



Ethical Leadership and Employee Well-Being: The moderating effect of interaction with the manager

Dália Inocêncio¹, Ivo Dias¹ and Ana Palma-Moreira^{1,2*}

¹Faculdade de Ciências Sociais e Tecnologia, Universidade Europeia, Quinta do Bom Nome, Estr. da Correia 53, 1500-210 Lisboa, Portugal

²APPSyCI-Applied Psychology Research Center Capabilities & Inclusion, ISPA-Instituto Universitário, 1149-041 Lisboa, Portugal

***Corresponding author:** Ana Moreira, School of Psychology, ISPA-Instituto Universitário, Rua do Jardim do Tabaco 34, 1149-041 Lisboa, Portugal.

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Abstract

The main objective of this research was to study the impact of ethical leadership on employee well-being and whether this relationship is moderated by interaction with the manager. The study sample consisted of 131 participants working in Portuguese organizations. The hypotheses were tested using SPSS and Macro Process. The results indicate that ethical leadership is positively and significantly associated with well-being and that interaction with the manager moderates this relationship. For participants with a high level of interaction with their manager, when compared to participants with a low level of interaction with their manager, ethical leadership is relevant to boosting their well-being. Interaction with the manager plays a crucial moderating role and can strengthen or weaken the relationship between ethical leadership and employee well-being. Therefore, for ethical leadership to reach its full potential, it is essential to ensure that interactions between leaders and employees are high quality and frequent.

Introduction

The organizational operation of human capital management is crucial to increasing profitability and productivity in the business areas to which companies are linked to guarantee the achievement of the goals set and greater sustainability, which implies making two essential cornerstones compatible: leadership style and the well-being of workers and collaborators. [1] argues that leadership is necessary in all types of organizations and human management functions, especially in companies. Studies on ethical leadership have looked at the significant role of ethics for leaders in all sectors, conceptualizing ethical leadership differently. The initial model includes the main dimensions of the ethical virtues of the leaders themselves and the activities they carry out to install them in followers [2].

This type of leadership is almost always open to criticism, i.e.

the fact that the leader, according to research, possesses specific characteristics does not guarantee leadership success, despite the evidence that effective leaders are different from other people in certain vital aspects. The most apparent characteristics are motivation in the broad sense, i.e. this motivation must include achievement, drive, ambition, energy, tenacity and initiative; motivation for leadership, in the sense of possessing the desire to lead without, however, seeking power as an end, honesty and integrity; self-confidence associated with emotional stability; cognitive ability; and knowledge of the business. Concerning other less clear evidence of traits, such as charisma, creativity and flexibility, [3] believe that "key leader characteristics help the leader to acquire the necessary skills; formulate an organizational vision and an effective plan to pursue it; and take the necessary steps to implement the vision in reality" (p. 48). [4] have also focused on

the study of happiness. However, they separate the concept into two elements: subjective, identified by standards of living, and objective, related to individuals' psychological state. These two authors define well-being as "a multidimensional combination of three positive concepts: job satisfaction, job involvement, and affective organizational commitment" [4].

The following research questions emerged

- What is the impact of leadership on the well-being of an organization's employees?
- Does interaction with the manager moderate the relationship between ethical leadership and employee well-being?

Therefore, the primary objective of this study is to comprehend the positive and significant impact of ethical leadership on employee well-being. We also seek to identify the moderation effect of interaction with managers on the relationship between ethical leadership and employee well-being.

Literature Review

Ethical Leadership

Ethics can be defined as a set of norms and values that determine the behaviour of individuals through psychological processes that drive ethical or unethical behaviour and how these human behaviours can be translated into actions that can be taken to create more ethical environments [5]. The concept of Ethical Leadership has acquired an increasing impact among researchers dedicated to the study of organizational behavior due to the moral and social crises that have arisen over the last two decades, which have had damaging effects both on companies and organizations, with the fall in the stock market of these companies, and at the national and international level, as a result of the relevance they had acquired, above all, due to the ineffectiveness of their leadership [2]. Ethical leadership can be defined as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships. The promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown, 2005). It is also "the process of influencing group activities to achieve goals in a socially responsible manner" [6].

