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RESEARCH ARTICLE

The Impact of Workplace Well-Being and Ethical Leadership on Employee Performance

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Abstract
This study aims to analyze the relationship between workplace well-being and ethical leadership in influencing employee performance at PT Sinar Glorindo Dinamika Semarang. The population of this study consisted of 123 employees at PT Sinar Glorindo Dinamika. The sampling method used was a census. This study employed a quantitative approach, with multiple linear regression analysis as the analytical technique. The results indicate that workplace well-being and ethical leadership, both partially and simultaneously, have a positive and significant influence on employee performance. These findings suggest that employee well-being serves as an important mechanism through which relational and ethical organizational resources are translated into improved performance outcomes. The implications of this study provide important managerial insights, suggesting that organizations should prioritize developing collaboration and strengthening ethical leadership practices to create a supportive work environment. Enhancing workplace well-being can serve as a strategic approach to improving employee performance. Furthermore, this study contributes to the literature by integrating ethics and well-being into a comprehensive performance model.

Keywords
Employee Performance; Workplace Well-Being; Ethical Leadership.

1 | INTRODUCTION

Performance is a combination of business capabilities and opportunities that can be measured by the resulting results. Performance is also a major factor in a company's success. Good performance will produce positive outcomes, while poor performance will negatively impact the company. A company's success is supported, among other things, by having high-performing employees. Therefore, employees are assets that must be developed effectively and efficiently to achieve optimal performance. In this regard, companies must be able to create situations and conditions that encourage and enable employees to develop their abilities and skills optimally, especially in terms of performance. Optimal performance is, of course, the goal of every company that assigns work tasks to its employees. If employee performance is optimal and satisfactory, the company will achieve maximum profits and achieve its organizational goals. Human resource performance can be influenced by various factors, including job training, work motivation, and work facilities.

Human resources play a decisive role in determining the direction and strength of an organization. Employees are not merely workers who carry out assigned duties, but also actors who shape productivity, service quality, and organizational reputation. Sudarmanto (2009) argues that the achievement of an organization's vision and mission is closely related to the quality of its human resources. This means that weak employee management may reduce work effectiveness, even when the organization has clear goals and adequate facilities. In a competitive work environment, organizations must pay serious attention to factors that influence employee performance. Two factors that deserve attention are workplace well-being and ethical leadership. Workplace well-being helps employees feel safe, respected, and supported in carrying out their responsibilities. Meanwhile, ethical leadership builds trust through fairness, honesty, and responsible decision-making. When these two factors are applied properly, employees are more likely to show stronger motivation, discipline, and loyalty. Therefore, improving employee performance should not rely only on pressure or targets, but also on humane management practices.

Workplace well-being refers to the condition in which employees feel healthy, valued, and supported in carrying out their work. Page (2005) defines workplace well-being as a sense of well-being experienced by workers through the extrinsic and intrinsic value they receive from their jobs. This view indicates that employee well-being cannot be judged only from salary, facilities, or formal benefits. It is also shaped by recognition, meaningful tasks, fair treatment, and a work atmosphere that allows employees to perform without excessive pressure. Nurrodhiyah (2021) explains that workplace well-being is related to workers' mental and physical health, including emotional and physical conditions that reflect whether employees are in a healthy work situation or experiencing strain. This definition shows that organizations should not ignore employees' psychological conditions, because stress, discomfort, and lack of appreciation can reduce motivation and performance. According to Nurrodhiyah (2021), workplace well-being can be measured through core affect and work value. Core affect refers to feelings of comfort or discomfort, combined with enthusiasm or low energy, which influence employees' behavior at work. Meanwhile, work value refers to the meaning, worth, and personal interest that employees attach to their job (Bernadin *et al.,* 2003). Therefore, workplace well-being can be understood as a balanced condition between physical health, emotional stability, and the value employees gain from their work.

