

Unemployment In Islamic Economy

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Abstract

Unemployment is one of the main problems in the modern economy that can disrupt the social and economic stability of a country. From an Islamic economic perspective, unemployment is seen as a form of wasted human resources and an injustice in the distribution of job opportunities. This article aims to analyze the concept of unemployment in Islamic economics, its causes, and the solutions offered by the Islamic economic system to overcome it. The method used is a literature study from various primary and secondary sources, including the Qur'an, Hadith, and contemporary Islamic economic literature. The results of the study indicate that Islamic economics emphasizes the importance of productivity, equitable distribution of wealth, and individual empowerment as solutions to overcome unemployment. Instruments such as zakat, waqf, qardhul hasan, and the Islamic labor market system can be used as a means to reduce the unemployment rate. In conclusion, the holistic application of Islamic values in Economic policies can be a strategic alternative to reduce unemployment in a sustainable manner.

INTRODUCTION

Unemployment is a problem that often serves as an indicator of the failure of an economic system to provide welfare for its people (Mannan, 1991). High unemployment rates not only cause economic losses in the form of lost potential output but also give rise to social problems such as poverty, crime, and inequality (Chapra, 2000). Within a conventional economic framework, unemployment is often addressed through monetary and fiscal policies. However, this approach does not fully address the structural and moral roots of the problem (Kahf, 2004). Digital transformation also provides significant opportunities for economic empowerment. With digital platforms, such as e-commerce and marketplaces, small and medium enterprises (SMEs) can market their products more widely and efficiently. (Budiman, F., Firdaus, M. F., & Dwi, G. S. ,2025).

Islamic economics, as an economic system based on revelation and ethics, offers an alternative approach to addressing unemployment (Antonio, 2011). Islam views unemployment not only as a technical problem but also as a form of inequality in the value system, distribution, and management of resources (Al-Qardhawi, 1995). This article will discuss how Islamic economics identifies, analyzes, and offers solutions to unemployment, both from a normative and practical perspective.

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METHODS

This study uses a descriptive qualitative approach with a library research method, as described by Creswell (2014), which emphasizes an in-depth understanding of social phenomena through textual and contextual analysis. This approach was chosen to comprehensively explore the concept of unemployment from an Islamic economic perspective and the solutions offered through Islamic economic instruments. The primary data sources in this study consist of classical and contemporary literature relevant to Islamic economics and the issue of unemployment. Data were collected from tafsir books, hadith, Islamic economics books, scientific journals, and official documents of Islamic financial institutions. For example, Monzer Kahf's (2004) thinking on Islamic economic methodology provides an important analytical framework for understanding the Islamic approach to contemporary economic issues. Furthermore, this study also references recent works discussing the integration of knowledge in Islamic economics, as outlined by Khan (2018), who emphasizes the importance of an interdisciplinary approach in developing Islamic economic theory relevant to current conditions.

Data collection techniques were conducted through a systematic search of relevant literature, both printed and digital. These sources were analyzed to identify key concepts, theoretical arguments, and empirical findings related to unemployment and Islamic economic solutions. This process included identifying key themes, coding data, and synthesizing information to build a comprehensive understanding of the research topic. Data analysis was conducted using a thematic approach, which allowed researchers to identify patterns and themes emerging from the collected data. This method aligns with the approach described by Braun and Clarke (2006), which emphasizes the process of coding data, identifying themes, and interpreting meaning within the research context. In the context of Islamic economics, this approach allows researchers to understand how concepts such as zakat, waqf, and qardhul hasan are interpreted and implemented in efforts to address unemployment.

RESULT AND DISCUSSION

Islamic View of Unemployment

In Islamic teachings, work is not only seen as an economic necessity, but also as a moral obligation and act of worship. Islam believes that humans were created by Allah SWT to be caliphs on earth (Quran, Al-Baqarah: 30), meaning they have a responsibility to prosper the earth through productive work. Therefore, unemployment is seen as less than ideal and even contrary to Islamic values.

The Qur'an explicitly commands Muslims to work and strive to earn a halal livelihood. The words of Allah SWT in QS. Al-Jumu'ah verse 10 states: *"When the prayer has been performed, then spread yourselves on the face of the earth and seek the bounty of God."* This verse indicates that ritual worship must be accompanied by productive economic activity. The Prophet Muhammad (peace be upon him) also emphasized the importance of work in his saying: *"There is no better food that a person can eat than that which is the results of his own efforts."* (HR. Bukhari).

Unemployment in this context indicates a failure to fulfill one's role as a productive individual participating in community development. Therefore, Islam views unemployment as a waste of human potential that should be addressed. Not working without a sharia-compliant reason can also negatively impact social stability and community morals (Al-Qardhawi, 1995).