This leadership concession implies two main roles in an ethical leader: the moral person and the moral manager. The role of the moral person refers to the leader's ethical values. In contrast, the moral manager refers to the activities the leader undertakes to propose these ethical values to the followers. The definition above mentions three activities: communication, reinforcement and decision-making [6]. Ethical leadership is the art of leading people and making good decisions based on values such as justice, responsibility, trust, honesty, equality and respect. These values form the central basis of ethical leadership [7].

Well-Being

The concept of Employee Well-Being does not have a concise

definition and differs according to the scholars who have carried out research on this subject. Despite its complexity, it focuses on two variables: the psychological well-being and the physical well-being of employees. The complexity lies in the fact that when carrying out their analyses, researchers mix up terms such as well-being and happiness in the scientific literature, considering them synonyms [8], and also because researchers treat well-being in different ways, such as happiness, satisfaction, state of mind, positive affect [9]. Some authors have also seen it as a subjective assessment of the quality of life. [8] claim that there is well-being at work when a person experiences personal expressiveness and self-realization; in other words, when they feel satisfied with their life, there will be a prevalence of positive affections over negative ones. These two researchers define well-being at work as the prevalence of positive emotions and the individual's perception that they are expressing and developing their potential/skills and progressing towards their life goals. According to them, the concept includes both affective aspects, assessed by emotions and moods, and cognitive aspects, represented by achievement, encompassing the subjective and psychological well-being approaches [8].

Ethical Leadership and Well-being

Ethical leadership can undoubtedly be considered one of the factors that contribute to workers' well-being [10]. Well-being associated with work is directly related to situations linked to positive emotions, happiness and satisfaction at work [11]. In other words, when workers experience certain positive emotions, they can perform their duties with greater motivation, and this performance will translate into greater productivity.

The leader plays a decisive role in workers' perception of how they carry out their work. Kalshoven and Boon (2012) consider that ethical leaders should be expected to use communication and rewards rather than punishment to positively shape and influence employee behaviour, in the same vein as Kalshoven and Boon (2012). [12, 13] consider that by establishing quality relationships, they provide employees with a working environment where they can feel more secure and supported, which undoubtedly creates conditions that foster a positive emotional experience, which translates into a sense of well-being for employees (Bedi et al., 2016). The existence of ethical leaders, in addition to the feeling of trust, which in itself is one of the greatest advantages associated with this type of leadership [12], can also lead to greater employee involvement and commitment, both to the job they do and to the organization they are part of. By reducing their levels of exhaustion and stress, employees feel more able to increase their performance.

Bearing in mind that employees are increasingly a precious asset for an organization, without whom it will not be able to effectively achieve its objectives and goals [14], it is imperative to continue to focus on well-being, satisfaction and trust, which will provide greater motivation, commitment and engagement of employees in the performance of their duties, which translates into higher levels of productivity and greater and better efficiency and

effectiveness in organizational terms.

The ethical leader, who has values and principles such as justice and honesty, contributes to the well-being of their employees by increasing their levels of trust and, concomitantly, a more significant commitment on their part to their work. This more fruitful relationship is illustrative of employee well-being [14].

The following hypotheses are thus formulated:

H1: Ethical leadership has a positive and significant effect on employee well-being.

H2: Interaction with manager has a moderating effect on the relationship between ethical leadership and employee well-being.

The hypotheses formulated are summarized in the following research model (Figure 1):