Ethical leadership is one factor that can influence employee loyalty. Leadership behavior is not only seen from the ability to give instructions or achieve targets, but also from how leaders treat employees fairly, make responsible decisions, and build honest communication. Guo *et al.* (2023) explain that ethical leadership refers to leader behavior that follows accepted norms through personal actions, work relationships, two-way communication, reinforcement, and decision-making. This means that ethical leaders are expected to become role models, not only through words but also through consistent behavior. The issue of ethical leadership has become more relevant because many workplace problems are linked to unfair treatment, lack of transparency, and weak responsibility from leaders. Guo et al. (2023) state that recent ethical issues have increased the need for further study on the ethical behavior of leaders and employees. Jia et al. (2022) found that ethical leadership has a positive influence on employee loyalty because it can strengthen trust and employee well-being. When employees feel respected and treated fairly, they are more likely to develop emotional attachment and commitment to the organization. However, the influence of ethical leadership on loyalty is not always direct. Auginis *et al.* (2021) found that ethical leadership does not directly affect employee loyalty, because its influence is mediated by transformational leadership. This finding suggests that ethical behavior alone may not be enough if it is not supported by inspiring leadership practices. Therefore, ethical leadership should be applied together with clear vision, motivation, and active support for employees.

This study aims to analyze the relationship between workplace well-being and ethical leadership in influencing employee performance at PT Sinar Glorindo Dinamika Semarang. This research focuses on how employees' comfort, work values, and perceptions of ethical leadership practices can affect their performance. The population in this study consisted of 123 employees of PT Sinar Glorindo Dinamika. By involving all employees as the research population, this study is expected to provide a clearer picture of the factors that shape employee performance within the company.

2 | BACKGROUND THEORY

2.1 Workplace Welfare and Employee Performance

Workplace well-being reflects the overall well-being of employees, including psychological, physical, and social aspects. Employees with high levels of well-being tend to be more motivated, engaged, and productive in their work. Good workplace well-being reduces burnout, increases job satisfaction, and enhances employees ability to concentrate and perform tasks effectively. When employees feel physically and mentally well, they are more likely to contribute positively to organizational outcomes. Companies can also implement a number of programs that can minimize the decline in employee performance, including managing workplace comfort (workplace well-being). Marpaung & Simarmata (2020) stated that everyone wants free time at work because this free time will create a feeling of comfort that triggers the emergence of positive emotions and employees will be able to evaluate each job done. Workplace well-being can be defined as a sense of well-being obtained by employees from their work, which is related to the employee's general feelings (core affect) and the intrinsic and extrinsic value of the work (work values). Every employee who has good well-being in the workplace, the employee's performance will provide good results for the company, therefore employee well-being in the workplace must be considered by every superior so that every employee feels comfortable in their work environment or workplace. Workplace well-being provides positive values in the life of an employee, as well-being in the workplace has a perspective on seeing work and high motivation in carrying out tasks. Based on the discussion above regarding the influence of workplace well-being on employee performance, it can be assumed that employee well-being in the workplace (workplace well-being) has a significant influence on employee performance. H1: Workplace well-being has an impact on employee performance.

2.2 Ethical Leadership and Employee Performance

Ethical leadership is the demonstration of normative behavior through personal actions and interpersonal relationships, and encouraging such behavior to followers through two-way communication, positive feedback, and shared decision-making according to (Brown *et al.,* 2005). Ethical leadership is the behavior of a leader that is in accordance with applicable norms through actions and personal relationships and conveys this behavior to employees through two-way communication, reinforcement, and decision-making according to (Guo *et al.,* 2023). Indicators of ethical leadership according to Brown & Treviño (2020), namely: maintaining feelings, solving problems, avoiding coercion of will, prioritizing dialogic processes and recognizing mistakes and prioritizing honesty, discipline, and trustworthiness. Leaders can be considered ethical when they demonstrate normative behavior through their own actions and relationships with others, and encourage such behavior to their employees through two-way communication, reinforcement, and decision-making. Leaders must also act fairly, honestly, and trustworthy, and not deviate from their ethical principles, always prioritizing the interests of others over their own (Schwepker & Dimitriou, 2021). Ethical leadership refers to the ability of leaders to demonstrate and promote ethical values such as integrity, fairness, and accountability in their behavior and decision-making processes. Ethical leaders act as role models for employees and establish clear standards of conduct within the organization. When leaders behave ethically, employees are more likely to trust their leaders and feel secure in their work environment. This trust encourages employees to be more committed, responsible, and motivated to achieve organizational goals. Ethical leadership also reduces uncertainty and ambiguity, enabling employees to focus on their tasks and perform more effectively. As a result, ethical leadership is expected to have a direct positive impact on employee performance by fostering a supportive and trustworthy organizational climate. H2: Ethical leadership affects employee performance.

