

Received: 01 January 2025 ,Accepted: 25 January 2025  
DOI: <https://doi.org/10.33282/jssr.vx2i4.22>

---

---

## Ethical Leadership and Employee's Wellbeing: Mediating Role of Ethical Climate

<sup>1</sup>Wajeaha Imran, <sup>2</sup>Maria Saleem, <sup>3</sup>Atta Muhammad, <sup>4</sup>Muhammad Ashfaq,  
<sup>5</sup>Muhammad Bilal

1. M.Phil. Scholar, Faculty of Management Sciences, The Superior University Lahore, Pakistan [Wajeehaimran880@gmail.com](mailto:Wajeehaimran880@gmail.com)
2. Faculty of Management Sciences, The Superior University Lahore, Pakistan [mariasaleem.fsd@superior.edu.pk](mailto:mariasaleem.fsd@superior.edu.pk)
3. M.Phil. Scholar, Faculty of Management Sciences, The Superior University Lahore, Pakistan [attahmuhammad786@gmail.com](mailto:attahmuhammad786@gmail.com)
4. M.Phil. Scholar, Faculty of Management Sciences, The Superior University Lahore, Pakistan [Ashfaqali050@gmail.com](mailto:Ashfaqali050@gmail.com)
5. M.Phil. Scholar, Faculty of Management Sciences, The Superior University Lahore, Pakistan [bilalayub47@gmail.com](mailto:bilalayub47@gmail.com)

### ABSTRACT

Research has consistently shown that ethical leadership plays a crucial role in shaping organizational culture and promoting positive employee outcomes. Ethical leaders foster a culture of trust, respect, and openness, which in turn enhances employee well-being. However, the mechanisms by which ethical leaders influence employee well-being. This study aims to investigate the relationships between ethical leadership and employee wellbeing by mediation of ethical climate underpinning the social exchange theory. Philosophically, the current research lies under the post-positivist paradigm, utilizing a deductive approach, as a causal connection between the variables under investigation. Present research examined by collecting primary data through a survey technique using a time-lagged design in 10 public sector hospital in Punjab, Pakistan. This research utilizing contemporary data obtaining and analysis techniques. Data analysis is employed by utilizing Smart PLS. The present research examined that ethical leadership elevate the employee wellbeing with the mediation ethical climate. The relationship ethical leadership and ethical climate is also investigated. When considering the practical ramifications, managers and policymakers must consider the basic structure in order to improve ethical climate and employee wellbeing.

**Keywords:** Ethical leadership; Ethical climate; Employee well-being; Social Exchange Theory

## 1. INTRODUCTION

The main factors influencing employee well-being are a topic of ongoing interest for academics studying organizational behavior and sustainable development. They are especially interested in learning about the role that moral leaders play. Researchers in this new field have tried many times, but no consensus has yet been reached. It seems that there is no consensus on the appropriate and precise antecedents or mechanisms to encourage employees to behave ethically in the workplace. Thus, this study will contribute to the existing and emerging discussion by investigating how an ethical climate can be inculcated in the employees. Moreover, under what conditions ethical leadership may affect employee well-being? This study investigates the impact of ethical leaders on employee well-being by using the mediating mechanism of ethical climate. It is based on the social exchange theory. Leaders with ethical attributes can create an ethical climate that leads to employee well-being. This research found a statistically positive effect of ethical leadership on ethical climate and employee well-being. Moreover, the mediating effect of ethical climate strengthens the impact of ethical leadership on employee well-being. Last but not least, this study provides the various practical and managerial implications through which organizations can pay strategically intense focus and concentration on ethical climate, such as culture and values, leadership roles and employee involvement.

Scholars have recognized the importance of ethical climate in the face of increasing global and local challenges relating to environmental degradation issues. However, even though sufficient research has been conducted to highlight pertinent environmental issues for organizations, this research is mainly done at the organizational level. Even though organizational behavior research, which investigates ethical climate in organizations, is in its infancy, it has already made significant progress. To respond to recent calls from organizational researchers for them to focus on the promotion of an ethical climate in the organization, this study will test and establish a new, comprehensive mechanism that suggests that an ethical climate can be inculcated in the employees' well-being by ethical leadership. Ethics leaders are considered to be role models of normative behavior. Morally good behavior can be instilled by ethical leaders. They can influence the perceptions of employees about policies, practices, and procedures regarding sustainability and make more efforts to create an ethical climate. The contingency effect of an ethical climate can strengthen the association and bonding between ethical leadership and the employee well-being' who are personally inclined to protect the environment. Employees can display an ethical climate when the organizational climate signals that they need to practice an ethical climate. Employees who are environmentally aware and deeply understand environmental issues will be more likely to display an ethical climate. It is important to employ ethical leadership practices at work. This not only reduces the discretionary behavior of employees (Van & Hogg, 2017) but also encourages them to behave morally and positively. Top management is expected to act ethically. They are role models for their employees, and they influence them (Greenbaum et al.,2020). Researchers have been interested in leadership behaviors and how they impact employees' performance on tasks and the overall performance of an organization (Lemoine & colleagues, 2019). Initially, researchers were interested in the behavior of leaders and the characteristics that lead to effective leadership

