


Profit-Sharing Wages and Income Equity in the Informal Barbershop Sector: An Islamic Economics Perspective

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| Article History: | Abstract |
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| <p>Corresponding Author: Abustan Nur abustanelnur07@gmail.com</p> <p>Submitted: March 16rd, 2026</p> <p>Revised: May 3rd, 2026</p> <p>Accepted: May 15rd, 2026</p> <p>Published: June 2nd, 2026</p> <p>Copyright: ©2026. Abustan Nur, Ulil Albab</p>  <p>This article is licensed under the Creative Commons Attribution-Share Alike 4.0 International License. http://creativecommons.org/licenses/by-sa/4.0/</p> | <p>Objective: This study examines the implementation of a profit-sharing wage system in informal barbershop businesses in Watampone City and analyzes its implications for income equity and labor relations from an Islamic economics perspective.</p> <p>Method: This research uses a qualitative case study approach. Data were collected through in-depth interviews, participant observation, and document analysis, then analyzed descriptively using the framework of Islamic economics and distributive justice.</p> <p>Result: The findings show that profit-sharing wages are considered relatively fair because income is distributed proportionally according to workers' contributions and business performance. The system enhances work motivation and strengthens partnership-based labor relations. However, income instability and the absence of written contracts remain important challenges. Although the principles of <i>tarāḍī</i> (mutual consent) and transparency are generally upheld, the lack of formal akad documentation reduces contractual clarity. It increases the potential for gharar, indicating that Sharia compliance is not yet fully achieved in procedural terms.</p> <p>Implication: This study suggests that profit-sharing wage systems can serve as an alternative mechanism to promote distributive justice, flexibility, and harmonious labor relations in the informal sector. It also highlights the importance of strengthening contractual documentation to improve Sharia compliance.</p> <p>Originality or Novelty: This study contributes to Islamic economics literature by providing empirical evidence from the informal personal service sector, particularly barbershop businesses, and by proposing a contextual model that integrates Sharia principles with practical wage arrangements.</p> <p>Keywords: Distributive justice; Informal sector; Islamic economics; Profit-sharing wages; Sharia labor relations.</p> |

Introduction

Wage-related issues are among the fundamental challenges in modern economic systems, as they are directly linked to workers' welfare and business sustainability. Numerous studies indicate that conventional wage systems often generate income inequality due to the dominance of power

relations between capital owners and labor (Agusalim & Novianti, 2023). This condition has reinforced academic criticism of fixed-wage systems, which tend to overlook workers' real contributions to the production process. The institutional economics and labor economics literature further emphasizes that wage injustice contributes to low work motivation, increased industrial conflict, and weakened long-term productivity (Hasyim & Bakri, 2024). These debates have stimulated the search for alternative wage models that are not only economically efficient but also socially equitable. In this context, Islamic economics emerges as both a normative and applied approach that offers principles of distributive justice through partnership and profit-sharing-based mechanisms.

From the perspective of Islamic economics, wages are not viewed merely as economic transactions but as a moral trust that must reflect justice and balance. The principles of justice (*al-'adl*) and public interest (*maslahah*) serve as the primary foundations of labor relations between business owners and workers.(Darmiati, 2025). Classical and contemporary scholars, including Chapra, Siddiqi, and Hasan, argue that profit-sharing systems are more consistent with Islamic principles of justice than fixed-wage arrangements. Such mechanisms position workers as business partners who share both risks and returns in a proportional manner(Fauzi, 2021). Academic discourse has subsequently evolved toward questioning whether profit-sharing systems can be effectively implemented in micro-enterprises and modern service sectors. Divergent perspectives have emerged between normative approaches that emphasize ethical values and empirical approaches that highlight practical challenges in real-world implementation.

Empirical studies on profit-sharing systems in labor relations reveal mixed findings. Several studies in the agricultural, fisheries, and micro, small, and medium enterprise (MSME) sectors indicate that profit-sharing arrangements enhance workers' perceptions of fairness and loyalty.(Mika et al., 2025). Conversely, other studies highlight the potential for income uncertainty that may disadvantage workers when transparent mechanisms and equitable agreements do not accompany profit-sharing systems.(Rawia & Gurudin, 2025). These divergent findings reflect a research gap concerning the service sector, particularly skill-based personal service businesses. The international peer-reviewed literature remains relatively limited in its examination of profit-sharing-based wage systems within the personal services sector. This condition creates academic opportunities to explore in greater depth how Sharia-based wage systems can be adapted to modern service enterprises without undermining the principle of income equity.