The Islamic view on unemployment is closely related to the principle *effort And tawaka*. Islam emphasizes that a Muslim should not be idle, but rather strive to the fullest before submitting the results to Allah SWT. Trust does not mean being passive, but rather actively seeking lawful sustenance. Those who are unemployed without a sharia-compliant reason are considered to have ignored Allah's command to strive. According to Andini et al. (2023), "work in Islam is not only intended to

fulfill personal needs, but also as a form of social responsibility that impacts the welfare of society." This demonstrates that work has multidimensional values: spiritual, social, and economic.

Furthermore, Islam emphasizes the importance of economic independence through entrepreneurship. The Prophet Muhammad (peace be upon him) exemplified the practice of trading as a highly valued profession because it provides broad benefits, not only for oneself but also for others. In the modern context, this principle aligns with the development of micro, small, and medium enterprises (MSMEs) as a means of reducing unemployment. Wahhab et al. (2023) assert, "Islam views unemployment as something to be avoided, and the government has a role in creating job opportunities and providing appropriate training." This statement reinforces the notion that the state has a significant responsibility in providing empowerment facilities.

Furthermore, Islam also offers economic instruments that can provide solutions to unemployment, such as zakat (alms), infaq (donations), sedekah (charity), and waqf (endowments). These instruments are not only forms of worship but also distribution mechanisms to empower the poor and unemployed to become economically independent. Kirana Sari et al. (2024) state, "Injustice in the distribution of wealth is a factor in unemployment, and Islamic solutions through zakat and waqf can be a means of equalizing and creating jobs." This proves that Islamic teachings are applicable and relevant to addressing contemporary economic problems.

Unemployment also has moral and social implications. Unemployed individuals are vulnerable to crises of self-confidence, isolation, and even deviant behavior. From an Islamic perspective, this condition can disrupt social stability and community morals. Suaidah et al. (2023) asserted, "The inability to absorb labor not only increases unemployment but also has significant social impacts." Therefore, Islam encourages synergy between individuals, society, and the state to reduce unemployment and maintain social balance.

Causes of Unemployment from an Islamic Perspective

Islam views unemployment not only from a technical or economic perspective, but also from a structural and ethical perspective. One of the main causes of unemployment from an Islamic economic perspective is the unequal distribution of wealth. When wealth circulates only among the wealthy, while the poor lack access to resources and capital, employment opportunities become limited (Chapra, 2000). The Quran also warns against wealth circulating only among the wealthy (QS. Al-Hashr: 7).

Furthermore, low-quality education and a lack of skills training are also structural causes of unemployment. Many individuals lack the skills required by the modern job market, making it difficult to compete. This situation is exacerbated by the weak role of the state in providing equitable and quality educational facilities.

On the other hand, a capitalist economic system focused solely on profit often creates inequality and marginalizes vulnerable groups in society. In this system, humans are often treated merely as factors of production, without regard for welfare and social justice (Mannan, 1991). Islam rejects this paradigm and promotes a more humane and just approach to economic relations (Kahf, 2004).

Another factor contributing to unemployment is weak government support and public policy in creating jobs. In Islam, the government has a significant responsibility to safeguard the welfare of the people, including ensuring the availability of equitable employment opportunities. Wahhab et al. (2023) stated, "The government plays a crucial role in providing training, incentives, and facilities that can reduce post-pandemic unemployment." This view aligns with the principle of maqasid sharia, namely safeguarding wealth (*hifz al-mal*) and taking care of the common good.

Furthermore, the conventional interest-based financial system is also a cause of unemployment from an Islamic perspective. This system tends to create inequality and hinders access to business capital for the poor. Islam offers a profit-sharing financial

system, such as *mudharabah* and *musharakah*, which is fairer and opens up wider job opportunities. Kirana Sari et al. (2024) stated, "One of the factors causing unemployment is dependence on the conventional financial system, while Islamic solutions through sharia instruments can increase public access to capital." Thus, Islamic solutions are both preventative and curative.

Equally important, social and moral factors also contribute to unemployment. A culture of laziness, excessive dependence on aid, and a weak work ethic contradict Islamic values, which emphasize hard work and independence. The Prophet Muhammad (peace be upon him) highly valued those who worked with their own hands as a means of maintaining self-respect. Andini et al. (2023) state, "The work ethic in Islam emphasizes social responsibility and productivity, so laziness and passivity are obstacles to development." This confirms that unemployment is not merely an economic issue, but also closely related to individual morals and behavior.