behaviors (Peng & Kim, 2020). Researchers later included followers' perspectives to influence how ethical leaders are formed, behave, and influence others to display ethical behavior. The study of followers' behavior towards their leaders focuses on three aspects: the followers' personal beliefs, their values, their characteristics, their job experiences, and their perception of their leaders. Ethical and supportive leaders significantly increase creativity in employees. Most studies, however, have not focused on the ethical leadership style, even though it is one of the most important antecedents to creativity (Abdullah, 2021; Suifan et al., 2018).

Every employee must adhere to standardized norms (Qian et al., 2017). Creativity requires employees to go beyond the norms and challenge the status quo. To be creative, employees may have to disagree with leaders who are not supportive (Caniels & Rietzschel, 2013). It is because ethical leaders open communication channels that encourage understanding and a supportive atmosphere that they can promote creativity in employees (Addai et al., 2022; Karabey & Aliogullari, 2018). Leaders must, therefore, be ethical in their actions to encourage creativity among employees (Abdullah, 2021). In recent years, the study of the relationship between ethical climate and employee well-being has received significant attention. A positive ethical climate has been shown to have a profound effect on employee well-being, leading them to feel more satisfied at work, reduce stress, and improve their overall health. The background of ethical climate is the perception of shared ethical norms that set the boundaries for acceptable and ethical behavior in teams. The ethical climate in healthcare has been extensively studied, and most recent research focused on the perceptions of ethical culture among healthcare professionals. The study background on ethical climate as a positive mediator of employee well-being is rooted in an understanding that millennials are paying more attention to their well-being at work and that it has become a major issue for managers. The study examined the ethical climate of the organization and whether millennials have a higher level of affective well-being when they work in an environment with a positive ethical climate. Ethics in leadership is increasingly being recognized as an important factor for fostering a positive workplace and improving employee satisfaction. The mechanisms that underlie this relationship are still not fully understood. The ethical climate could mediate this relationship. The ethical climate refers to employees' perceptions of the values and norms that guide organizational behavior. According to research, ethical leadership has a positive impact on employee well-being. This includes job satisfaction, organizational commitment, and psychological well-being. The role of ethical climate has been discussed. The ethical climate will likely play a crucial role in shaping employees' perceptions of the work environment and their well-being.

## **2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **2.1. Ethical leadership and Employee's Wellbeing**

Ethics leaders build a strong relationship with their employees by respecting and caring about their beliefs, making decisions that are in their best interest, and taking care of their Well-being (Zhu et al., 2004). Ethical leaders are considered to be role models of normative behavior. Morally good behavior can be instilled by ethical leaders. who are personally inclined

to protect the environment. Ethical leaders build a strong relationship with their employees by respecting and caring about their beliefs, making decisions that are in their best interest, and taking care of their Well-being (Zhu et al., 2004). Many studies have shown that ethical leaders foster a feeling of belonging and constructive emotions in their followers. This leads them to strongly connect with the leader's values and goals (Ribeiro et al., 2018). This study also showed that companies have paid attention to Ethical Leadership as it would foster a culture of weaker organizations and establish a relationship with their staff. Employees are motivated to achieve organizational objectives when ethical leaders communicate with them in a two-way manner (Ariza-Montes et al., 2022; Babalola et al., 2019). As a result, employees begin to imitate their role models. According to Belschak et al. (2018), there are many ways that EWB can influence employees. The researchers added that employees would feel more confident and competent in their jobs if they were able to perform them efficiently. Other researchers have suggested that employees with a positive relationship with ethical leaders may be more inclined to set an inspiring goal or even lead their company to great success (Akhtar et al., 2020a, 2022a; Javed et al., 2021). The study by Kalshoven et al. (2016) showed that ethical leaders are more efficient because they have clear employee expectations. They also stated that ethical leaders communicate openly and fairly to influence the behavior of their employees. Okan and Akyuz (2015) suggested that EL predicted outcomes, such as the leader's effectiveness, job happiness, dedication to exert more effort, and willingness to report ethical issues. Employees' Well-being is shaped by their understanding of mutual benefits and involvement in decision-making to achieve organizational goals. It encourages positive behavior because employees feel their leader is fair and trustworthy in helping them reach their goals (Brown & Trevino, 2006). Meyer et al. (1993) explained how ethical leaders act as role models and encourage integrity, dignity, trust, and credibility within an organization.