Barbershop businesses, as part of the personal service sector, have experienced significant growth in recent years, particularly in urban and semi-urban areas. This phenomenon has been driven by changing lifestyles, increasing awareness of personal appearance, and relatively low barriers to market entry. Empirical evidence suggests that labor relations in barbershop enterprises are often informal and flexible. Many barbershops adopt profit-sharing arrangements between business owners and barbers as an alternative to fixed-wage systems.(Maulizar et al., 2024). These practices often develop pragmatically based on operational needs and internal agreements. However, the absence of standardized arrangements often leads to variations in profit-sharing proportions, which may affect workers' income equity.

Watampone City, as a regional center of economic growth, exhibits notable dynamics in the development of barbershop businesses. Field data indicate an increasing number of barbershops

implementing a range of wage models. This social phenomenon reflects the need to adapt work systems to be more flexible and performance-based (P. Putra, 2025). On the other hand, preliminary interviews and observations reveal differences in perception between business owners and workers regarding the meaning of income equity. This condition is consistent with findings in the literature that justice is not only objective but also subjective and context-dependent. Such perceptual disparities may give rise to latent conflicts if they are not managed through transparent and equitable wage systems. (Indrayani & Muzan, 2025).

Academic debates in Islamic economics emphasize the importance of proportional equality over nominal equality. This concept is particularly relevant in profit-sharing systems, as workers' income is determined by their contributions, working hours, and service performance. (Muslimin & Etika, 2020). Classical *fiqh mu'āmalāt* and contemporary Islamic economics literature underscore that contractual clarity, information transparency, and mutual consent among parties are essential prerequisites for justice. (Fauzi, 2021). Nevertheless, practical implementation often falls short of these principles. Information asymmetry and the weak bargaining position of workers remain critical issues that warrant closer examination. These conditions highlight the need for a systematically designed profit-sharing wage model that is consistent with Sharia principles. (Mujahidin, 2021).

Previous studies have predominantly focused on the normative legal aspects or the macroeconomic impacts of profit-sharing systems. Micro-level approaches that explore the subjective experiences of workers and business owners remain relatively limited. Accredited national and internationally reputable journals have increasingly encouraged contextual and interdisciplinary approaches in Islamic economics research. Consequently, the need for studies that integrate normative, empirical, and social dimensions has become increasingly relevant. Barbershop businesses, as skill-based service enterprises, offer a unique context for examining the relevance of income equity concepts in Islamic economics. Analysis of this sector is expected to enrich academic discourse and provide practical contributions.

Profit-sharing-based wage models entail not only economic implications but also social and ethical consequences. Labor relations grounded in partnership principles have the potential to strengthen a sense of solidarity and collective responsibility. The literature in economic sociology indicates that income equity contributes to the stability of labor relations and the sustainability of small enterprises. (P. P. Y. R. G. Putra et al., 2024). Empirical evidence further suggests that workers tend to exhibit greater loyalty toward businesses that implement wage systems perceived as fair. (Mohrenweiser & Pfeifer, 2023). However, in the absence of a clear and well-defined framework, profit-sharing systems are susceptible to misuse. This condition underscores the urgency of formulating a wage model that is not only consistent with Sharia principles but also adaptive to the realities of modern service enterprises.

The gap between the idealized concepts of Islamic economics and wage practices in the service sector constitutes a significant academic challenge. This study seeks to bridge this gap by conducting an in-depth analysis of profit-sharing-based wage practices in barbershop businesses. Such an approach aligns with the development agenda of Islamic economics, which emphasizes the application of justice-oriented values in real economic activities. (Ridwan, 2025). Recent literature highlights the importance of contextual case studies in strengthening the empirical

validity of Islamic economic theory. Accordingly, this study is not merely descriptive but also analytical and reflective in its examination of ongoing practices.

Based on the foregoing discussion, examining profit-sharing-based wage models from the perspective of Islamic economics is both relevant and strategic. This research is expected to contribute theoretically by enriching the concept of income equity within the service sector. Practical contributions are also anticipated in the form of policy-relevant recommendations for more equitable and sustainable wage models for barbershop enterprises. The relevance of this study aligns with the expectations of reputable academic journals, which emphasize novelty, analytical depth, and substantive contributions to advancing knowledge. Therefore, this study merits inclusion within contemporary academic discourse on Islamic economics.