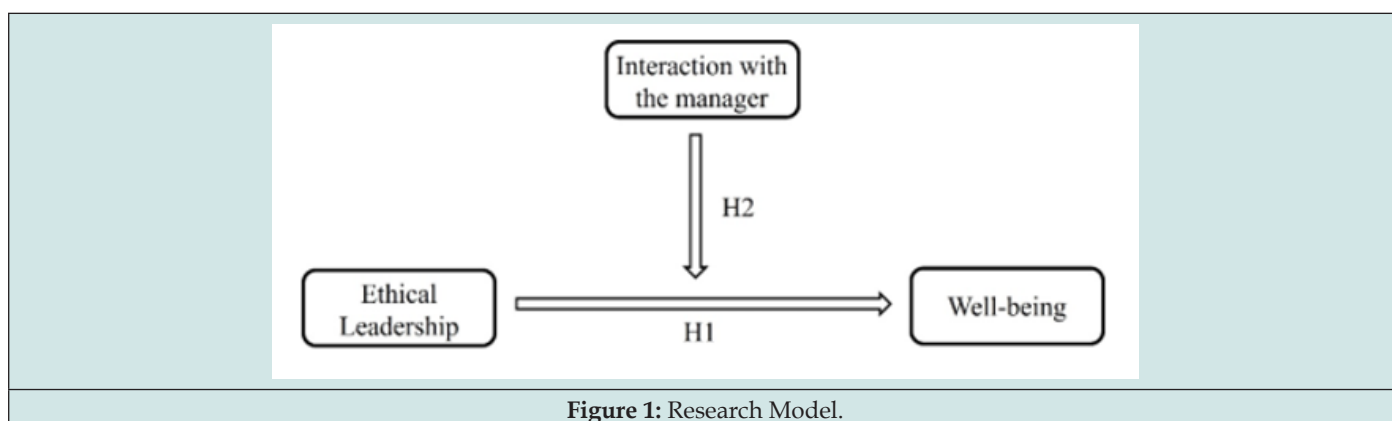


Figure 1: Research Model.

Methods

Data collection procedure

In this study, 131 subjects who worked for companies in Portugal participated voluntarily. Data was collected electronically, and the questionnaire was made available on the Google Forms platform and shared on social and personal contact networks. The questionnaire consists of a general introduction explaining the aim of the study and the prerequisites for participation, reinforcing that the data collected is solely and exclusively for academic purposes and that all participants are confidential and anonymous. The questionnaire consists of 3 more sections, starting with the scales for the variables under study (ethical leadership and leadership and well-being) and then the sociodemographic data; the sample was collected during 2023/2024.

Participants

This study's sample consisted of 131 participants aged between 17 and 58 ($M = 29.14$; $SD = 6.878$). Subsequently, age was transformed into age classes to work with the data more concisely, and three age classes were formed. It was found that among the participants, 66 (50.4%) were male and 65 (49.6%) females, with no respondent answering the "Other" option. Regarding educational qualifications, 16 (12.2%) had a 12th-grade degree or less, 92 (70.2%) had a bachelor's degree, and 23 (17.6%) had a master's degree or higher. Regarding the sector in which they work, 96 (72.5%) are in the private sector 36 (27.5%) in the public sector; 14 (10.7%) work in a company with between 0 and 9 employees, 41 (31.3%) in a company with between 10 and 49, 36 (27.6%) in a company with between 50 and 249, 11 (8.4%) between 250 and

500 and 29 (22.1%) more than 500 employees. Concerning the type of contract, 37 (28.2%) are for an uncertain term, 35 (26.7%) for a fixed term and 59 (45.0%) for an indefinite term. When asked about the type of work, 103 (78.6%) answered face-to-face, 4 (3.1%) answered teleworking, and 24 (18.3%) answered hybrid. Regarding the frequency with which they interact with their direct manager, 1 (0.8%) answered daily, 99 (75.6%) answered weekly, 23 (17.65%) answered monthly and 8 (6.1%) annually. In terms of seniority in the company, 56 people (42.7%) had been with the company for less than one year, 16 (12.2%) for between 1 and 2 years, 30 (22.9%) for between 2 and 5 years and 28 (21.4%) for almost five years. Regarding the length of time they have worked with their manager, 72 (55.0%) people said they had worked for less than one year, 25 (19.1%) had worked for between 1 and 2 years, 24 (18.3%) had worked for between 2 and 5 years and 10 (7.6%) had worked for almost five years.

Data analysis procedure

After collecting the data, it was processed by analysing the quality and metrics of the instruments. To study the internal consistency of the instruments used in this study, SPSS STATISTICS version 29 was used. The internal consistency of each scale was analyzed by calculating Cronbach's alpha, where the value should vary between "0" and "1" without assuming negative values [15]. It should be higher than .70, which is the minimum acceptable in organizational studies [16]. Concerning the sensitivity study, the different measures of central tendency, dispersion and distribution were calculated for the different items of the scales used, thus carrying out the normality study for all the items and the various scales. Hypothesis 1 was tested using simple linear regression, and

the moderating effect (hypothesis 2) was tested using the Macro Process developed by [17].