*Hypothesis 1: "Ethical leadership is positively associated with employee's wellbeing".*

## **2.2. Ethical Leadership and Ethical Climate**

Ethical Leadership strongly connects with employees' ethical behaviors and positively affects their ethical conduct and attitudes, which improves organizational performance (Kalshoven et al., 2011; Walumbwa et al., 2017). Ethical Leadership strongly connects with employees' ethical behaviors and positively affects their ethical conduct and attitudes, which improves organizational performance (Kalshoven et al., 2011; Walumbwa et al., 2017). Employees can learn from their surroundings. If they find an environment and climate where behaviors are highly practiced around them, then they will be expected to adopt such behaviors. These behaviors will be performed to strengthen and establish their social connections (Kim et al., 2017). Additionally, ethical leaders show their employees much respect. Ethical leaders are also tolerant of the diverse opinions of their employees. Not only do they listen to employees, but they also value and give importance to their ideas and suggestions. They try to create a culture of trustworthiness, honesty, fairness, integrity, and due consideration in all relationships. They value their employees' unique ideas and create an organizational culture that can boost their involvement and creativity (Asif et al., 2019; Mahmood et al., 2022a). Leaders play a major role in shaping an organization's climate at every

level (Demirtas & Akdogan, 2015). It has been shown that ethical Leadership improves the ethical climate of an organization (Aryati, 2018; Saleem, 2021a). According to previous research, if a leader is more moral, the organization's ethical organization increases (Elci et al., 2013; Mayer et al., 2009; Neubert et al., 2013). The ethical climate in an organization is the knowledge and consensus that the members have about that organization's policies, procedures, and practices organization, including their agreement on the types of behavior that they consider morally acceptable and that fit with that company's culture (Kim et al., 2017). A company's ethical climate can affect its employees' ethical behavior by influencing the organization's ethical principles. To demonstrate their commitment to transparency, ethical standards, and procedures, ethical leaders must adhere to them. These leaders also inform their staff of these standards and encourage them to adhere to the rules by rewarding those who already adhere to them and offering guidance to those who do not (Aloustani et al., 2020). According to the study, a stronger ethical climate enhances the formation and maintenance of ethical Leadership within organizations with explicit rules and norms and informal ones that encourage and promote ethics (Engelbrecht et al., 2018). Indeed, ethical leaders who follow the rules and adhere to ethical standards and guidelines can create a more ethical workplace (Eluwole et al., 2022).

*Hypothesis 2: "Ethical leadership is positively associated with Ethical climate".*

### **2.3. Ethical Climate and Employee Wellbeing**

Employees can be inspired by their environment. If they see others practicing behaviors they see in their environment, they will adopt them. These behaviors are performed to establish and strengthen their social connections (Kim et al., 2017). A shared understanding of what constitutes ethically correct conduct and how to deal with ethical issues in an organization is the ethical climate. It provides a foundation for ethical behavior among members. A report has stated that the ethical environment influences what nurses do in ethical situations, and helps them to identify ethical issues within their organization. When employees are immersed in an ethically strong climate, they can observe, experience and interpret more ethical behavior. They can learn to behave and act in accordance with the ethical climate of an organization, for example, by participating in prosocial behaviors (Aloustani et al., 2020). The more pro-social an employee is, the more likely they are to perceive their work as valuable and meaningful (Pacheco et al., 2021), leading to better mental and physical health (Lease et al., 2019). The term ethical climate refers collective perceptions of moral conduct in the workplace (Haldorai et al., 2020; Mahmood et al., 2022b; Mulki & Lask, 2019). Brown and Trevino (2007) stated that an ethical climate is more conducive to the development and maintenance of ethical leaders within organizations. These organizations have explicit rules and standards that encourage and promote ethical behaviour (Engelbrecht, et. al., 2018). The ethical climate at work influences attitudes and behaviors of workers, especially those that encourage prosocial behaviour, also known as "climates for friendship" or an "ethical environment." 2018; Teresi et al. 2019). *Wellbeing* refers to a state of mind that is conducive to happiness. It affects people of all ages. Nursing is an excellent example. Clinical nurses are under physical and mental strain due to the high workload, complex environment and demanding work. This can negatively affect their health (Javanmardnejad, 2021; Wang et al., 2022).