Literature Review

Distributive Justice in Islamic Economics

Distributive justice constitutes a central objective of Islamic economics, emphasizing a balance between individual interests and social welfare as a fundamental principle. (Chapra, 1998). Unlike conventional economic systems that largely rely on market mechanisms, Islamic economics integrates moral and social considerations, ensuring that income distribution reflects justice (*al-'adl*) and public interest (*maslahah*) (Permana & Nisa, 2024); (Chapra, 1998). Wealth is viewed as a trust (*amanah*), implying that its distribution must prevent structural inequality and promote socio-economic stability. (Ahmad & Hassan, 2000).

However, while the theoretical framework strongly emphasizes proportional justice, where income corresponds to contribution and risk (Ahmad & Hassan, 2000) Empirical studies often remain limited to normative discussions or are concentrated in formal sectors such as Islamic finance institutions. Studies such as Afkar demonstrate that profit-sharing mechanisms can enhance perceptions of fairness in MSMEs, yet they primarily focus on structured business environments with relatively formalized contracts.(Afkar et al., 2021). This indicates a limitation in the literature, as the applicability of distributive justice principles in informal and micro-scale service sectors remains underexplored. Moreover, existing literature tends to assume that transparency and contractual clarity are present, whereas in practice, particularly in informal sectors, these elements are often weak or absent. This gap suggests the need for empirical investigation into how distributive justice is interpreted and practiced in real-world contexts where formal institutional support is limited. Therefore, this study aims to extend the discourse by examining distributive justice not only as a normative ideal but also as a lived practice within informal barbershop businesses.

Profit Sharing as an Alternative Wage System

Profit-sharing mechanisms in Islamic economics are rooted in contractual agreements (*akad*), such as *muḍārabah* and *mushārahah*, in which profits and risks are shared proportionally among the parties. (Rufaida, 2024). This system is often contrasted with fixed-wage arrangements, which have been criticized for failing to reflect workers' actual contributions and for potentially reinforcing income inequality. (Lubis et al., 2025). Theoretically, profit sharing promotes fairness, participation, and shared responsibility, aligning with the ethical foundations of Islamic economics. Empirical studies generally support these claims, showing that profit-sharing arrangements can improve worker welfare, reduce labor conflict, and enhance motivation.

(Wahyudi, 2019). However, most of these studies are conducted in relatively formalized sectors or focus on macro-level analysis, leaving a gap in understanding how profit-sharing operates in informal, small-scale service enterprises. Additionally, while prior research highlights the benefits of profit sharing, it often underestimates practical challenges such as income volatility, limited contractual literacy, and weak enforcement mechanisms. (Ismiati, 2025). This reveals a critical limitation: the existing literature often presents profit sharing as an ideal model without adequately addressing its contextual constraints in informal settings. Consequently, this study contributes by critically examining the strengths and limitations of profit-sharing wage systems in barbershop businesses, providing a more grounded understanding of how these systems operate in practice.

Labor Relations from the Perspective of Islamic Economics

Labor relations in Islamic economics are grounded in the principles of mu'āmalāt, emphasizing justice, mutual consent (*riḍā*), and a balance of rights and obligations. (Kunarti et al., 2024). Traditionally, employment relationships are conceptualized through *ijārah* contracts, which require clarity in wages, job scope, and working conditions to ensure fairness. (Muslimin & Etika, 2020). This framework reflects a normative emphasis on contractual clarity and ethical responsibility. (Algifari & Andriani, 2024). However, this theoretical ideal contrasts with empirical realities, particularly in informal sectors where employment relationships are often based on trust and verbal agreements rather than formal contracts. Studies such as Afkar and Alfianti emphasize ethical values like *ta'āwun* and *amānah*, yet they provide limited empirical evidence on how these values are operationalized in everyday labor practices. (Afkar et al., 2021)(Alfianti et al., 2025). Furthermore, existing research tends to focus on formal employment structures, leaving a gap in understanding partnership-based labor relations that emerge in profit-sharing arrangements. This study addresses this limitation by exploring how labor relations in barbershop businesses shift from hierarchical (employer-employee) to partnership-based models, thereby offering new insights into the practical manifestation of Islamic labor principles in informal contexts.

