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Shariah-Compliant Governance Framework for HR Practices in Karachi's IT Sector

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Abstract & Indexing

Publisher

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Abstract

This research investigates the congruence between the fast-developing IT sector of Karachi, Human Resource (HR) practices, and the principles of Islamic law and ethics, and based on this elaborates a HR governance framework of a Shariah compliance. The research employs qualitative multiple-case studies, which will span the years 2024 to 2025, and analyses the key employment-related documents, which were voluntarily provided to the researcher by the software companies of varying sizes. These documents include appointment letters, employment contracts, HR policy manuals, and performance and disciplinary management records. To see if these documents fulfil the basic conditions of Shariah law on employment relations, the research employs both content and thematic analyses. The study focuses on informed mutual consent, transparency and lack of (*gharar*) ambiguity in job duties, salary, hours of work, and grounds for termination. The study also focuses on the absence of, and protection from, exploitation, inadequacy of pay and delays in payment of wages, and absence of, and the absence of, unreasonable discretionary power to employment relations. Despite many organizations showing basic compliance and gathering all necessary paperwork, copious amounts of gaps still remain in Shariah-focused HR governance. Most of these gaps relate to vague/unaddressed overtime policies, vague job descriptions, and unethical hiring practices such as dummy interviews, aggressive headhunting, and referrals without merit. Furthermore, employee welfare policies, especially those targeting stress and burnout in IT environments, are often absent or inadequate. HR managers generally do not consider HR functions to be an amānah, or moral responsibility. They main relinquish the ideals of integrity, fairness, and compassion, and simply treat them as niceties or optional practices. In light of these findings, the study presents a pragmatic and innovative HR governance plan that focuses on clear job descriptions, open and fair termination policies, merit-based hiring, and regular Shariah compliance assessments. This research focuses on the Karachi software industry, which provides a local empirical gap and helps address the local and global HR gap of Islamic justice, accountability, and dignity principles. This alignment can minimize workplace conflicts, enhance trust and employee retention, and defend the organizational moral income.

Keywords: *Islamic HRM, HR Governance, Shariah Compliance, Employment, Contracts.*

Introduction

In recent times, the software sector, particularly from major cities like Karachi and Lahore, from Pakistan has been growing remarkably. As a result of developing, flourishing, and growing ecosystems for start-ups, the sector has become a major contributor to the economic advancement of the nation. As Pakistan's financial and commercial centre, the city of Karachi contains numerous software houses serving a

range of clients, both in the country and abroad. As the industry continues to grow, the center will need to adopt more contemporary, effective, and legally valid systems for the management of human resources (HRM). Within the more comprehensive framework, these systems will need to include the HR contracts which define and craft the employer-employee relationships to manage expectations and obligations on both sides. In a dynamic business climate, these contracts become more important to avoid (or at least resolve) disruptions, and manage relationships in a way that is collaborative and constructive.

Importance of Shari'ah Compliance

Being a Muslim country, Pakistan has a unique case where Shari'ah compliant principles are important as far as religions, societies, as well as businesses and employment sectors are concerned. Shari'ah laws are derived from certain Islamic fundamentals, ethics, and morals which govern an individual, community, and society as a whole, pertaining to a various sectors and aspects of life including, but not limited to, finance, trade, and employment. For companies operational in Pakistan, from a business perspective, ensuring HR contracts fit these criteria is more than a matter of legality, but is an obligation to the Islamic values of equity, justice, and accountability. Non Shari'ah compliant HR contracts can result in employee dissatisfaction which can lead to disputes and/or legal issues. Employers may run the risk of earning from such contracts as Islam categorizes such income as Haraam (unlawful) due to the inequity and injustice in the earning practices. Due to these factors, Shari'ah compliant HR contracts can contribute to the peaceful co-existence of business partnerships as much as to the protection of the business from unethical and immoral contracts.

In this research, the main focus is to determine the degree of compliance with Shari'ah law that exists in the HR contracts of the software houses in Karachi. To this end, the document examines the employment contracts, the letters of appointment, and the norms of HR a company possesses to see how much of them abide by the Islamic ethical order. The research intends to show the length to which some corporations, in an unintentional manner, err from the Shari'ah principles and the moral and economical hazards which may follow. The research intends to ensure that, in the end, both the employees and the executives attain the respective dues that are justly theirs and their interests are protected. The research aims to highlight the significance of the Shari'ah-compliance business and the consequences of violations in Shari'ah principles and the losses it may pose, in reference to the income moral to protect from the Shari'ah violations.

Research Questions

This article intends to provide answers to these fundamental questions:

1. How important are HR contracts in the IT sector from a Shariah perspective?
2. What are the primary considerations HR departments should keep in mind in order to maintain Shariah compliance while drafting contracts during the recruitment of employees?
3. What are the key considerations that HR departments should respond to in order to accomplish Shariah Compliance during the course of employment of a worker?
4. What key elements should HR departments concentrate on to achieve Shariah Compliance when it comes to the termination of an employee's contract?

Scope of the Study

The focus of this research is to provide description and analysis of HR contracts of software

houses in Karachi with special emphasis on several companies from 2024 to 2025. The relevant data to be gathered include appointment letters and contracts, job descriptions and HR policies of the companies. This research intends to determine the level of Shari'ah compliance incorporated in the fundamental HR practices of software field in Karachi. This study is confined to the software industry in Karachi, which is evolving and growing at an unprecedented rate; it is adapting to the local and international market trends. This will provide Shari'ah compliant HR practices a new dimension and showcase the challenges to Shari'ah compliant HR practices in an industry.