Islamic Economic Solutions to Unemployment

Unemployment is a major problem in the modern economy, not only impacting people's purchasing power but also giving rise to complex social problems. From an Islamic economic perspective, the solution to unemployment emphasizes not only job creation but also human and natural resource management in accordance with sharia principles. Islam encourages its followers to work, strive, and not depend on others, as the Prophet Muhammad (peace be upon him) said that the upper hand is better than the lower hand. One solution offered is optimizing productive zakat, productive waqf, and qardhul hasan, which can provide business capital for the poor and unemployed to start economic activities. Thus, the role of Islamic financial institutions and Baitul Maal is crucial in channeling Islamic social funds to the real sector, thereby creating new jobs and reducing unemployment.

Furthermore, Islamic economics emphasizes the importance of the real sector and small and medium enterprises (MSMEs) in economic development. In an Islamic system, the state is obligated to provide facilities, infrastructure, and conducive policies so that people can develop businesses according to their abilities. Sharia principles such as justice ('adl), welfare (maslahah), and togetherness (ta'awun) encourage the creation of an inclusive economic system, so that every individual has the opportunity to work and contribute to development. Sharia-based skills training programs, mosque-based economic empowerment, and the development of sharia-compliant cooperatives are concrete steps to reduce unemployment. Thus, the Islamic economic solution to unemployment is not only to create jobs but also to develop independent, productive, and moral individuals in accordance with the guidance of the Qur'an and Sunnah.

Islamic economics not only provides an analysis of the causes of unemployment but also offers practical solutions based on the principles of justice, equity, and empowerment. Some of the unique instruments and approaches of Islamic economics to address unemployment include:

Zakat as Productive Capital

Zakat, as productive capital, is a strategic solution to addressing the economic problems of the community, particularly unemployment and poverty. In Islamic teachings, zakat is not only interpreted as a consumptive religious obligation, but also has great potential to empower communities if managed productively. This means that zakat funds are not only given for immediate needs, such as daily consumption, but can be invested in sectors capable of generating long-term profits. For example, zakat can be distributed in the form of business capital to the poor or mustahik (recipients of zakat) who have the skills and intention to work, enabling them to develop independent businesses. With this approach, zakat not only solves immediate problems but also creates economic sustainability for its recipients.

Productive zakat management requires professional and organized management. Zakat Amil Institutions (LAZ) can act as intermediaries, connecting zakat funds with

community empowerment programs. For example, by establishing sharia cooperatives, skills training centers, or community-based micro-enterprises funded by zakat funds. In this way, zakat serves as a catalyst for creating new jobs, increasing productivity, and reducing the beneficiaries' dependence on consumer assistance. This concept aligns with the maqashid of sharia, namely safeguarding religion, life, intellect, lineage, and wealth. The implementation of productive zakat can maintain human dignity by lifting people out of the cycle of poverty.

Zakat, as the third pillar of Islam, has significant social and economic functions. In the context of unemployment, zakat is not only used for consumption but can also serve as business capital for the poor and unemployed. By providing access to productive capital, zakat can empower them to start businesses and escape the cycle of poverty and unemployment (Al-Qardhawi, 1995).

Productive Waqf as a Source of Social Economy

Productive waqf as a source of socio-economic development plays a strategic role not only in the construction of mosques or tombs, but can also be developed into an economic instrument that generates broad benefits for society. Waqf assets can be processed productively, for example, by building hospitals, schools, markets, plantations, or commercial properties, with the profits used for social purposes. Thus, a productive waqf can become a long-term, inexhaustible source of funds, unlike consumptive aid, which is only temporary. This productive use of waqf aligns with the Islamic spirit of creating economic equality and ensuring that the benefits of wealth do not stop with one generation but continue to flow to the wider community.

Furthermore, a productive waqf is also a crucial instrument for strengthening the social economy and reducing inequality. Through professional management by a nadzir (waqf administrator), waqf funds or assets can be invested in sectors that provide direct benefits, such as providing business capital for MSMEs, building free educational facilities, and developing vocational training centers (Wulandari, 2023). The impact is not only to improve economic welfare but also to strengthen the quality of human resources. Productive waqf encourages community independence by opening access to education, health care, and employment, ultimately reducing poverty. When integrated with government policies and the Islamic financial system, productive waqf will become a crucial pillar in building an inclusive, equitable, and socially just Islamic economic system.

Productively managed waqf can be a source of funding for various social and economic projects. For example, waqf assets can be used to build job training centers, educational institutions, hospitals, or even productive businesses such as agriculture and cooperatives. This not only creates jobs but also promotes equitable distribution of prosperity (Republika, 2022).