Income Equity in the Service Sector

Income equity in the service sector presents unique challenges due to demand variability, skill dependency, and the direct interaction between workers and customers. (Umah & Kumalasari, 2024). Conventional studies highlight that wage inequality often arises when compensation systems fail to reflect individual contributions and service quality. (Mohrenweiser & Pfeifer, 2023)(Wicharsari, 2024). Within Islamic economics, income equity is closely linked to *maqāṣid al-sharī'ah*, emphasizing proportionality and fairness in accordance with contributions and risks. (Hananiyah et al., 2025). Empirical studies suggest that profit-sharing systems can enhance perceptions of fairness, particularly in MSMEs (Nasrudin & Nurbani, 2019). However, these studies largely overlook the dynamics of personal service sectors such as barbershops, where income is highly dependent on customer flow and individual performance. Additionally, prior research often assumes stable business environments, whereas service-based micro-enterprises frequently experience income fluctuations that challenge conventional notions of equity. This indicates a gap in the literature regarding how income equity is perceived and negotiated under conditions of uncertainty. Accordingly, this study contributes by examining income equity in a highly dynamic, informal service context, offering a more nuanced understanding of how fairness

is constructed and experienced by workers and business owners within profit-sharing arrangements.

Islamic Economic Literacy and Informal Contracting in Wage Practices

Preliminary observations from micro-service enterprises, including barbershops, indicate that workers and business owners generally possess limited conceptual understanding of Islamic economic principles, particularly regarding contractual forms (*akad*), risk-sharing, and distributive justice. Although profit-sharing practices are widely implemented, they are often based on habitual arrangements rather than normative comprehension of Sharia principles. This condition makes Islamic economic literacy a relevant variable in the literature, as it influences how actors interpret fairness, transparency, and contractual obligations. Low literacy may result in partial compliance, where practices align substantively with Islamic values but lack formal and conceptual grounding. In this context, the dominance of verbal agreements in micro-enterprises can be explained through the theory of informal contracting, which emphasizes flexibility, trust, and relational governance over formal legal enforcement. (Gil & Zanarone, 2017). Informal contracts are commonly found in small-scale businesses due to lower transaction costs and adaptive efficiency; however, they also carry risks of ambiguity and weak legal protection. Integrating this perspective, the present study positions profit-sharing practices in barbershops as a form of trust-based informal contracting, transparency and mutual consent substitute for formal documentation. This theoretical lens is essential to understanding why verbal agreements persist and how they shape perceptions of justice within informal labor settings.

Research Methodology

This study employs a qualitative case study approach to examine profit-sharing-based wage practices and income equity in 10 barbershop businesses in Watampone City. This design is appropriate for capturing in-depth socio-economic interactions and labor relations within informal service enterprises. (K Robert, 2018). Informants were selected through purposive sampling, including barbershop owners and workers directly involved in profit-sharing systems, and data collection continued until saturation was achieved. (John Creswell et al., 2017). Data were gathered through in-depth interviews, non-participant observation, and documentation to ensure richness and triangulation. (John Creswell et al., 2017). Data analysis followed an interactive model involving data reduction, data display, and conclusion drawing, in which empirical findings were coded and interpreted around themes such as profit-sharing mechanisms, income equity, and conformity with Islamic economic principles. (Miles et al., 2014). Ethical considerations were upheld through informed consent, confidentiality, and voluntary participation. To ensure trustworthiness, this study applied source and method triangulation, member checking, and systematic documentation to maintain validity, reliability, and transparency in accordance with qualitative research standards. (Creswell & Poth, 2016).

Results

Profit-Sharing-Based Wage System Pattern

Empirical data gathered from 10 barbershops in Watampone City indicate that all observed enterprises have adopted a profit-sharing model as their primary compensation mechanism, entirely substituting fixed monthly remuneration. The predominant distribution ratios range from 60:40 to 70:30 in favor of the barbers, reflecting their indispensable role in delivering direct

service. Given that service tariffs range from IDR 20,000 to 35,000 per haircut, and client volume varies from an average of 5–10 individuals on weekdays to 15–25 on weekends, workers' earnings are highly dependent on daily performance and market fluctuations. These findings confirm a uniform structural pattern across the cases studied, in which financial compensation is strictly correlated with productivity rather than with traditional time-based employment metrics.