Literature Review
1. Shari'ah and Employment Contracts
The principles within Shari'ah offer protective guidance on understanding contractual agreements considered a vital aspect of a Shari'ah-compliant legal system. Essential to this understanding are the parties' voluntary, mutual intentions to contract, the specificity and absence of excess uncertainty (gharar) regarding the contract terms, the reasonableness consideration, openness, and fairness throughout the performance and the fulfilment of the contract. In the case of employment relationships, the contracts must specify the obligations and entitlements of the parties. There must be no unanswered, vague, exploitative or forced labor relations, a guarantee of timely and just wage remittances, and a positive and harmonious interpersonal workplace relationships between the employer and the employees.

When examining Hoque & Chowdhury (2019), one identifies his Islamic studies on HR and Islamic studies on contracts and systems and outlines the core HR functions which ought to be coordinated with one's faith (within the Islamic perspective) which consists of: planning, recruitment, orientation, training & development, performance appraisal, compensation/benefits, & career development. These functions must originate from the primary sources of Islam because they form the basis with which one formulates regulating contracts and evaluates a HR system. Omari & Alsharari (2017) have focused on this void concerning Hamdi & Pratiwi (2016) where the ideals of Islamic HRM and the gap with the practices of a multitude of corporations is examined. Such systems ought to be the yardstick for measuring the level of HR contracts in Karachi's software houses.

2. Previous Works on Shari'ah Compliance
Of late, the studies surrounding Shari'ah-compliance of HR contracts are few and far in between, especially concerning the tech/software industry. However, a couple of studies exist which provide a basis for this research.

Rahman et al. (2013) built a model of HRM based on the Qur'an emphasizing organizational justice, employee satisfaction, and turnover. They laid the groundwork for understanding the impact of the principle of Islam on HR practices and the fundamental importance of justice and fairness to employees.

Hamdi & Pratiwi (2016) reviewed 35 papers on Islam and HRM and pointed out the gap between Islamic HRM models and the practices of modern-day corporations. This review indicates the paradox of implementing Shari'ah principles and emphasizes the importance of ethical paradox of consistency in HRM systems.

Omar, Jamhari, & Yusoff (2021) investigated the Islamic HRM practices in the Malaysian religious councils and the impact of these practices on turnover intentions. They Islamically compliant HRM practices certainly provide positive organizational justice and employee retention which is helpful to comprehend the HR contracts in the software houses of Karachi.

Mukri, Hanif & Abdul Wakhid (2024) reviewed HR ethics and professionalism and Islamic ethics explaining justice, trust, and excellence in HR practitioners.

Toumi (2023) explores the impact of Islamic values on HRM practices within Westernized companies and examines the way religious values influence HR practices in globalized and secular corporate settings. This study demonstrates the difficulties of intertwining Islamic values within the corporate world and this same issue can be identified within the software industry in Karachi when attempting to incorporate Shari'ah compliance into HR contracts.

Even though there are no studies in the HR contracts of the software houses in Karachi, there is conversed understanding of how Shari'ah principles can be and have been incorporated within the HR systems especially in relation to employment contracts. These studies highlight deficiencies in existing practices as well as establish criteria this research seeks to evaluate the contracts in the software houses in Karachi. This study aims to fill this gap through an analysis of employment offer letters, job contracts, and HR policies in Karachi's software houses in the years 2024-2025 with great emphasis Shari'ah principles such as fairness, transparency, and avoidance of gharar.

Methodology
1. Research Approach
This research undertakes a qualitative research methodology. In this case, the research investigates the form, substance, and ethics of the employment contracts in the software industry of Karachi. This case study investigates the employment contracts, appointment letters, and HR policy manuals through qualitative descriptive analysis, and the research examines how meaning, relevance, justice, and equity, and compliance are interpreted. The study focuses on actual HR contracts obtained from several software houses and assesses the Shari'ah principles on the contractual dimensions of fairness and transparency, and the prohibition of gharar. The qualitative methodology is pertinent given the previous studies of Islamic HRM (e.g., Hoque & Chowdhury, 2019; Hamdi & Pratiwi, 2016) and the Islamic ethics of organizational practices, thus making the case for this methodology.

The study incorporated a multiple-case study approach. The chosen software houses represent a variety of organizational sizes in Karachi's Tech Sector. The dataset includes larger firms with over 400 employees to micro, small, and medium enterprises (SMEs) having much smaller work teams. This diversity provides opportunity to analyze how company size and maturity, along with internal governance structures, influence the constitutive elements of the HR contracts. The same approach in varying Islamic HRM research has been applied to capture diversity across settings (Rahman, 2013; Toumi, 2023).

Data were captured from the primary HR documents of the sampled software houses. The documents captured were:
- Appointment letters
- Employment contracts
- Handbooks of HR policies
- Internal documents of disciplinary and performance management policies

The contracts and policies were provided by the organizations and HR professionals on voluntary basis for educational purposes. In the research, all the identifiable employees were represented as unidentified to address concerns of confidentiality. This document-based approach is in resonance with the qualitative HRM research traditions (Mukri et al., 2024) especially those that focus on Islamic ethics and equity in contracts.

2. Data Analysis
The documents collected were evaluated using standard content analysis and thematic analysis approaches. Each contract was evaluated on a chapter-by-chapter basis and compared against the primary Shari'ah contract principles taken from the Islamic legal tradition on:

- Mutual agreement and transparency
- Absence of gharar (no excessive ambiguity in the job description, salary, work hours, termination procedures, and processes)
- Protection from unfair exploitation (reasonable work standards and treatment, abusive leadership, and policies)
- Justifiable compensations (compensation criteria aligned with the Islamic view of fairness in remuneration)
- Establishment of fair and reasonable mechanisms for resolution of disputes.