Instruments

Ethical Leadership - was analyzed based on the leadership scale by [18]. The response to the ethical leadership items or variables uses a Likert-type evaluation scale, ranging from "Strongly disagree" (1) to "Strongly agree" (5). This scale consists of 10 items, including two types of ethical leader behavior: justice and how they make decisions. This instrument has good internal consistency with a Cronbach's alpha of 0.90. Well-being - was measured using the 32-item well-being at work scale developed by [19]. This instrument assumes that the work context is an environment surrounded by emotions, fulfilment and expressiveness, which can contribute to the well-being of workers. The response to the items or variables

of workers' well-being is based on a Likert-type evaluation scale, ranging from "Very rarely or never" (1) to "Very often or always" (5). This instrument has good internal consistency with a Cronbach's alpha of 0.87.

Results

Descriptive statistics of the variables under study

To understand the position of the answers given by the participants in this study, descriptive statistics were carried out on the variables under study using the student's t-test for one sample. The results show that the participants in this study perceive ethical leadership and well-being significantly above the scale's central point (3), which indicates that they perceive their leaders as behaving ethically and feel high levels of well-being (Table 1).

Table 1: Descriptive statistics of the variables under study.

Variable	t	df	p	d	Mean	SD
Ethical Leadership	11.46***	130	< .001	1	3.79	0.79
Well-being	10.32***	130	< .001	0.9	3.49	0.55

Note. $p < 0.001$

Effect of sociodemographic variables on the variables under study

We then calculated the mean to study the distribution of the

variables under study according to the sociodemographic variables. Male participants have a slightly higher perception of ethical leadership and well-being than female participants (Figure 2).

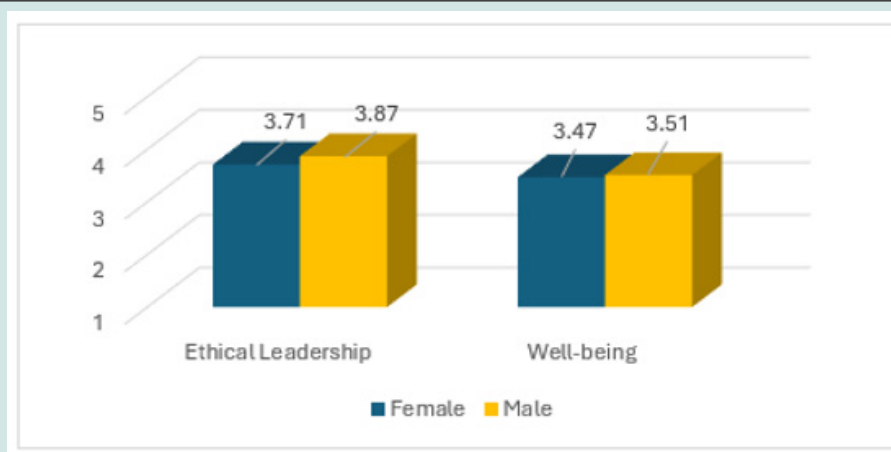


Figure 2: Effect of gender on the variables under study.

Participants with a master's degree or higher perceive ethical leadership and well-being more positively than those with a bachelor's degree (Figure 3).

Participants working in private companies have a slightly higher perception of ethical leadership and well-being than public companies (Figure 4).

The participants with the highest perception of ethical leadership are those in smaller companies (0-9 employees), and those with the highest perception of well-being are those in medium-sized companies (10-49 employees) (Figure 5).

Participants with open-ended contracts have a higher perception of ethical leadership, and fixed-term participants have a higher perception of well-being (Figure 6).

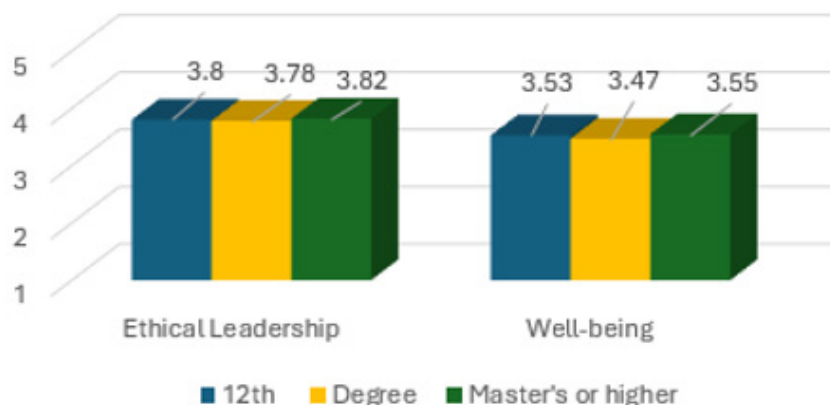


Figure 3: Effect of academic qualifications on the variables under study.