The calculation and distribution of income are conducted in a relatively transparent and observable manner. Each service transaction is informally recorded, allowing workers to estimate and verify their daily earnings based on the number of customers served. Income distribution is typically conducted daily or weekly, depending on business policy, and payments are made immediately after operational hours. This system minimizes disputes and reinforces workers' trust, as income fluctuations are clearly understood as a function of customer volume. However, most barbershops lack formal bookkeeping systems and written documentation, indicating that transparency is achieved through direct observation rather than administrative standardization.

Despite a shared core structure, variations exist in profit-sharing percentages, payment timing, and the degree of formality in agreements. Some barbershops use more structured arrangements, while others rely entirely on informal, trust-based practices. Synthesizing these findings, the profit-sharing wage system in barbershops can be characterized as flexible, performance-based, and transparency-driven, yet administratively informal. This model reflects an adaptive response to the uncertainty of service-sector income while maintaining a cooperative relationship between business owners and workers.

Basis of Agreement and Employment Contract

Based on the field data collected, employment agreements are consistently established at the recruitment stage through direct and informal communication. In all observed cases, business owners explain key aspects such as profit-sharing ratios (commonly 60:40 or 70:30), working hours, and basic operational rules, after which workers decide to accept or decline the terms. No formal negotiation process was identified, and agreements are reached quickly based on practical considerations. This pattern demonstrates that mutual consent (*tarāḍī*) is operationalized in a simplified and pragmatic manner within informal service enterprises.

Across the sample, employment contracts are predominantly verbal, with no formal written documentation in most barbershops. Only a small number of cases maintain basic written notes, while the majority rely entirely on trust-based agreements. Despite this informality, both parties perceive the arrangements as binding because the agreed-upon profit-sharing percentages, schedules, and work rules are consistently applied in daily operations. Transparency in income calculation, in which workers directly observe customer volume and earnings, serves as a substitute for formal contractual enforcement, reducing disputes and reinforcing trust-based compliance.

However, variations emerge in the clarity of rights and obligations across barbershops. While workers generally understand their rights to income shares and access to facilities, as well as their obligations to maintain service quality and attendance, these elements are rarely defined in detail. Furthermore, workers' understanding of the profit-sharing system is largely practical rather than conceptual, with limited awareness of formal contract principles or Islamic economic frameworks. Synthesizing these findings, employment contracts in barbershops can be characterized as informal, trust-based, and operationally effective, yet lacking formal standardization, which may create potential ambiguity in situations involving conflict or changes in business conditions.

Workers' Perceptions of Income Justice

The majority of workers perceive the profit-sharing wage system as fair in a proportional sense, where income is directly linked to the number of customers served and individual performance. Barbers reported serving between 5 and 25 customers per day, and this variation is clearly reflected in their daily earnings. Workers emphasized that greater effort and better service quality lead to higher income, reinforcing the perception that the system is not unilateral but performance-driven. As one informant noted, “When customer traffic is high, income also increases, so it feels fair because it reflects our effort.”

Regarding satisfaction, most workers expressed a clear preference for profit-sharing over fixed wages. Those with prior experience in fixed-wage systems reported that their income remained relatively constant despite fluctuations in workload. In contrast, the current system allows income to rise during peak-demand periods. Transparency in income calculation—where workers can directly observe customer volume and revenue—further strengthens this perception of fairness and trust. Another informant stated that “profit sharing is more comfortable because we understand the calculations and receive the results immediately.”

However, workers also acknowledge the risk of income fluctuation, particularly during low-demand periods when daily earnings may decline significantly. Despite this, most workers remain satisfied, as the variability is perceived as a natural consequence of shared business conditions rather than injustice. Synthesizing these findings, workers' perceptions of income justice can be characterized as performance-based, transparent, and risk-aware, in which fairness is constructed through proportional outcomes and clear income mechanisms rather than through income stability.

Business Owners' Perceptions of the Profit-Sharing System

Field findings show that barbershop owners consistently adopt profit-sharing systems due to their flexibility and alignment with fluctuating service-sector income. Owners reported that daily customer volume varies significantly, making fixed wages less feasible. By applying profit-sharing ratios (typically 60:40 or 70:30), owners can adjust labor costs in proportion to business performance. One owner explained that “profit sharing is lighter for the business, because expenditures are aligned with income,” indicating that the system functions as a risk-sharing mechanism.