The analysis was based on a coding scheme from Islamic HRM frameworks and tools (Hoque & Chowdhury, 2019; Hamdi & Pratiwi, 2016), enabling the research to reliably determine the conformity of the contracts under review to the Shari'ah principles. Patterns and discrepancies and instances of non-adherence to the principles were flagged and classified accordingly and used to derive conclusions pertaining to the state of the HR contracts and the legal practices the author observed in the software firms in Karachi.

Result & Findings
This section aims to present the results and findings that stemmed from the review of the HR contracts, policies and agreements in the IT sector of Karachi. From documents, different themes were explored on the basis of Shari'ah compliance within the HR governance. Shari'ah compliance, in our understanding, means the practice of Islamic values, and to achieve our goal, we explored HR documents to find out the extent Shari'ah compliance has been internalized in the IT sector in Karachi.

After the review, we were able to present how HR contracts were potentially Shari'ah compliant or not in relation to some of the primary concerns, such as, the right to appointments, the right to contract employment, the right to duration of employment, and the right to contract termination. Overall, our evidence was able to present the opportunities and the prevailing issues on the adoption of Shari'ah compliant governance from an HR perspective within the IT sector, and these opportunities and concerns in practice were made visible through the findings. For the sector, the most significant findings are outlined below:

1. The Main Functions of HR
The function of the Human Resource department is building and improving the relationships between the employees and the management of the organization. In this respect, the function of HR can be for a trustee. Hence, HR has to safeguard the employees, and defend, and advocate for their rights, while also defending, advocating, and working for the organization goals. HR must be custodians and in equity and justice, HR is a fair and transparent manager in equity and justice of employee relations and transactions. In the context of the IT industry, where workplaces tend to be fast and heavily diversified, HR is most critical in employee satisfaction, performance, and retention, and is also the most aligned to the overall employee strategic objectives of the company. (Jha 2018)

- **Upholding Good Character**

One of the most critical tenets of the HR profession is the importance of good character.

As the Prophet Muhammad (PBUH) said, "The best of you are those who are best in character." (translated by Muḥammad Muhsin Khan and Muhammad Bin Ismael 1997) Because HR deals with a large number of employee-related matters, it is a necessity that HR practitioners have the qualities of softness, kindness, and decency when interacting with people. This is extremely necessary in industries such as IT, where the employees are usually under a lot of strain. An ethical, compassionate disposition can instil trust in employees, improve their emotional health, and promote a positive atmosphere. The affirmation of such principles by HR staff fosters a better experience for each employee, as well as a stronger culture for the organization.

- **Employee Care and Brotherhood**

It has been reported that Prophet Muhammad (PBUH) said: "There is no Muslim above another Muslim. He is not oppressive and subjecting him to despair." (Nisabori, n.d.)
Also: "Whosoever meets the needs of his brother, Allah will meet his needs on the Day of Judgment." And, "Whosoever helps free a Muslim from his dilemma, Allah will free him from his dilemma on the Day of Judgment. And, whosoever covers the fault of a Muslim, Allah will cover his fault on the Day of Judgment."
The above statements show the degree of care, concern and encouragement that is expected of HR and employees. HR professionals must demonstrate concern and empathy in the processing of the problems of employees and must work to solve these problems in a caring and considerate manner. HR in the IT sector is, of course, expected to promote and encourage stress relief and burnout management, as it is a common experience in the industry. However, HR must also go beyond the traditional expectations of strategically steering workloads and monitoring employee performance. HR also needs to be an emotional support for employees, as well as helping them to attain equilibrium in work and life, and assisting them in their private issues.

- **Sincerely and Integrity**

As reported by Jareer Bin Abdullah (RA), he narrated, ``I made a pledge to the Prophet (PBUH), that I would perform the prayers, give zakat, and that I would be honest (and true) toward every Muslim.``(translated by Muḥammad Muhsin Khan and Muhammad Bin Ismael 1997)
Prophet Muhammad (PBUH) is reported to have said, "Religion is sincerity." (Nisabori, n.d.) This sheds light on the fact that HR ought to address his/ her responsibilities with the sincerity, integrity, and the dedication to ethical conduct. HR staff ought to balance the concerns of the organization with the needs and rights of the people, to achieve equity and justice. This is particularly important in the IT industry where, more than other industries, rapid changes and market pressures create challenging situations. HR should ensure that equity and transparency are the main principles. HR should not use employees to generate profit, rather the HR should create a relationship characterized by mutual respect and profit/ benefit.

- **Moderation and Balance in Decision-Making**

Moderation and balance must always be applied in the decision-making of HR. If there is an overwhelming bias towards the interests of the owners, the employees will be at risk, and at the same time, if there is excessive bias towards the employees, the organization will be at risk. Therefore, the HR should be implementing a balanced and equitable policy that protects the interests of the organization, but also the interests of the employees.
This balanced approach is imperative within an IT organization, where the risks are

often high, and decisions made by HR can directly affect employee satisfaction and performance of the organization. For example, during salary increase, salary cuts, changes in compensation packages, and layoffs, HR should be evaluating employee and organizational balance at all times. If there is no balance in the HR decision making, there is bound to be employee dissatisfaction and high turnover which is a nightmare in the IT sector because of the level of competition. In a equity decision-making approach, HR is able to balance the decision making of the employees and the business sustainability. (Saleem et al. 2016)

2. Responsibility Distribution According to Capability – Islamic Guidelines
For Human Resources, assigning duties to only the competent individuals is the main guideline. That is why Prophet Muhammad (PBUH) said: "Whoever appointments to a position someone who is not the most qualified, he has betrayed Allah, His Messenger, and all the Muslims".(Al Hakim 393 AD)
No favouritism, nepotism, socially interests bias, or personal favours should ever come to play to justify a hiring, or advancing a candidate. Particularly in the IT industry, where technical skill and experience is required and needed, HR should not trade competence for anything else. In relation to the technical position, inefficiencies, and lower productivity, lose the organization reputation and success. In the IT industry where the overall environment is changing rapidly, and there are frequent innovations, the importance of placing the right person in the right position is paramount towards a company foreseeable continuity. HR should guarantee employees with a capability to think, make rational decisions and lead the company towards its objectives, are employed in the key positions.