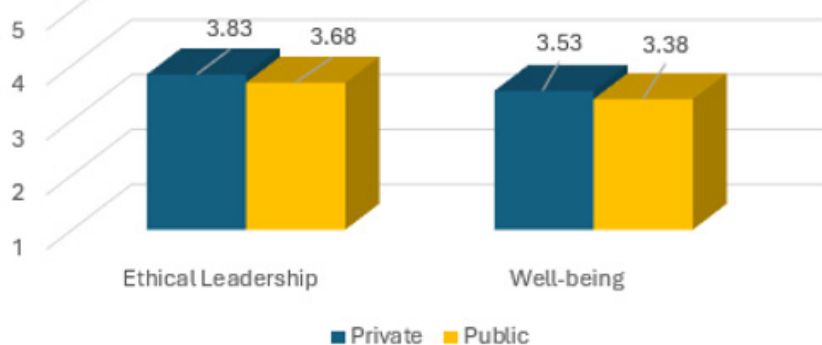


Figure 4: Effect of sector on the variables under study.



Figure 5: Effect of the size of the organization on the variables under study.

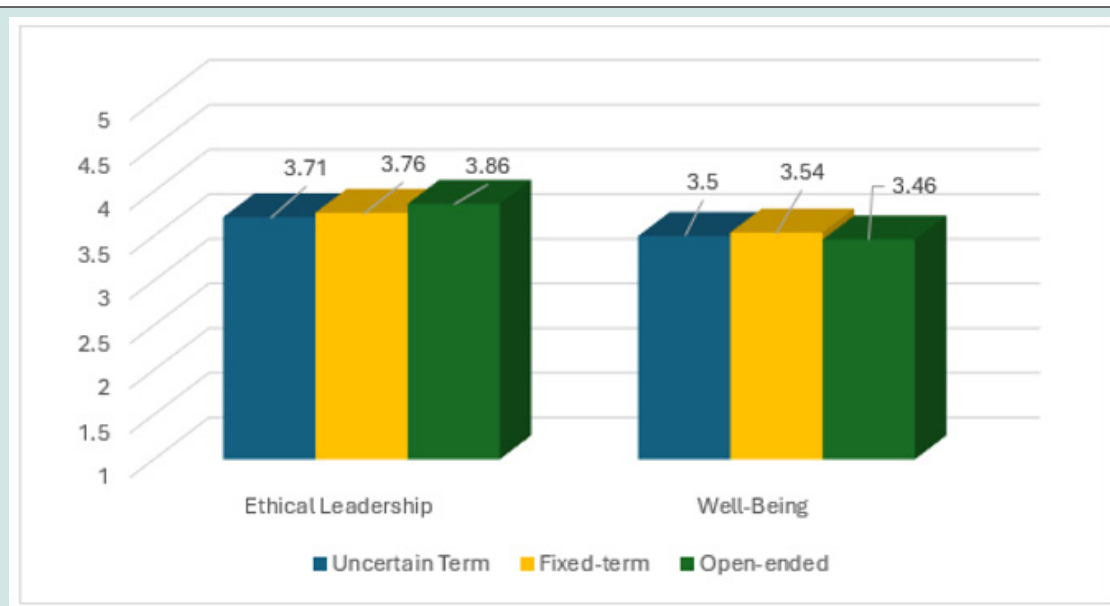


Figure 6: Effect of work contract on the variables under study.

Participants who work in a hybrid way have the highest perception of ethical leadership and those who work remotely have a higher perception of well-being (Figure 7).

Participants who interact with their manager weekly have a higher perception of ethical leadership and well-being than those who interact daily (Figure 8).

Participants who have been with the organization for 2 to 3 years have a higher perception of ethical leadership and well-being than those who have been with it for more than seven years (Figure 9).

Participants who have had the same manager for a longer time have a higher perception of ethical leadership and well-being regarding others (Figure 10).