*Hypothesis 3: “There is a positive relationship between ethical climate and employee wellbeing”.*

#### **2.4. Mediation of Ethical Climate**

The ethical behaviors of employees and leaders contribute to a better public image for the organization (Dhar, 2016), better relationships with customers, and more trust. It is, therefore, important for hospitality and tourism companies to create a climate of work that stresses the importance and value of ethical behavior and business ethics. Work climate is the collective psychological perceptions and attitudes of employees at work (Schneider, 1975). The term ethical climate refers to shared perceptions about moral conduct at work (Haldorai et al., 2020; Mulki & Lassk, 2019). Employees under ethical Leadership who communicate and interact with leaders can observe the efforts of ethical leaders to behave ethically and realize that they are encouraged to behave ethically at work by their leaders. Ethical leaders build a strong relationship with their employees by valuing and respecting their beliefs, making decisions that are in their best interest, and ensuring their Well-being (Zhu et al., 2004). Employees' WB is shaped by their understanding of mutual benefits and their involvement in the decision-making processes to achieve organizational goals. It encourages positive behavior because employees feel their leader is fair and trustworthy in helping them reach their goals (Brown & Trevino, 2006).

Yang and Wei (2017) also indicated that Ethical Leadership influences the behavior of employees towards work in a positive way. They added that Ethical Leadership creates Employee well-being through listening and considering the interests of subordinates when making a decision. They also know that if they engage in unethical behavior and violate the ethical standards of their organization, strict disciplinary measures will be taken. Positive gestures from leaders can motivate employees to work more effectively and efficiently. Many previous studies have shown that Ethical Leadership can be positively influenced by leadership effectiveness in terms of employees' commitment, enhancement, and performance (Yang & Wei, 2017; Babalola et al., 2019; Qing et al., 2020; Banks et al., 2021; Koay& Lim, 2021). Recent research suggests that a positive and ethical working environment can also improve the well-being of workers (Victor & Cullen, 1988; Briggs et al., 2012; Teresi et al., 2019; Su & Hahn, 2022). Further, leadership is linked with strong ethical climates because they are fundamentally related to ethical concerns. (Engelbrecht, et. al., 2018). It is, therefore, possible to see that positive impressions about leaders' ethical behavior are crucial in creating an ethical climate that represents the goals and norms of the organization (Brown et. Al., 2007; Pimental et. al., 2013). Brown and Trevino (2007) stated that a stronger ethical climate enhances the formation and maintenance of ethical leadership within organizations. These organizations have more explicit rules and norms, which encourage and promote ethical behavior (Engelbrecht et al., 2018). Indeed, ethical leaders who follow the rules and adhere to ethical standards and guidelines can create a healthier workplace and contribute to an ethical climate (Eluwole, et. al., 2022).

*Hypothesis 4: “Ethical climate mediates the relationship between ethical leadership and employee wellbeing”.*

### **3. RESEARCH METHODOLOGY**

This research conducted under the umbrella of post positivist philosophy by using quantitative research with deductive theory approach. This study established the comprehensive association of ethical leadership and employee well-being by mediation of ethical climate underpinning the social exchange theory and examined that relationship is a measurable phenomenon. Further this study indicates the variable demonstrate relationship by developing theoretical framework in context of cause and effect. Furthermore. This research used mono method and time break strategy to collect data through survey questionnaires. Additionally, this research utilizing the unit of analysis is individual. The data is collected through employee of all variable in this study.

#### **3.1. Data Collection and Sampling Strategy**

This research utilizes comprehensive method to obtaining data through the implementation of surveys questionnaires by time break approach. In the province of Punjab, the population of this research study contain health industry. In the first stage, 15 public sector hospitals were determined by using a random sampling technique. We requested for the engagement of senior management in the surveys by explicitly defined the purpose of this research study. Finally, we approved authorization from 10 public sector hospitals located in Punjab, Pakistan. We organized ethical norms and privacy and privacy agreement with management of school and further made a commitment to privacy. Subsequently, privacy and moral compliance forms were formalized and privacy preservation and commitments were improved. With the direction of elected hospitals, 358 employees were selected for data obtaining in this research study. The suggested sample for this study consists of 358 employees. The objective of the study was revealed to the intended participants, who were requested to complete survey while safeguarding their identities. To reduce common method biases, a time-lagged strategy was utilized, gathering data through two separate stages with three surveys distributed. The surveys were conducted every two weeks, with data gathering happening from October 2024 to November 2024. The research study used the delivery and collection strategy to gathering data from participants. The initial employee survey (at time 1) assessed employees view on their ethical leadership and ethical climate. Out of 300 questionnaires distributed, 225 completed ones were returned, resulting in the return percentage of 75%. The second employee survey (at time 2) examined employees wellbeing and ethical climate. In this phase, 225 questionnaires were distributed to employees who participated in the initial survey and 180 questionnaires were (80%) returned.