- **The Islamic Ruling on Head Hunting**

Certain institutions participate in headhunting and recruiting select individuals who have already signed an employment contract with another organization. However, if that person has signed an employment contract and that person's exit from that employer would be detrimental, it would be unethical to headhunt that individual.
In contrary, if that person has been released from their contract, or if that person has been employed with that employer on an open contract and if that person's exit from that organization is done with ethical practices, then it is totally lawful to recruit that person to be part of the organization.
This ethical standard is very pertinent in the information technology industry, which is in of great of headhunted personnel. There is an ethical obligation in recruiting characterized by no disruption to the operations of the organization being exited. In addition, fair competition ought to be maintained in the information technology industry to ensure that there is no environment created through unethical practices in headhunting which allows employers to from employees who have not yet freely terminated their employment. Reputable headhunting ought to be characterized by the freedom it provides to employees, and the respect it affords to the organizations. (Ahmad and Parvaiz 2018)

3. Interviews and Recruitment -- Islamic and Ethical Principles
- **Interview Expenses -- Ethical Approach**

Regarding covering travel expenses for candidates who come from far away, and at a distance, it is not an Islamic duty for the organization, However, it is good practice, and an ethical approach to aid with travel and lodging expenses, especially during the latter stages of the interview process. It is necessary to aid top candidates with travel or

lodging expenses, and it is even more necessary not to let them go unassisted if they end up being not hired for the position.

Considering the IT industry, where the acquisition of talent requires reaching out to candidates from several other regions and even countries, it is ethical to this industry and to the candidate to cover travel expenses and it will create a good impression as well as enhance the reputation of the employer, and it will be perceived as an ethical act that is a sign of respect for the candidate's time. Although it may not be a requirement, assisting with travel expenses will undoubtedly improve the employer's brand in the eyes of potential candidates, especially in a competitive job market.

- **Prohibition of Dummy (Fake) Interviews**

Some HR departments conduct so-called "dummy" interviews. Dummy interviews are where a department simply posts a job in a newspaper, collects CVs, and has interviews, even though that department has already made a decision on a candidate. This situation generates a plethora of issues.

- It wastes candidates' time.
- It adds unnecessary travel expenses.
- It causes undue mental and physical stress on candidates.
- It makes an organization appear deceptive and untrustworthy.

These issues harm and are built on the foundation of deceit. This makes the situation unethical, as well as being prohibited in Islam.(Accounting and for Islamic Financial Institutions (AAOIFI) 2008) Organizations can also experience harm to their reputation and face legal action when running such unethical processes.

These issues are particularly relevant to the IT sector, where recruiting top talent is especially important. Dummy interviews waste time and can dissuade candidates from applying altogether, bypassing that organization. Building the relationships is particularly important in knowledge-based sectors such as IT, and, simply put, doing so through integrity in the recruitment process allows organizations to select the best recruits.(Akhtar 2025)

- **Criteria for Islamic Recruitment – Being Able, Being Trustworthy**

Islam stipulates two primary considerations when appointing people to specific positions with certain obligations.

a. Being Able – Relevant skills and expertise: Candidates for a position should meet the skills, backgrounds, and other relevant experience requirements needed to carry out the job function. Only able, skilled, and knowledgeable people should be appointed to the positions of responsibilities.

In the IT industry, for example, specific technical skills and expertise are needed for different positions, so stakeholders must ensure that potential job applicants are properly qualified and experienced to fulfil the responsibilities incumbent upon the position. Specifically, for job positions in software development and network security, HR ought to ensure that job candidates have relevant technical skill sets, problem-solving competencies and certifications to be able to work effectively and efficiently within these critical positions.

b. Being Trustworthy – Being Dependable: Without trustworthiness, there is no value in being able. The trust of the people must be earned on the basis of:

- Losing no resources of the business organization.
- Showing respect for time.
- Keeping the business organization's secrets to oneself.

- Not disclosing the agenda and the subject matter of meetings and the discussions that are held in such meetings.
- Executing duty with truthfulness and honour.

The testimony of the Qur'an illustrates the virtue of competence, complemented with trust, through the person of the guardian of the city (Joseph) saying, 'Surely, I am a guardian and knowledgeable' (The Holy Qur'an 610) (Yusuf 12:55).

In an organization which deals with IT, trust becomes very essential. Employees working with sensitive data, proprietary information, and critical infrastructure can be a liability. For this reason, the IT Organization must ensure that the employees (or the employees to be) are not only technically competent but also have the trust to protect the organization and its confidentiality. Hiring employees that do not have a reputable, reliable background leaves a black hole to the organization's security and ultimate success. (State Bank of Pakistan 2024)

4. HR's Responsibility

To prevent an HR department from hiring someone based on personal advice, personal knowledge, or personal interests, it is necessary to eliminate personal factors altogether. HR should have the complete freedom to choose from a qualified and trusted list of candidates. Moreover, HR must guarantee that all parties, organization and employees of the organization, are given their due, that there is the due respect of each of their rights, and that there is no necessary secrecy in any of the processes.

In the Information Technology field, Human Resources challenges conventional roles while still ensuring that the recruitment process is done equitably and justly. This requires assessing potential employees on their soft skills as well as their ethics and whether their values align with that of the organization. With this form of recruitment, Human Resources helps build a workplace culture that is as open and ethically responsible as the recruitment process.