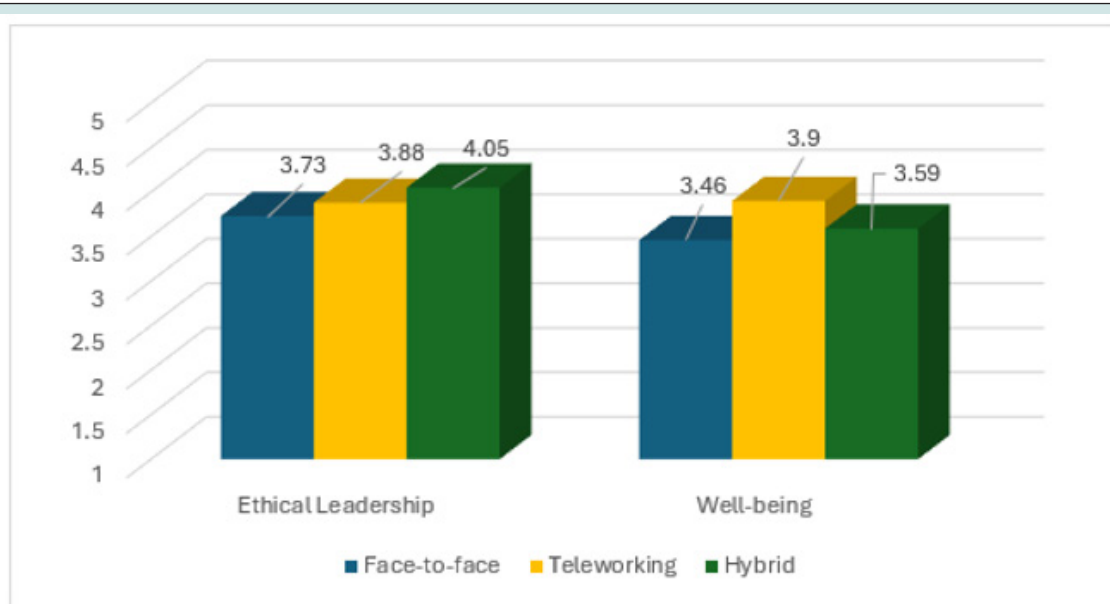


Figure 7: Effect of the work regime on the variables under study.

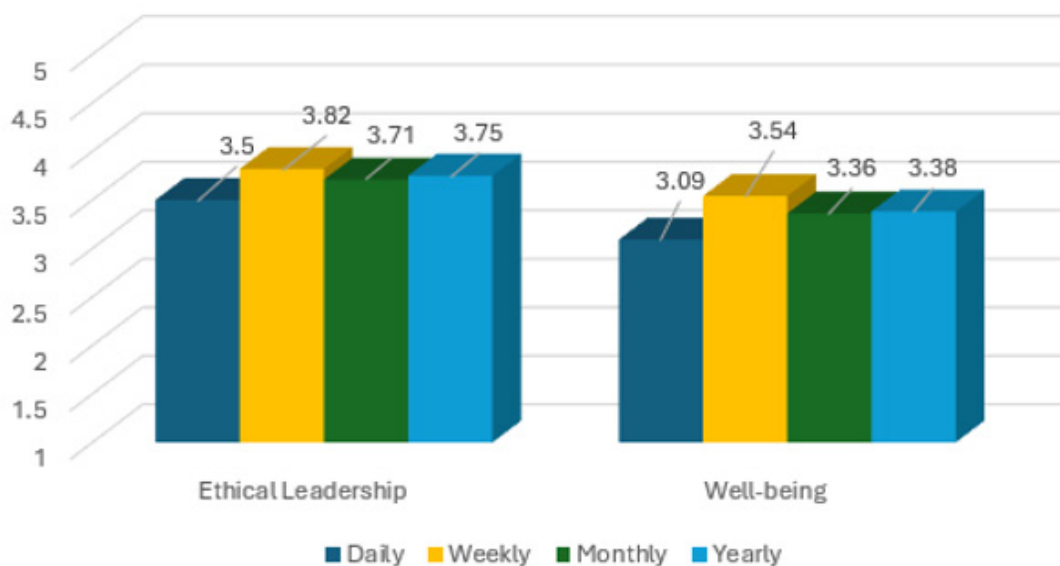


Figure 8: Effect of the interaction with the manager on the variables under study.



Figure 9: Effect of seniority on the variables under study.



