment; the company has certainly assessed the situation well before applying it, whether due to declining performance or negative behavior. Thus, punishment can be interpreted as a form of reprimand to employees so that they understand their mistakes or shortcomings and correct them, thereby contributing positively to the company.

Factors Affecting the Influence of Reward and Punishment on Employee Performance. Employee performance refers to their effectiveness and productivity within a company. However, behind a good performance from an employee, it must be appreciated with appropriate compensation for their performance or contribution. One of these is reward, but conversely, punishment is also provided by the company for unsatisfactory performance. Factors that influence reward and punishment.

#### D. CONCLUSION

After outlining and analyzing various elements to understand the results of the above research, the researcher draws the conclusion as follows: The issues in the employment agreement between the company and the employees are: Wage issues, Severance pay issues, Labor social

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security issues, and issues of reward and punishment concerning employee performance.

The legal review of Islamic economic law regarding the problems of employment contracts between companies and employees shows that many companies have not yet implemented contracts based on Islamic law. According to Islamic Obligations, one of the causes of these problems is that companies do not consistently fulfill their commitments to employment contracts, resulting in issues related to wages, severance pay, social security, and the provision of rewards and punishments. These problems are still in conflict with the contracts, pillars, conditions, and rights and obligations in Islamic obligations. Companies are unfair, leading to issues that disadvantage many employees. Meanwhile, based on Islamic Obligations, there must be a clear contract with permissible pillars and conditions that do not conflict with Islamic law. Granting rights and obligations to employees and having elements of the termination of the work agreement based on Islamic law, because according to the review of Islamic economic law found in the Qur'an Surah Al-Maidah verse 1 which has been explained that fulfill the contracts as per the agreements made. A contract is invalid if one party feels coerced or deceived, which means work that is prohibited by religious law cannot become the object of a work agreement and provide benefits from the work. In addition, the agreement must be clear and well understood, carried out with openness regarding the benefits of the work, time limits or types of work that must be performed, both in the form of wages as compensation for the work, and must be clear including its amount, form, and payment schedule.

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