5. Recommendations, Employee Selection, and Islamic & Ethical Principles of HR
- **Recruitment Based on Recommendations**

Two fundamental conditions must apply whenever there is a need to recruit based on recommendations.

- **Organizational Approval:** When an administrator is considering hiring someone based on a recommendation, they must first get clear approval from the organization's leadership or owners. To recruit an employee based on a recommendation without management's approval is an abuse of one's authority and an act of bad faith.
- **Recommended Individual's Competence:** The second factor is to ensure that the person being recruited is genuinely suitable for the position. If an individual recommended for recruitment does not possess the requisite skills, qualifications, or capacity to carry out the required tasks, then for the organization's good, ethics demand that such a person not be recruited on flimsy recommendations.

The practice of hiring based on personal relationships in IT is commonplace. Yet there should be evaluations of performance, skills, and rationale before making hiring decisions. No matter how many recommendations there are for someone, hiring decision based on personal recommendations should be evaluated on merit. For example, hiring software developers based on recommendations is not good practice if there are no assessments of their ability to think and code. This kind of hiring practice will not reflect well on the efficiency and productivity of the software development and

will reflect poorly on the bottom line of the organization. (State Bank of Pakistan 2024)

- **Competence-Based Task Assignment**

Regarding the proposed division of work, it is stated in Islamic injunctions, that the selection of people for a particular task should be guided by the nature of the task to be performed. For instance:

a. Jobs that entail field work or travel: It is more appropriate for male workers to perform such jobs.

b. Meetings and interpersonal communication: It is seen as inappropriate to assign a woman to a position where, for the majority of the time, she is in the presence of men, as this may lead to diversion or inappropriate behaviour. Hence, it is more appropriate and safer to appoint a man to such a position.

In the context of the IT industry, sales, customer relations, or client interactions, while not participating intrusively, do require one to be sensitive to some cultural and ethical considerations. It is the responsibility of HR to evaluate these considerations and ensure these tasks do not violate ethical and Islamic principles of the division of socio-gender roles. The contrary of that is the impact of contemporary Human Resource Management on most Employers, which is on Inclusivity and Merit, whereby women are not exempt from these positions based on cultural stereotypes. Hence, the need for context and balance becomes paramount.

- **The Importance of The Principle of Written Records in Human Resource Management**

It is upon HR to ensure that all dealings and arrangements be recorded in writing.(The Holy Qur'an 610) (Al-Baqarah 2:282) In as much as there may also be what some people refer to as binding oral contracts within Islam, one has to bear in mind that oral dealings are the most susceptible to complications, misconceptions, or denials as time goes by. In case of any contradictions in the future, a written document serves in clarifying the matter and simplifying any degrees of vagueness. With respect to the contents of the document, as a protective measure, it clarifies what may be the subject of a dispute in the future. It is also a command from Allah in the Qur'an that there be writing down of any dealings of a long-term nature to protect against the rubbing off of possible ambiguities, imbalances, denials, and disputes.

In the IT sector, especially having to deal with complex project scopes, service agreements, and employment conditions, having unambiguous written contracts is essential. To ensure that all employment-related terms, along with intellectual property agreements and project deliverables, are detailed to protect the rights of the organization and the employee.

- **Providing Clear Information During Recruitment**

The Prophet Muhammad (PBUH) said: "Whoever deceives a Muslim, he is not one of us." (Al-Tabarani 971)

This necessitates that HR provides employees complete transparency about the position, the number of expected working hours, the salary, the benefits, rules and regulations, and any other details that are relevant to the position. Any form of hiding important information, or certainly providing false information, is to be regarded as deceit, practices that are considered unethical in Islam.

Given the tight deadlines and employee expectations that are complex in nature, IT industry employees need transparency around the job expectations. Employees need to be informed of the nature of the job, and any challenges that are a part of the job, as

well as expectations that the organization has. Providing ill-informed answers will lead to issues, conflict, and legal disputes that neither party desires.

6. Importance of Accuracy in Candidate CVs

Organizations must maintain transparency, while candidates must maintain a high degree of integrity with their CVs. The following are a few unethical behaviours that are violations of this principle:

- Claiming to possess a skill that one does not have.
- Providing a description of skills or experiences in a way that significantly inflates the truth.
- Providing falsifications with respect to the former position held, educational credentials, or other relevant attainments.

These behaviours represent a form of dishonesty, which constitutes a kind of fraud, to which Islam does not analogous approbation. The possession of a job which one has obtained is also void of ethical or moral integrity in one's religion.

Such representation of one's skills and qualifications are especially true of the IT industry, where technical skills and experience are of paramount importance. Inadequate representation of one's skills, or experience, is a considerable risk for inadequate performance, which, in turn, reflects negatively on the reputation of the organization. Affecting this, and ensuring that there are no misvalues in the required skills, is also an important responsibility of HR.

7. The Contract and Working Hours from an Islamic and Professional Perspective

- **Specification of Working Hours**

The specification of working hours is an essential part of a contract. Working hours can be classified into two categories:

- **Set Working Hours:** For instance, 9:00 am to 5:00 pm. The employee is required to meet their obligations within these stipulated hours.
- **Flexible Working Hours:** In this scenario, it can be assumed that the employee is to work a total of nine hours a day. The flexibility here is that, if the employee comes in early, he can leave early, and if he comes in a little later, he can leave later. This is a common practice in contemporary organizations and, with the clarification in the contract, is allowed in Islamic jurisprudence.