Qardhul Hasan: Interest-Free Microcredit

Qardhul Hasan, or benevolent loans, is a crucial instrument in Islamic economics that can function as interest-free microcredit. The basic principle of Qardhul Hasan is to provide loans to those in need, both individuals and groups, without expecting any material reward other than the repayment of the principal. This concept is highly relevant in addressing the problem of access to capital for low-income communities, often beyond the reach of conventional financial institutions. With Qardhul Hasan, poor communities or micro-entrepreneurs can obtain business capital without the burden of interest (riba), which typically worsens their economic situation. This instrument encourages the growth of small businesses, increases productivity, and ultimately helps reduce unemployment and social inequality.

Furthermore, Qardhul Hasan is not only an economic instrument but also has social and spiritual dimensions. Its implementation not only helps mustahik or financially disadvantaged communities, but also strengthens solidarity among believers because it is

based on the spirit of mutual assistance. Sharia financial institutions, sharia cooperatives, and zakat institutions can act as facilitators in distributing Qardhul Hasan effectively. Moreover, funds from zakat, infaq, and sadaqah can be used to expand the reach of this program so that its benefits are felt more widely. With professional and transparent management, Qardhul Hasan can become an important pillar in building a sharia microcredit system that is oriented not only towards financial gain but also towards blessings, justice, and social empowerment.

Qardhul hasan is an interest-free loan intended for those in need of business capital. Unlike conventional credit systems that burden small businesses with high interest rates, qardhul hasan aims to provide assistance in a spirit of solidarity and mutual assistance. This has the potential to encourage the growth of small and medium enterprises (SMEs) among the poor (Antonio, 2011).

Islamic Microfinance Institutions : Baitul Maal wat Tamwil (BMT) and Islamic cooperatives are Sharia-based microfinance institutions that can play a significant role in addressing unemployment, particularly in the informal sector. These institutions provide easy, Sharia-compliant financial access for small businesses by promoting financial inclusion and economic empowerment of the community (Kahf, 2004). LKMIs typically operate on a community scale, such as Baitul Maal wat Tamwil (BMT), sharia cooperatives, or similar institutions focused on empowering the community economically. Through profit-sharing financing schemes (*mudharabah*, *musyarakah*) or charitable loans (*qardhul hasan*), LKMIs help micro and small businesses grow without the burden of high interest rates typical of conventional systems. The presence of LKMIs is crucial because, in addition to providing access to capital, they also educate the community about the importance of financial management in accordance with Islamic principles.

The Role of the State in Ensuring Welfare

The state's role in ensuring welfare is fundamental because it possesses the authority, resources, and power to regulate and manage various aspects of community life to achieve social justice. From an Islamic perspective, the state is obligated to act as a protector (*hāris al-ummah*) and regulator (*mudabbir al-syu'ūn*), ensuring the fulfillment of the people's basic needs, such as clothing, food, shelter, education, health, and employment. The state must be present in creating fair economic regulations, overseeing the distribution of wealth so that it does not circulate only among the wealthy, and managing natural resources for the common good, not for a select few. Through sharia instruments such as zakat, waqf, and the management of Baitul Maal, the state can build a robust and sustainable social security system.

In an Islamic economic system, the state has a significant responsibility to ensure the welfare of its citizens, including providing employment and skills training. The state must not shirk its responsibility to address socioeconomic problems such as unemployment. The government must provide infrastructure that supports people-driven economic growth and ensure that all citizens have the right to decent work (Chapra, 2000). A crucial aspect of fiscal policy is the government budget, which encompasses a country's revenues and expenditures. When government expenditures exceed revenues, a budget deficit arises. (Adila, N., Dwi, G. S., Ningsih, R., Nuraiman, N., Wahyuni, S., Wulandari, W., & Julian, M. ,2024).

CONCLUSION

Unemployment, from an Islamic economic perspective, is not simply an economic issue but also reflects the waste of human resources and the unfair distribution of wealth. Islam emphasizes the importance of social justice and economic equality as the primary foundation for creating shared prosperity. When individuals lack access to decent employment, this indicates inequality in the economic system, which contradicts Islamic principles.

To address these issues, Islamic economics offers various spiritual and social instruments, such as zakat, waqf, qardhul hasan, and the active role of the state in ensuring the welfare of the people. Zakat, as one of the pillars of Islam, serves not only as a means of wealth redistribution but also as a means of economic empowerment for the less fortunate. Productive waqf can be used to build public facilities and productive businesses, thereby creating jobs. Qardhul hasan, as an interest-free loan, provides the poor with the opportunity to develop small businesses without the burden of usurious interest. The state's role is crucial in providing infrastructure, education, and skills training that support people-based economic growth. The comprehensive application of Islamic economic principles can create a just, productive, and sustainable system for addressing unemployment. By integrating spiritual, moral, and social values, Islamic economics can provide holistic solutions to unemployment issues and promote equitable prosperity throughout society.

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