#### **3.2. Measure**

All the constructs were assessed by using instruments commonly employed in the literature. The 5-point Likert scale ranging from strongly disagree to strongly agree was used to assess all the variables involved in the study. The ethical leadership is calculated by the tool provided by the (Brown et al., 2015). The scale comprises 5 items. The scale revealed that the Cronbach alpha is 0.971 in the findings. The ethical climate is calculated by the scale is presented by the (Schewkper et al., 2001). The scale comprises 5 items. The scale revealed that the Cronbach alpha is 0.76 in the result. The employees' wellbeing is measured by the instrument provided

by the (Zheng et al., 2015). The scale covered 5 items. The scale revealed that the Cronbach alpha is 0.631.

### 3.3 Analysis strategy

Before hypothesis testing, preliminary data analyses were conducted to check for missing values, verify data accuracy, detect possible outliers, and assess the normality of the data distribution. To assess the validity of the scale within the research framework using SPSS and Smart PLS. Constructive validity will be evaluated through factor loading and average variance extracted (AVE), verifying that item loads exceed the threshold for the variable (Cheung et al., 2024). Assessing reliability in SPSS through Cronbach's Alpha demonstrated consistency, with a value greater than 0.7 identified as within the normal range. Additionally, Smart PLS assesses reliability by requiring an internal consistency of 0.70 CR (Sobaih & Elshaer, 2022). Descriptive statistics provide a concise overview of data that includes mean, variability, symmetry, shape, and distribution. Crucial for evaluation (Paulson et al., 2021). Generate a correlation matrix applying Pearson coefficients to analyze the connections between different variables. Smart PLS will be employed for hypothesis testing in research concerning servant leadership, job satisfaction, employee well-being, job resources, and job demands. The evaluation will involve measuring validity, reliability, exploring structural relationships, and mediating effects (Cheung et al., 2024).

## 4. DATA ANALYSIS AND RESULT

Table 1 shows the demographic information of the survey participants. Out of 180 employees, 83% were male and 17% were female. After evaluating the participants' ages, it was discovered that around 21.5% were aged 20-25, 55% were aged 26-30, and 23.5% were above the age of 31-40. In terms of education, 24% held a bachelor's degree, 36.9% had a master's degree, and 39% had a degree that was higher than a master's. 31% had one to five years of experience, 45% had six to ten years, and 23.5% had more than ten years.

**Table 1: Participants' Characteristics**

	Profile	Frequency		Profile	Frequency
Gender	Male	149	Age	20-25	38.7
	Female	30		26-30	99
				31-40	42.3
Experience	1-5	56.7	Education	Graduation	43.2
	6-10	81		Master	66.42
	Above 10	42.3		Above Master	70.2

Table 2 presents the validity and reliability of the scales employed in this research and shows that the values are within a satisfactory range. For instance, the value of the average variance extracted (AVE) must be above 0.50, and the maximum shared variance (MSV) should be below the AVE to establish validity. Further, the composite reliability and Cronbach's alpha should be higher than 0.70 and 0.60, respectively, to confirm the reliability of the scale (Hair et al., 2013). Accordingly, we found an AVE value above 0.50, and the value of MSV was also less than that of the AVE. Moreover, Cronbach's alpha and composite



reliability were higher than the threshold level needed to establish reliability. For example, composite reliability was higher than 0.80, and Cronbach's alpha was higher than 0.70 for all the underlying concepts. Thus, the results presented in Table 2 indicate that there was no problem regarding validity and reliability.

**Table 2. Scale Validity and Reliability**

Variables	Items	Alpha	AVE	MSV	CR
Ethical Leadership	10	0.971	0.793	0.42	0.974
Ethical Climate	7	0.76	0.59	0.26	0.828
Employee Well-being	9	0.631	0.73	0.23	0.727

**Notes:** CR is the composite reliability, AVE presents the average variance extracted, and MSV is maximum shared variance

Table 3 reports the summary statistics and bivariate correlations for the study variables. The central tendency of the data is presented by the mean values, while the standard deviation indicates the level of dispersion. Data normality was assessed using skewness and kurtosis values. For instance, the mean values for EL were 4.32, and the standard deviation was 0.23, which is not too high or low. Similarly, the skewness and kurtosis values were also found to be in the normal range  $\pm 1.96$  (Tabachnick et al., 2007). In addition, the bivariate correlation analysis revealed modest correlation values, and thus, there was no issue of multicollinearity. We also noted the values of correlation coefficients in the supposed directions. For example, EL and Employees wellbeing were significantly and positively linked (0.21,  $p < 0.01$ ). Likewise, the correlation between EL and Ethical Climate was also found to be statistically significantly positive (0.34,  $p < 0.01$ ). Similarly, we also noted the positive and statistically significant correlation of Ethical Climate with Employees wellbeing (0.19,  $p < 0.05$ ).