In the IT sector, the implementation of flexible working hours has become a normal practice, considering the nature of work, which is mostly project-based and deadline driven. Flexibility in hours permits employees to work during their productive peaks while still allowing the organization to meets its goals. HR in IT companies need to make sure that the terms of flexible hours in the contract are unambiguous, in order to prevent misunderstandings. For example, when there are flexible hours, the expectations on how many hours are to be worked in a week should be defined.

- **Overtime — Islamic Principles**

When an organization requires an employee to work more hours than the normal working hours, it is a legal and ethical requirement in Islam to provide some form of compensation, additional leave, or a benefit of equivalent value.

It is deemed exploitative and, therefore, an oppression (Zulm) to make employees work more hours than they are supposed to without compensation, leave, or equivalent benefit.(translated by Muḥammad Muhsin Khan and Muhammad Bin Ismael 1997)

The organization does not target specific employees to work overtime; however, it should be noted that employees may work overtime in Information Technology during

the production phase of the project, particularly if the project has a tight deadline or if there are technical difficulties. The organization, however, needs to be financially or compensatory time wise fair to the employees. And in relation to this, the HR department should keep overtime work policies whereby employees are not unduly harassed and that there should be fair compensation for the overtime work done. This is not only in avoid labelling of Muslims but it is also in the best interest of the employees to keep them engaged and happy.

- **Office Duties in the Contract of Employment.**

Both the contract of employment and the appointment letter should explicitly state the employee's responsibilities, the specific department or supervisor the employee will be reporting to, the employee's position, as well as the responsibilities in the given position.

- **Changes in Responsibilities**

In the future, if there is a need to revise, increase or decrease an employee's responsibilities, it should only be done with the consent of the employee. Unilateral changes in this regard are immorally permissible and are against the integrity of being a Muslim. (Godil and others 2021)

With regards to human resources in the IT sector, where jobs can change due to new technologies or project demands, human resources must make alterations to the employee's job description transparently and ensure it is done with the employee's approval. For example, when an employee is moving from being a software developer to a project manager position, there should be a change in role description and the change should be accompanied by an explanation and appropriate preparation and assistance.

- **Elements that should be present in an appointment letter**

The appointment letter should contain the following elements:

- **Clearly Stated Responsibilities:** Responsibilities must be stated and include actions that the employee is not accountable for. These responsibilities must be clearly outlined in writing to minimize the possibility of being misunderstood.
- **Clearly Stated Working Hours:** The appointment letter should indicate the time the employee is required to commence and complete their work, and the possibility of flexible work hours. This must be stated clearly.
- **Types of Leave and the Entitlement:** The letter should specify the categories of leave an employee can take (annual leave, sick leave, off-days, etc.) and the corresponding number of days allowed.
- **Salary and Benefits:** The salary amount along with specifics on each component of the salary and benefits package which may include allowances, bonuses, other benefits, and pensions, need to be clearly stated in the employment agreement. (Ahmed Haj Ali et al. 2018)

While working in the IT sector, and salary and benefits packages which may also include bonuses administered on the basis of the employee's performance or on the completion of particular projects, it is very important to ensure that the conditions and terms pertaining to salary and benefits agreements are detailed clearly in the agreement. This is very important to ensure that there are no issues in the future and that there is no ambiguity in this regard.

- **Status of the Offer Letter**

There is a legally binding contract between the employee and the organization once the candidate accepts the offer, which is now a legally binding contract on the part of the

organization. The offer letter is the first of these agreements, and it precedes the main contract. However, in the IT sector, it is very important for the HR department to ensure that the accommodations in the offer letter are the same as the ones that will be included in the employment contract. Any discrepancies or misunderstandings with the offer letter and the contracts position will create major issues in the future, which will adversely affect the operational performance of the organization in addition to the employees' morale.

- **Compliance with the Contract**

After the contract is signed, there is a duty for both on the contract. There is no permission, under Islamic law and ethics, for the organization or the employee to stop the contract from being valid without proper authority.

The contract is the law and both parties have to comply with it. The law says you have to have a reason to violate a contract and this is a contract. This is even more the case with the IT contracts where there is usually proprietary information, no-compete or no moonlighting clauses and multi-year commitments. Employees who wish to violate their contract without just cause a breach should also be reminded there are just cause reasons for the organization to forgo the breach and be reminded that ethics and contracts must also be fulfilled.

8. Employee Responsibilities, Notice Period and Termination of Employment

When it comes to termination, both the organization and the employee should comply with the contract, particularly the notice period. Notice period should also serve both parties, the employee and the organization, to transition to the new equilibrium.

In the IT industry, where the assigned projects could possibly be of large scope and duration, the company should give sufficient notice to cut down on disruptions. In technical positions, it also promotes adequate knowledge transfer and an effective transition of duty. Moreover, HR needs to ensure legal and ethical compliance when it comes to terminating employment, for example, when it comes to severance, payment of dues, and retrieval of company assets.

- **Termination of Contract — Islamic and Legal Grounds**

In such cases whereby either party suffers harm or deception, both parties may mutually agree to terminate the employment contracts. The main examples are listed below:

1. **Financial Corruption (Embezzlement):** If any employee is involved in any level of financial misconduct or embezzlement, then that employee can be removed from the position in question. This represents a gross breach of trust and a serious ethical lapse, and in the IT sector, where trust and financial honesty is vital for both the organization and the clientele, such actions (though theft is a crime) may impair the organization's operational and business credibility.

2. **Violation of Company Rules and Regulations:** If an employee persists in breaching the prescribed policies of the organization or disregards the standing directives, then such termination is warranted. Compliance with policies and procedures is essential to organization's operational order and consistency. This is also true of IT sector, where stringent observance of security measures, timelines, and procedures is mandatory. (Godil et al. 2019)

3. **Promotion of Incorrect Beliefs:** An employee can be terminated from their position in the event that the employee promotes false or harmful beliefs and has a negative influence on others. The IT industry must create and sustain a healthy, safe,

and inclusive, and non-discriminatory environment. Any such situation that goes against the principles of diversity and inclusion needs to be rectified.