Figure 10: Effect of time spent with the same manager on the variables under study.

Association between the variables under study

The association between the variables under study was tested using Pearson correlations.

The results show that ethical leadership is positively and significantly associated with well-being, i.e. the more ethical the leader's behavior, the higher the levels of well-being among employees (Table 2).

Table 2: Association between the variables under study.

		1	2
1. Liderança Ética	Pearson Correlation	--	
	N	131	
2. Bem-estar	Pearson Correlation	.474***	--
	Sig. (2-tailed)	<.001	
	N	131	131

Note. *** $p < .001$

H2: Interaction with manager has a moderating effect on the relationship between ethical leadership and employee well-being.

Hypothesis

H1: Ethical leadership has a positive and significant effect on employee well-being.

To test hypothesis 1, a simple linear regression was performed.

The results show that ethical leadership positively and significantly affects employee well-being ($\beta = .47$, $p < .001$). The model explains 23% of the variability in well-being. The model is statistically significant ($F(1, 129) = 37.37$, $p < .001$) (Table 3).

Table 3: The effect of ethical leadership on well-being.

Independent Variable	Dependent Variable	F	p	R ²	β	p
Ethical Leadership	Well-being	37.37	<.001	0.23	0.47	<.001

Note. *** $p < .001$

This hypothesis was confirmed.

H2: Interaction with manager has a moderating effect on the relationship between ethical leadership and employee well-being.

As this hypothesis presupposes an interaction effect, it was tested using the Macro Process developed by [17]. The results

show that interaction with the manager moderates the relationship between ethical leadership and well-being ($B = .22$, $p = .045$). The model explains 26% of the variability in well-being (Table 4)

For participants with high interaction with their manager, ethical leadership becomes relevant to boosting their well-being (Figure 11).

Table 4: Moderating effect.

Variables	B	SE	t	p	95% CI
Ethical Leadership → Well-being ($R^2 = .26$; $p < .001$)					
Constant	3.50***	0.04	83.88***	< .001	[3.41, 3.58]
Ethical Leadership	.34***	0.05	6.35***	< .001	.23, .44]
Interaction with the manager	-0.07	0.07	-0.98	0.33	[-.21, .07]
EL*IM	.22*	0.11	2.02*	0.045	[.00, .43]

Note. * $p < .05$; *** $p < .001$

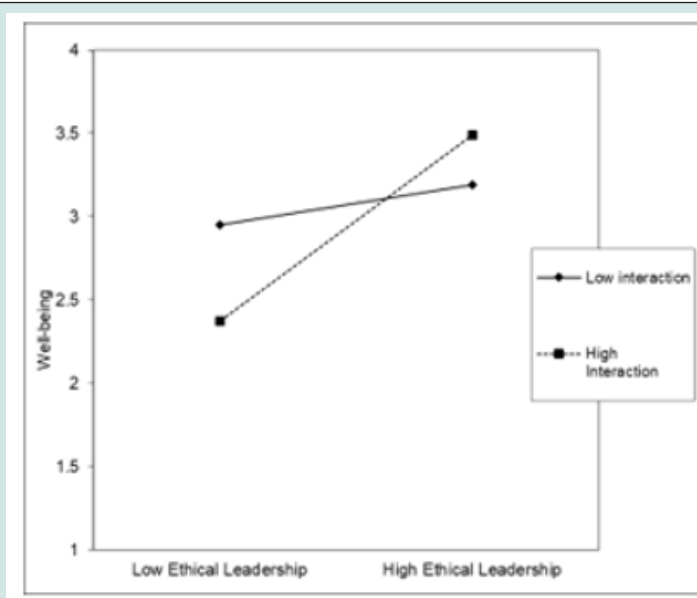


Figure 11: Interaction effect.

Discussion

This study aimed to study the impact of ethical leadership on employee well-being in an organization. Another objective was to understand the Influence of Ethical Leadership on employee well-being (with the interaction variable)

Hypothesis 1 was confirmed since ethical leadership is characterized by the promotion of fair, honest and transparent behavior and by genuine concern for the well-being of team members. The results show that ethical leadership has a positive and significant effect on employee well-being, with a model explaining 23% of the variability in well-being. The model is statistically significant and confirms the hypothesis. The results tell us that the

participants in this study have a perception of ethical leadership and well-being significantly above the central point of the scale (3), which indicates that they perceive their leaders as behaving ethically and feel high levels of well-being. These results are in line with the literature, which states that ethical leadership helps to create a positive working environment, motivates employees and makes them more engaged, helps to reduce conflicts, provides emotional and psychosocial support and conveys organizational trust [10].