From a performance perspective, owners observed that the system increases worker productivity and service quality. Barbers tend to be more proactive in attracting customers and maintaining service standards, as their income is directly tied to performance. This reduces the need for strict supervision and contributes to operational efficiency. Several owners also noted increased customer retention, suggesting that the system indirectly supports business sustainability by improving service outcomes.

In terms of labor relations, owners perceive the system as fostering a partnership-oriented relationship rather than a hierarchical one. Workers are viewed as contributors to business success rather than fixed-cost employees. Fairness is defined in terms of proportionality rather than equal pay, and sustainability is linked to the system's ability to balance costs and revenue. However, owners also recognize the limitations of informal agreements and the potential need for clearer arrangements. Overall, the findings indicate that profit sharing is perceived as a flexible, efficient, and relationally balanced system, capable of aligning the interests of both owners and workers within informal service enterprises.

Implementation of the Principle of Justice from an Islamic Economic Perspective

Implementing profit-sharing wages reflects proportional justice, in which income is directly linked to individual contribution and service output. With service prices ranging from IDR 20,000 to 35,000 and customer volume between 5 and 25 clients per day, workers' earnings vary accordingly, creating differentiated but performance-based income. Both workers and owners consistently recognize that income is generated through collective business performance rather than unilateral determination. This indicates that fairness is operationalized through measurable contribution rather than equal distribution.

The principles of mutual consent (*tarāḍī*) and transparency are also evident in practice. All observed barbershops establish agreements at the recruitment stage, and workers voluntarily accept the profit-sharing scheme. Income distribution is conducted openly, where workers can directly observe the number of customers and calculate their earnings. This transparency functions as an informal control mechanism, reducing disputes and strengthening trust. However, most agreements remain verbal, and formal documentation of rights and obligations is largely absent.

Risk-sharing is another key feature identified in the field—income increases during high-demand periods and declines when customer volume decreases, affecting both owners and workers simultaneously. Owners bear operational and facility costs, while workers bear income variability. Synthesizing these findings, the system reflects core Islamic economic principles, proportionality, transparency, and shared risk. Still, it remains partially implemented, as the absence of written contracts and limited conceptual understanding of Shariah principles indicates a gap between practice and ideal standards.

The Impact of the Wage System on Employment Relations

Wage-related disputes are minimal, as income is calculated transparently based on daily service output. Workers understand fluctuations in earnings as a direct result of customer volume rather than managerial decisions. When disagreements arise, they are typically resolved through informal discussion, reflecting a flexible and communicative work environment. The system also fosters a partnership-oriented relationship between business owners and workers. Workers report a stronger sense of involvement in business performance, as their income depends directly on service quality and customer satisfaction. Owners, in turn, acknowledge the critical role of barbers' skills in generating revenue. This mutual dependence shifts the relationship from a hierarchical employer–employee model to a more collaborative arrangement, where both parties contribute to business success.

In terms of sustainability, the profit-sharing system provides operational flexibility that supports both business continuity and workforce stability. Owners are not burdened with fixed labor costs during low-demand periods, while workers remain motivated by the opportunity to earn a higher income during peak times. Many workers prefer to stay longer in barbershops with transparent profit-sharing systems. Taken together, these findings suggest that the wage system generates not only economic outcomes but also positive social impacts, strengthening long-term employment relationships through trust and shared interests.

Discussion

Profit-Sharing Wage System as a Practice of Proportional Justice

Empirical findings from 10 barbershops show that income varies in line with performance, where barbers serving 5–25 customers per day earn proportionally different incomes under profit-sharing ratios of 60:40 to 70:30. These field patterns indicate that fairness is constructed through observable contribution rather than fixed income levels, as workers directly associate earnings

with effort and customer volume. This supports the argument that, in practice, justice is perceived as procedural and performance-based. When positioned within Islamic economic thought, such patterns reflect the principle of *al-'adl*, which emphasizes proportionality between rights and obligations rather than equal outcomes. (Chapra, 1998). The alignment between empirical practices and this principle suggests that distributive justice can emerge organically in informal sectors, even in the absence of formal contractual articulation.