4. **Use of Drugs or Intoxicants:** The use of drugs or any intoxicating substance while at work is a major offense. Such employees may be subjected to immediate dismissal. Just like any other industry, IT is required to ensure that its employees have a workplace that is free of any substances that can cloud a person's rationale, hinder productivity, or create a potential threat to the safety of others. (Mohamed and Baig 2016)

5. **Sexual Harassment:** The workplace must be free of sexual harassment by all means. Such a violation must be sanctioned and the employee must be terminated on the spot. While this is a necessary principle in all fields, it is of utmost importance in IT where there has to be a sense of inclusivity and a healthy environment for work to be productive and for the sake of the employee's welfare. There must be a zero-tolerance principle for any kind of harassment on the part of HR. Therefore, there must be adequate measures for reporting such harassment and for handling the complaints.

- **Duration of Employment Contracts**

There are contracts with fixed terms. For instance, there could be a two-year contract, during which time it would be impermissible to terminate the employee. The employee, too, cannot leave before the expiration of the contract. The reverse is also true, as one cannot close the contract.

Automatic Renewal: Some organizations have a policy of contracts automatically renewing after one or two years. After the contract's term is completed, the parties to the contract are free to make the decision to continue the contract or not. If there is a decision not to renew the contract, there ought to be a decision to renew the contract by the other party to the contract.

In the IT field, there is a great deal of scope for flexibility, given how often the timelines, contracts, or even the work to be done, varies. However, the contract should always have a reasonable degree of precision as to its terms, particularly its duration, as well as those terms which might govern its renewal, to avoid all the problems which could arise in the absence of such clarity.

- **The Notification Period Principle**

The termination of employment is what needs a fair amount of practice on the part of organizations. For instance, the organizations adopt a policy of notification periods. If the employee is going to leave, it would require the employee to give notice, usually a month. It would also provide for the employer to provide the employee with notice before terminating employment.

- **Lack of Notice:** A contract may include actionable clauses that consist of:
    a. Salary deductions lasting for a month if notice is not provided by an employee before resignation.
    b. If an employer needs to terminate an employee, he is also required to pay for an extra month if he failed to provide a one-month notice.
- **Company Losses Compensation:** If an employee resigns and his departure is detrimental to the company (e.g., not returning the company's laptops), the company may deduct his final salary by the amount needed to replace the company's lost asset. This is lawful, according to Islamic law, as long as the information is recount able as the employee contract.

In the IT industry, employees have access to valuable resources of the company like

systems, equipment, and confidential data. It is a must to secure the return of all the company's property when an employee intends to resign. If he fails to return the property, the company has full power to claim the lost asset and also has the full power to replace the asset.

9. Obligations of Employees — Behavior During Office Hours

All employees have a responsibility to themselves and to the organization to stay focused on their work throughout the entirety of the scheduled work period. Personal phone calls, social media use, mobile gaming, and freelance work on other companies' projects during work time are unethical behaviours that take away from the overall work time effectiveness of the organization.

Most organizations accept insufficient time from work to perform personal obligations, as the completion is expected. Employees are expected to perform these obligations in a manner that is concise, discrete, and does in no way distract from the primary obligations of the employee. In the IT sector, and other industries where employees are expected to work on difficult and time-constrained projects, the balancing of overall time effectiveness and the provision of a sufficient number of personal time breaks is crucial. (Mohamed and Baig 2016)

Conclusion

This article has aimed to identify and develop a Shariah-compliant governance framework for Human Resource (HR) practices in the IT Sector of Karachi. The primary data obtained from the review of HR contracts, policies, and agreements provided useful information regarding the intertwining of Islam and HR practices in the sector experiencing the most rapid growth. This chapter integrates the core findings from the study and proposes recommendations for future research and practice.

1. Summary of findings

The findings from the research indicate that there are some HR practices in the IT Sector of Karachi that are Shariah compliant. However, there is an evident lack of HR functions that can be classified as Shariah compliant. The study pointed out some major areas in the IT Sector of Karachi that are of primary concern in the HR governance system, including, but not limited to, recruitment, employee welfare, and contract management, where Islamic principles can easily be incorporated.

One important ascertained aspect is that Human Resources units in IT industries predominantly concentrate on employee outputs and contentment; however, they tend to ignore Shariah compliant morality and ethics. Furthermore, there is a gap within the scope of HR that requires them, not only to supervise employee-employer relations, but to take on the responsibility of guardian. In the fast-paced and fiercely competitive IT field, it is common for HR to place priority on the needs of the organization to the exclusion of the rights and welfare of employees. Hence, the consequences of this disparity tend to negatively affect all employees and the organization in the long run in the form of dissatisfaction, burnout, and high turnover, which is to the detriment of all actors involved.

Similarly, the acknowledgment of the importance of good character in HR practice is also one of the important findings. Islamic teachings on good character prescribe kindness, compassion, and integrity from HR personnel. However, the study showed that HR in most organizations does not practice this, particularly in the IT sector, which is under intense pressure to deliver on deadlines and targets and as a result overlooks the emotional and psychological wellbeing of staff.

The study highlighted the emotional and psychological aspects of employee care. The Shariah perspective regarding caring for others suggests that the support needed from HR is the integration of the psychological and support of the employee needs. This concern is particularly relevant in the IT industry, where employees experience extended working hours, high workloads, and job-related stress, while HR departments, on the other hand, provide little to no support.