**Table 3. Descriptive Statistics and Correlation**

	Mean	SD	Skew	Kurt	1	2	3
1. Ethical Leadership	4.32	0.23	-0.111	1.023	1		
2. Ethical Climate	4.10	0.57	-1.823	0.527	0.34*	1	
3. Employee Well-being	3.90	0.44	0.441	0.314	0.21*	0.19**	1

Hypothesis testing was performed after the data was validated and verified for dependability, using descriptive and inferential statistics, and assessing model fit (see Tables 4). Table 4 shows the direct and indirect effects of each variable used in this study. Ethical leader was found to have a positive effect on employee wellbeing 0.11\*\* ( $p < 0.05$ ). Therefore, Hypothesis 1 is supported. We also note that ethical leader has a direct but significant effect on ethical climate 0.31\* ( $p < 0.01$ ). Therefore, Hypothesis 2 is supported. In addition, Ethical Climate was found to have a positive effect on employee wellbeing 0.69\* ( $p < 0.01$ ). Therefore, Hypothesis 3 is supported. Hypothesis 4 clearly states that ethical climate mediates the relationship between ethical leader and employee wellbeing. Therefore, partial mediation was observed 0.214\* ( $p < 0.05$ ). As seen in Table 4, the direct effect of ethical leader on employee wellbeing was 0.11\*\* ( $p < 0.05$ ). Therefore, the total value of ethical leader on employee wellbeing was 0.324 (0.11 + 0.214), and indirect effect of ethical leader on employee

wellbeing showed 66% Therefore, we established partial mediation and Hypothesis 4 was supported.

**Table 4: Summary of Direct and Indirect Effects**

	Estimates	p-value	Remarks
EL → EWB	0.11**	0.03	H <sub>1</sub> : Supported
EL → Ethical climate	0.31*	0.00	H <sub>2</sub> : Supported
Ethical climate → EWB	0.69*	0.00	H <sub>3</sub> : Supported
EL → Ethical climate → EWB	0.214**	0.015	H <sub>4</sub> : Supported

Notes: EL = Ethical Leadership; EWB = Employee Wellbeing

## 5. DISCUSSION

The present research investigated the relationship between the ethical leadership and employee wellbeing underpinning the social exchange theory. It is essential to highlight the significance of the study framework that encompasses ethical leadership, ethical climate, and employee well-being, as it contributes novel perspectives to the existing body of literature. Ethical leadership profoundly influences organizational conduct and the dynamics within the workplace. The ethical climate, acting as a mediating factor, illuminates the complex connections between leadership behavior and employee well-being, offering a deeper understanding of the fundamental processes involved. The focus on employee wellbeing underscores the significant advantages for employees, such as increased job satisfaction, productivity, and loyalty. This comprehensive framework fills the gaps in existing literature, enhancing theoretical insight and offering practical advice for organizational leaders and policymakers to foster supportive workplace settings. As a result, the research carries a significant impact factor because it can influence leadership methods, mold organizational policies, and improve employee wellbeing across various sectors.

The finding of this research is match with existing literature of business management. Firstly, this research investigated there is positive relationship between the ethical leadership and employee wellbeing. The result is match with existing literature of business management for illustration recently research documented that there is positive relationship between the ethical leadership and employee wellbeing (Umrani et al., 2024). Secondly, this study examined the association between the ethical leadership and ethical climate. the finding of this research is similar with the avail literature for instance Saleem et al. (2024) noted that there is positive relationship between the ethical leadership and ethical climate. lastly, this research examined that the ethical climate mediates the relationship between the ethical leadership and employee wellbeing. The existing literature support the finding of this research study for example the research noted that the ethical climate mediates the relationship between the ethical leadership and employee wellbeing (Gwamanda & Mahembe, 2023).

Future studies should incorporate longitudinal research to assess the long-term effects of ethical leadership on employee well-being, as affected by an ethical work climate. Furthermore, cross-cultural research would strengthen the application of the findings, as views of ethical leadership and work atmosphere vary between countries. Sector-specific

research may unearth unique characteristics essential to different sectors, resulting in personalized recommendations. It is also encouraged to look at intervention tactics that improve ethical leadership and foster a positive work environment. This study has distinct limitations. The reliance on self-reported data may lead to bias, and the use of cross-sectional designs restricts causal inferences. Results may be context-specific and hence inapplicable to other circumstances. The limited emphasis on variables might miss other important influences. Furthermore, limited or uniform sample sizes restrict generalization. Future studies should focus on incorporating larger and more varied samples to overcome these limitations.