At the same time, these findings both confirm and extend prior labor economics literature. While fixed-wage systems are often associated with income stability (Azfar & Danninger, 2001)(Bun & Huberts, 2018)The present study shows that workers may prefer variable income systems when transparency and earning potential are evident. This supports the findings of Fibírová & Petera on performance-based incentives and adds that transparency and direct income visibility are crucial for shaping perceptions of fairness in informal settings.(Fibírová & Petera, 2013). Thus, this study contributes by demonstrating that proportional justice in microservice sectors is not only normatively grounded in Islamic economics but also empirically sustained through transparent mechanisms and a shared understanding of performance-based income.

Partnership-Based Labor Relations from an Islamic Economics Perspective

Field evidence indicates that labor relations in the observed barbershops are non-hierarchical and partnership-oriented, with workers treated not as fixed-wage employees but as contributors to business outcomes. Workers' autonomy in managing customers and the shared dependence on daily revenue create a cooperative structure, with minimal conflict observed across cases. This empirical pattern supports the notion that flexible, trust-based arrangements can produce stable and harmonious labor relations. From an Islamic economics perspective, this reflects the principles of *syirkah* (partnership) and *ta'awun* (cooperation), in which different forms of capital contributions from owners and skills from workers are integrated into a shared economic activity. (Husaini & Anwar, 2022)(Kartiko, 2019).

Compared to conventional employment models, which are typically hierarchical and contract-based (Y. A. Putra, 2025)(Mohrenweiser & Pfeifer, 2023)The findings reveal a distinct relational structure shaped by mutual dependence and shared risk. This study extends existing literature by showing that in informal service sectors, partnership-based relations are not merely normative ideals but practical arrangements that enhance both economic and social outcomes. The results indicate that profit-sharing systems not only influence income distribution but also transform labor relations into more egalitarian and collaborative forms, reinforcing the relevance of Islamic economic principles in contemporary informal labor contexts.

Transparency and Mutual Consent as the Foundation of Wage Justice

Empirical findings from 10 barbershops demonstrate that transparency serves as a practical mechanism for ensuring wage fairness, in which workers directly observe daily customer numbers (5–25 clients) and calculate their income based on agreed-upon sharing ratios (60:40–70:30). This visibility reduces information asymmetry. It minimizes disputes, as income fluctuations are collectively understood as a function of demand rather than managerial discretion. When interpreted through Islamic economic principles, this pattern reflects *tarāḍī* (mutual consent) and procedural justice, in which fairness is determined not only by outcomes but also by the openness of the process. This supports Chapra's argument that justice in Islamic economics is rooted in transparency and moral agreement, rather than purely contractual formalism.(Chapra, 1998).

However, the findings also reveal a tension between substantive justice and formal legitimacy. While verbal agreements effectively maintain trust-based relations, they lack the legal clarity emphasized in contract theory. (Gil & Zanarone, 2017). This study extends prior literature by showing that in informal service sectors, transparency can partially substitute for formal contracts, yet does not fully eliminate the risk of ambiguity in rights and obligations. Thus, the contribution of this study lies in highlighting that wage justice in micro-enterprises is sustained

through a combination of observable transparency and voluntary agreement, but requires gradual formalization to strengthen Sharia-compliant governance.

Profit-Sharing, Work Motivation, and Business Performance

Field evidence indicates that profit-sharing systems create a direct link between performance and income, with workers who serve more customers experiencing immediate increases in earnings. This mechanism functions as an intrinsic incentive, encouraging higher discipline, service quality, and customer engagement. Unlike fixed-wage systems, where effort and income are weakly connected, the observed model reinforces performance-based motivation in real time. These findings align with Ilmi & Juliana, who argue that performance-linked compensation enhances productivity; this study further demonstrates that these effects are particularly strong in informal, skill-based service sectors where output is easily measurable. (Ilmi & Juliana, 2023).

At the same time, this study nuances existing debates on income instability in profit-sharing systems (Chang, 2006). While prior research highlights the risks of fluctuating earnings, the present findings show that workers remain motivated and loyal as long as the system is perceived as fair and transparent. This suggests that perceived justice can mediate the negative effects of income variability, a dimension often underexplored in the literature. Consequently, this study demonstrates that profit-sharing not only improves short-term productivity but also strengthens long-term business performance by enhancing worker commitment, making it a viable and adaptive wage model for micro-scale service enterprises.