Hypothesis 2 was also confirmed as the results indicate that Interaction with the manager moderates the relationship between ethical leadership and well-being. The model explains 26% of the variability in well-being. For participants with high Interaction with

their manager when compared to participants with low Interaction with their manager, ethical leadership becomes relevant to boosting their well-being. These results also align with the literature review - a moderating effect occurs when the relationship between two variables (in this case, ethical leadership and employee well-being) is influenced by a third variable (Interaction with the manager). Interaction with managers can positively or negatively impact ethical leadership and employee well-being [20]. They are positive when employees have high-quality Interaction, support from their bosses, and open communication. In this way, customers feel valued and understood, strengthening ethical leadership's positive impact. On the other hand, low-quality interactions, poor communication, lack of support and abusive behavior can negate the positive effects of ethical leadership [21]. Interaction with management plays a crucial moderating role and can strengthen or weaken the relationship between ethical leadership and employee well-being. Therefore, for ethical leadership to reach its full potential, it must ensure that interactions between leaders and employees are high-quality and frequent [20].

Limitations

During the preparation of this study, some limiting aspects were found that could be considered in future studies. Firstly, the size of the sample (131 participants): Although this is a considerable number of responses for the study in question, it would be interesting to have a larger number of responses. Secondly, the type of participants-the fact that they were employees of different organizations does not guarantee the generalizability of the data obtained. Future studies should collect data from specific organizations or a single organization so that the results can be compared, or the responses of the groups can be analyzed. The third limitation concerns the method of data collection: as it is exclusively online, it is not possible to control the response environment, and so it is not possible to guarantee that the participants have responded appropriately. This may have led to mistakes or doubts, leading to less viable responses and greater dropout. Given that the variables were all assessed using a single data collection method, the quantitative method (questionnaire), it is suggested that future studies use a qualitative method to assess certain behaviours during the interview.

Practical Implications

One reason it is important to investigate ethical leadership in employee well-being is that this study helps to promote healthy and productive working environments. Ethical leadership is linked to the behavior of leaders guided by moral norms and values, such as fairness, honesty, integrity, and respect. This type of leadership has a significant impact on the well-being of employees in several ways [10]. This study shows that ethical leadership stimulates job satisfaction through the trust and respect that ethical leaders transmit to employees. When employees perceive that their leaders act in a fair and transparent manner, trust increases, leading to

greater job satisfaction. Ethical leadership contributes to a positive and healthy working environment where employees feel valued and respected. When there is fairness and equity in leaders' decisions and behavior, the rate of uncertainty and stress among employees is reduced. Decisions made based on fair criteria reduce anxiety and burnout. When employees receive knowledge and support from ethical leaders, they feel more encouraged to continue, and the incidence of burnout is reduced. Ethical leadership strengthens interpersonal relationships, promoting a culture of collaboration and mutual respect, improving cohesion and teamwork, and the emotional support offered by the leader contributes to the well-being of employees, promoting better mental health.

Conclusion

The more ethical the leaders, the greater the well-being perceived by employees. The results of this study can provide valuable information for organizations seeking to improve the well-being and retention of their employees through ethical leadership practices. Understanding which specific behaviours of leaders are most effective in promoting an ethical environment and how this translates into greater employee satisfaction, well-being, and performance can help formulate policies and leadership development programs that contribute to a healthier and more productive work environment. Ethical leadership has profound positive implications for employee well-being. It improves job satisfaction, reduces stress and burnout, increases engagement and motivation, strengthens interpersonal relationships, and promotes personal and professional development. Organizations that cultivate ethical leaders are better placed to create healthy, productive, and sustainable work environments where employees can thrive personally and professionally. Therefore, implementing ethical leadership practices is not only a matter of morality but also an effective strategy for long-term organizational success.

Conflict of Interest

No conflict of interest.

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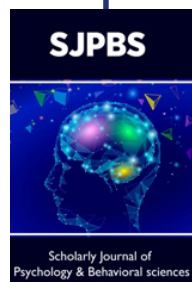


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