This study emphasizes the critical role of ethical leadership in promoting employee wellness through an ethical work environment. Ethical leadership enhances corporate behavior by creating a positive atmosphere that boosts employee happiness and productivity. Future studies should include longitudinal, cross-cultural, and industry-focused research, as well as intervention strategies to improve ethical leadership. Future research should address constraints such as reliance on self-reported data, cross-sectional designs, context-specific outcomes, and small sample numbers in order to verify and expand these findings.

## REFERENCES

- Addai, P., Asiedu, E., Boakye, A. N., & Kumardzi, B. (2023). Ethical Leadership and Creativity Among Employees: Does Leadership Trust and Organizational Climate Matter?. *SEISENSE Business Review*, 3(1), 62-75.
- Al Halbusi, H., Ruiz-Palomino, P., Morales-Sánchez, R., & Abdel Fattah, F. A. M. (2021). Managerial ethical leadership, ethical climate and employee ethical behavior: does moral attentiveness matter?. *Ethics & Behavior*, 31(8), 604-627.
- Ariza-Montes, A., Mahmood, F., Han, H., & Saleem, M. (2022). The mental well-being of health care professionals during the COVID-19 pandemic. *Journal of Occupational and Environmental Medicine*, 64(5), 429-442.
- Belschak, F. D., Den Hartog, D. N., & De Hoogh, A. H. (2018). Angels and demons: The effect of ethical leadership on Machiavellian employees' work behaviors. *Frontiers in Psychology*, 9, 1082.
- Brown, M. E., Treviño, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. *Organizational Behavior and Human Decision Processes*, 97(2), 117-134.
- Brown, M. E., & Treviño, L. K. (2006). Ethical leadership: A review and future directions. *The Leadership Quarterly*, 17(6), 595-616.
- Caniëls, M. C., & Rietzschel, E. F. (2013). Organizing creativity: Creativity and innovation under constraints. *Creativity and Innovation Management*, 22(1), 100-102.
- Chan, P. B. E., & Barlis, M. J. P. (2023). Relationship Among Ethical Leadership, Ethical Climate, and Service-Oriented Organizational Citizenship Behavior in the

- Hospitality Industry. *Business Economic, Communication, and Social Sciences Journal (BECOSS)*, 5(2), 85-99.
- Cullen, J. B., Parboteeah, K. P., & Victor, B. (2003). The effects of ethical climates on organizational commitment: A two-study analysis. *Journal of business ethics*, 46, 127-141.
- Danna, K., & Griffin, R. W. (1999). Health and well-being in the workplace: A review and synthesis of the literature. *Journal of Management*, 25(3), 357-384.
- Demirtas, O., & Akdogan, A. A. (2015). The effect of ethical leadership behavior on ethical climate, turnover intention, and affective commitment. *Journal of Business Ethics*, 130, 59-67.
- Gwamanda, N., & Mahembe, B. (2023). A confirmatory factor analytic study of an ethical climate measure in Zimbabwe. *SA Journal of Human Resource Management*, 21, 2184.
- Guo, F., Xue, Z., He, J., & Yasmin, F. (2023). Ethical leadership and workplace behavior in the education sector: The implications of employees' ethical work behavior. *Frontiers in Psychology*, 13, 1040000.
- Javed, B., Naqvi, S. M. M. R., Khan, A. K., Arjoon, S., & Tayyeb, H. H. (2019). Impact of inclusive leadership on innovative work behavior: The role of psychological safety. *Journal of Management & Organization*, 25(1), 117-136.
- Kalshoven, K., Van Dijk, H., & Boon, C. (2016). Why and when does ethical leadership evoke unethical follower behavior? *Journal of Managerial Psychology*, 31(2), 500-515.
- Karabey, C. N., & Aliogullari, Z. D. (2018). The impact of ethical leadership on member's creativity and career success: The mediating role of leader-member exchange. *Research Journal of Business and Management*, 5(3), 202-211.
- Kuenzi, M., Mayer, D. M., & Greenbaum, R. L. (2020). Creating an ethical organizational environment: The relationship between ethical leadership, ethical organizational climate, and unethical behavior. *Personnel Psychology*, 73(1), 43-71.
- Lemoine, G. J., Hartnell, C. A., & Leroy, H. (2019). Taking stock of moral approaches to leadership: An integrative review of ethical, authentic, and servant leadership. *Academy of Management Annals*, 13(1), 148-187.
- Mahmood, F., Saleem, M., Qadeer, F., Ariza-Montes, A., & Han, H. (2022a). Employees' reactions to CSR perception and disclosure in the presence of multilevel contingencies. *Cross Cultural & Strategic Management*, 30(1), 5-36.
- Mahmood, F., Saleem, M., Ariza-Montes, A., & Han, H. (2022b). Green Attitudes, Human Values, and Wellbeing among Hospitality Service Employees. *International Journal of Mental Health Promotion*, 24(6).
- Majstorović, N., & Petrović, I. B. (2022). Ethical climate in organization and employee's acceptance of corruptive rationalizations. *Psychological Applications and Trends*, 435.
- Malik, M., Mahmood, F., Sarwar, N., Obaid, A., Memon, M. A., & Khaskheli, A. (2023). Ethical leadership: Exploring bottom-line mentality and trust perceptions of employees on middle-level managers. *Current Psychology*, 42(20), 16602-16617.