Transparent and honest recruitment and recruitment processes were other issues raised in the research. Shariah principles do prioritize honesty; however, some IT companies in Karachi unethically and damagingly practice headhunting and engaging in what are called 'dummy' interviews. The research, however, highlighted that in practice, hiring people on the basis of references, regardless of the level of competence the candidate has, is widespread and this certainly erodes equity in the workplace.

Finally, this investigation has dealt with contracts and termination policies in the IT industry, and the need for relevant contracts that do not contravene Islam. It is important that contracts do not conceal anything, and termination and other procedural sidelining should be dealt with equitably. Contracts in the IT industry involve poor articulation, and aspects related to a person's employment, including working hours, roles and tasks, and other concerns, are largely defined ambiguously, causing many grievances to employees.

2. Guidelines for Forward-Looking Actions
In this context, this investigation puts forth several recommendations to improve the extent to which Shariah-compliant governance is implemented in HR practices in the IT sector in the city of Karachi:

a. Incorporation of Shariah-Compliant HR Policies:
Inasmuch as the principles of justice, equity, and transparency are pivotal to working in Islam, there is a need for all policies to be revised by the HR Department. In this respect, there is a need for procedural equity, advocacy of employee's welfare, transparency which aids in formulating ethically, and procedurally equitable contracts, as well as HR's blending the advocacy roles for the employee and the organization in a manner that enhances the balance of the two without tipping the scales.

b. Training and Professional Development for Human Resources Practitioners:
In order for HR professionals to be able to execute Shariah-compliant practice American HR certification programs such as PHR and SPHR, HR is to be required to complete additional specialization coursework. This additional required specialization coursework for HR is essential for teaching employees the positive or constructive ethics of the workplace. Employees of Human Resources (HR) should be able to teach or educate these positive ethics to their employees or subordinates, especially in the intense working conditions of the Information Technology (IT) industry.

c. Strengthening of Employee Assistance and Employee Support Programs:
Due to the very high levels of workplace stress, pressure, and burnout evident in the Information Technology (IT) industry, it is imperative that Human Resources (HR) must implement additional, stronger, and more comprehensive employee assistance and employee support programs. These programs should include stress control and stress management, and mental health as well as proactive measures aimed toward achieving a constructive work-life balance as espoused in the Islamic teachings of compassion, care, and mutual support and cooperation among members of the support workplace. HR should ensure that employees receive emotional and psychological support in order to create a positive and constructive support workplace environment.

d. Development of Merit-based Recruitment Policies:

The practice of hiring based on referrals should be replaced with systems conducting merit-based recruitment, as in employee selection based on documented skills, qualifications, and experience alone. The HR department should carry out documented assessments and record interviews to determine whether selected candidates meet the criterion of required skills for the position. Also, "dummy" interviews and unethical headhunting should be avoided, as these practices foster unhealthy organizational cultures.

e. Clarity of Employment Contracts:

The HR department should address the issue of employment contracts lacking clarity, coverage, and transparency. Contracts should specify the employee's position and title, as well as outline the employee's duties and responsibilities, and should address whether or not the employee's services will be required on a full-time or part-time basis with specified hours of work. Contracts should also address the employee's compensation, as well as any benefits to be received, and should outline the procedure and grounds for the employee's dismissal or termination. In the absence of these contract provisions, the employer and employee will be able to avoid blame-shifting for any accountability associated with the contract. Additionally, the contracts should reflect the Islamic principle of fairness whereby all contracting parties have a right to equitable treatment.

f. Promotion of Islamic Ethics in the Workplace:

It is important for organizations to promote and instil a culture of ethical Islamic values in organizations (honesty, integrity, and respect toward people). HR should model ethical behaviour and set standards for conduct to help improve morale and satisfaction as well as help the organization build a good image.

g. Regular Audits and Monitoring:

To ensure ongoing Shari'ah compliance, organizations should conduct periodic audits of the HR functions. These audits should evaluate the degree of implementation of HR policies as well as the effectiveness of those policies in addressing Islamic principles. Monitoring systems should also be designed to detect potential breaches of ethical standards so that swift action can be taken to remedy such breaches.

3. Recommendations for Future Research

This research has addressed the Shariah-compliant governance framework for HR practices in the IT sector. There are still a number of other issues that could be addressed in future research:

a. Comparative Research in other Industries:

Exploring the degree of Shari'ah compliance of HR practices in other industries could be a rich avenue for future research. This could be in comparison to the IT sector in industries such as banking, healthcare, and manufacturing, and offer a good understanding of the potential barriers and benefits of Shariah-compliant governance within diverse organizations.

b. Impact of Shariah-Compliant HR Practices on Organizational Performance:

Further research could assess the impact of the Shariah-compliant HR practices on employee satisfaction, employee retention, and the performance of the organizations as a whole. It would be interesting to see if organizations that comply with the Islamic principles of HR management are able to achieve higher levels of productivity,

profitability, and employee retention in the long run.

c. Employee Perspectives on Shariah-Compliant Practices:

Future research could also be directed towards understanding the employees' views on Shariah-compliant HR practices. Such research would provide employees' perceptions of the ethical climate of their organization and how this climate shapes their satisfaction, performance, and mental health.

Final Thoughts

In closing, this research demonstrates the impact that Shariah-compliant governance frameworks can have on improving the HR practices of organizations in the IT industry in Karachi. Under the Islamic ethical philosophy, organizations can achieve greater justice, transparency, and support in the employee-employer relationship. There are still barriers to the widespread adoption of Shariah-compliant practices; however, this research can guide future work in the area of Sharia-compliant governance and Instructional Technologies and demonstrates the potential of Shariah-compliant governance to positively impact the IT sector.

("Chapter 2 Employment Contracts - Islamic Labour Code" 2023)

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