Income Justice in the Context of Fluctuating Service Businesses

Field data from 10 barbershops show that workers' daily income fluctuates significantly, ranging from approximately IDR 100,000 to 400,000 per day, depending on customer volume (5–25 clients) and service prices (IDR 20,000–35,000) under profit-sharing ratios of 60:40–70:30. Despite this variability, workers consistently perceive the system as fair, as income changes are directly linked to observable business conditions rather than unilateral decisions. The absence of hidden deductions and the ability to verify daily earnings strengthen this perception. These findings indicate that, empirically, income justice is constructed through transparency and performance alignment rather than income stability, with fluctuations socially accepted as part of shared business dynamics.

From a theoretical perspective, these results reinforce and extend the concept of proportional justice in Islamic economics, in which fairness is based on contribution and risk-sharing rather than on equal outcomes. (Mujahidin, 2021). While conventional distributive justice literature often prioritizes income stability as a key indicator of fairness, this study demonstrates that in informal, skill-based service sectors, justice is instead grounded in procedural fairness and opportunity to earn. This finding contributes to the literature by showing that perceived fairness can mitigate the negative implications of income volatility, provided transparency, mutual consent (*tarāḍī*), and balanced risk-sharing are maintained. Consequently, the study offers empirical evidence that income instability does not necessarily contradict justice, but can coexist with it under a proportional and transparent distribution system.

Imperfections in Shariah Practice and Their Implications

The findings of this study indicate that the implementation of the profit-sharing system in barbershop enterprises in Watampone City has not yet fully met the ideal standards of *akad* (contract) in Islamic economics. One of the most salient issues is the absence of written contracts, as employment agreements are generally established orally based on trust and customary practices. While such oral agreements substantively reflect mutual consent and willingness, they are formally limited in their ability to ensure clarity regarding each party's rights and obligations. Under harmonious working relationships, the lack of written contracts does not pose significant

problems. However, when business conditions change or interpretations differ, the absence of documented agreements may create uncertainty and increase the risk of conflict.

The risk associated with unclear rights and obligations highlights a gap between empirical practices and Shariah ideals. In the framework of Islamic contracts, clarity regarding the subject matter of the contract, the mechanism for profit distribution, and the respective responsibilities of the parties is a fundamental requirement to ensure justice and avoid *gharar* (excessive uncertainty). (Indrayani & Muzan, 2025). The findings further indicate that most workers and business owners have a limited understanding of the types and legal implications of the Shariah contracts underlying their profit-sharing arrangements. The profit-sharing system is practiced more as a customary arrangement than as a consciously recognized contractual agreement. This underscores the importance of enhancing *akad* literacy in employment relationships, not to impose excessive formalities on micro-scale business actors, but to strengthen the protection of rights and ensure the sustainability of labor relations in accordance with the principles of Islamic economics.

Conclusion

This study concludes that the profit-sharing-based wage system implemented in barbershop businesses in Watampone City functions as a mechanism of income justice that is proportional, contextual, and partnership-oriented. Justice is not interpreted as the certainty of nominal income but rather as the alignment between labor contribution, business risk, and the returns received. This practice fosters non-hierarchical employment relations, enhances workers' motivation, loyalty, and service quality, and contributes to the sustainability of micro-scale service enterprises. Transparency and mutual consent (*tarāḍī*) serve as the primary foundations for the acceptance of the profit-sharing system, although its implementation remains largely characterized by verbal contracts and limited Shariah literacy. These findings highlight the gap between empirical practice and the ideal formulation of Shariah contracts, while simultaneously demonstrating that Islamic economic values can be substantively implemented within the informal service sector. Overall, this study reinforces the relevance of Islamic economics as an applicable framework for socio-economic justice in skill-based service MSMEs.

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Author Contributions Statement

AN and UA contributed to the conceptualization and design of the study—AN conducted data collection and fieldwork, while UA was responsible for data analysis and interpretation. AN and UA collaboratively wrote, reviewed, and finalized the manuscript.

Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this article. The research was conducted independently without any financial or commercial relationships that could be construed as a potential conflict of interest.

AI Usage Statement

The authors declare that the use of Artificial Intelligence (AI) tools in this study was strictly limited to language editing, grammar checking, and improving clarity and readability. AI was not used to generate research ideas, conduct data analysis, interpret findings, or draw conclusions. All intellectual content, analysis, and interpretations presented in this article are the sole responsibility of the authors. The use of AI complies with ethical standards in academic publishing, and AI tools are not recognized as authors or contributors.

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