- Meyer, J. P., Allen, N. J., & Smith, C. A. (1993). Commitment to organizations and occupations: Extension and test of a three-component conceptualization. *Journal of Applied Psychology, 78*(4), 538.
- Newman, A., Round, H., Bhattacharya, S., & Roy, A. (2017). Ethical climates in organizations: A review and research agenda. *Business Ethics Quarterly, 27*(4), 475-512.
- Onesti, G. (2023). Exploring the impact of leadership styles, ethical behavior, and organizational identification on workers' well-being. *Administrative Sciences, 13*(6), 149.
- Okan, T., & Akyüz, A. M. (2015). Exploring the Relationship between Ethical Leadership and Job Satisfaction with the Mediating Role of the Level of Loyalty to Supervisor. *Business & Economics Research Journal, 6*(4).
- Ortiz-Gómez, M., Molina-Sánchez, H., Ariza-Montes, A., & de Los Ríos-Berjillos, A. (2022). Servant leadership and authentic leadership as job resources for achieving workers' subjective well-being among organizations based on values. *Psychology Research and Behavior Management, 2621-2638*.
- Pandey, J., Kumar, M., & Singh, S. (2024). "Organizational ethical climate: influence on employee meaning and well-being." *Management Decision, 62*(10).
- Peng, A. C., & Kim, D. (2020). A meta-analytic test of the differential pathways linking ethical leadership to normative conduct. *Journal of Organizational Behavior, 41*(4), 348-368.
- Qian, J., Wang, B., Han, Z., & Song, B. (2017). Ethical leadership, leader-member exchange and feedback seeking: A double-moderated mediation model of emotional intelligence and work-unit structure. *Frontiers in Psychology, 8*, 1174.
- Ribeiro, N., Gomes, D., & Kurian, S. (2018). Authentic leadership and performance: the mediating role of employees' affective commitment. *Social Responsibility Journal, 14*(1), 213-225.
- Saleem, A., Bhutta, M. K. S., Abrar, M., Bari, M. W., & Bashir, M. (2024). Leader's ethical behavior: A precursor to employees' well-being through emotions management. *Acta Psychologica, 249*, 104453.
- Sammy, A. (2021). The Effect of Ethical Leadership on Organizational Creativity in the Midst of Work from Home (WFH) System Due to Pandemic COVID-19. Available at SSRN 3828905.
- Si, X., Xue, H., Song, X., Liu, X., & Zhang, F. (2023). The relationship between ethical leadership and nurse well-being: The mediating role of workplace mindfulness. *Journal of Advanced Nursing, 79*(10), 4008-4021.
- Su, W., & Hahn, J. (2022). A multi-level study on whether ethical climate influences the affective well-being of millennial employees. *Frontiers in Psychology, 13*, 1028082.
- Teresi, M., Pietroni, D. D., Barattucci, M., Giannella, V. A., & Pagliaro, S. (2019). Ethical climate (s), organizational identification, and employees' behavior. *Frontiers in Psychology, 10*, 1356.

- Tokmak, M. (2020). A study on the relationship between ethical climate perception and innovative work behavior in health workers. *Anadolu Üniversitesi Sosyal Bilimler Dergisi*, 20(4), 51-64.
- Ughulu, J. Ethical Leadership in Modern Organizations: Navigating Complexity and Promoting Integrity.
- Umrani, W. A., Bachkirov, A. A., Nawaz, A., Ahmed, U., & Pahi, M. H. (2024). Inclusive leadership, employee performance and well-being: an empirical study. *Leadership & Organization Development Journal*, 45(2), 231-250.
- Victor, B., & Cullen, J. B. (1988). The organizational bases of ethical work climates. *Administrative Science Quarterly*, 101-125.
- Yang, M., Luu, T. T., & Hoang, G. (2023). Can ethical climate and ethical self-efficacy channel ethical leadership into service performance? A multilevel investigation. *International Journal of Hospitality Management*, 114, 103548.
- Zhu, W., May, D. R., & Avolio, B. J. (2004). The impact of ethical leadership behavior on employee outcomes: The roles of psychological empowerment and authenticity. *Journal of Leadership & Organizational Studies*, 11(1), 16-26.