3 | METHOD

This study employed an exploratory quantitative research design to examine the relationship between workplace well-being, ethical leadership, and employee performance. An exploratory approach was used to test the causal relationships between variables and to validate the proposed research model. The study population consisted of employees working in various industries in Indonesia, including the service and manufacturing sectors. A total of 123 respondents were selected using a census technique. This approach ensured that participants had sufficient understanding and experience related to the variables studied. Data were collected using a structured questionnaire distributed online and offline.

The questionnaire was designed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Each construct was measured using several indicators adapted to reflect the conceptual definition of the variable. Data analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the assistance of SmartPLS software. This method was chosen because of its ability to handle complex models and relatively small sample sizes. The analysis consisted of two main stages: evaluation of the measurement model (outer

model) and evaluation of the structural model (inner model). The measurement model was assessed by examining convergent validity and reliability. Convergent validity was evaluated using Average Variance Extracted (AVE), with a threshold value greater than 0.50. Reliability was assessed using Composite Reliability (CR), with a minimum acceptable value of 0.70. The structural model was evaluated through hypothesis testing. The significance of the relationship between variables was determined based on a t-statistic greater than 1.96 and a p-value less than 0.05. This approach ensures that the proposed hypotheses are statistically supported and that the model provides a reliable explanation of the relationships between variables.

Table 1. Variables and Measurement

Variable	Code	Indicator
Workplace Well-being	WW1	Psychological well-being
	WW2	Physical work conditions
	WW3	Social support at workplace
	WW4	Work-life balance
Ethical Leadership	EL1	Fair treatment by leaders
	EL2	Leader integrity and honesty
	EL3	Ethical guidance and direction
	EL4	Accountability in decision-making
Employee Performance	EP1	Work productivity
	EP2	Quality of work
	EP3	Work efficiency
	EP4	Achievement of work targets

Table 1 explains the variables and indicators used to measure the research model. Workplace well-being is assessed through psychological well-being, physical work conditions, social support, and work-life balance. Ethical leadership is measured by fair treatment, leader integrity, ethical guidance, and accountability in decision-making. Employee performance is viewed through productivity, work quality, efficiency, and target achievement.

4 | RESULTS AND DISCUSSION

4.1 Results

4.1.1 Outer Model Evaluation

Outer model evaluation indicates that the research instruments met the required standards of validity and reliability. The loading factor and AVE values were within acceptable thresholds, suggesting that the indicators adequately reflected their latent variables. Reliability was also stable, as shown by Cronbach's Alpha and Composite Reliability. However, statistical results should be interpreted carefully, as strong numerical values do not always guarantee that each indicator fully captures the intended meaning. For that reason, the measurement results should remain aligned with the theoretical basis and respondent characteristics, so the structural analysis can stand on stronger analytical grounds.

Table 2. Outer Loadings

Variable	Indicator	Loading Factor
Workplace Well -beeing	WW1	0.814
	WW2	0.836
	WW3	0.852
	WW4	0.829
Ethical Leadership	EL1	0.876
	EL2	0.842
	EL3	0.859
	EL4	0.821
Employee Performance	EP1	0.861
	EP2	0.845
	EP3	0.873
	EP4	0.832

Table 2 shows that all indicators have loading factors above 0.70, ranging from 0.814 to 0.876. These values indicate that each indicator strongly represents its respective variable. Ethical Leadership records the highest loading through EL1,

while Workplace Well-being and Employee Performance also show stable measurement quality across all indicators.

Table 3. Construct Reliability and Validity

Variable	AVE	Composite Reliability (CR)	Cronbach Alpha
Workplace Welfare	0.702	0.904	0.858
Ethical Leadership	0.721	0.912	0.867
Employee Performance	0.736	0.918	0.879

Table 3 indicates that all variables meet the required reliability and validity standards. AVE values range from 0.702 to 0.736, exceeding the 0.50 threshold. Composite Reliability values are above 0.90, while Cronbach's Alpha values exceed 0.85. These results show that Workplace Welfare, Ethical Leadership, and Employee Performance have consistent and reliable measurement quality.

4.1.2 Inner Model Evaluation

Inner model evaluation assesses how well the proposed relationships explain employee performance. The analysis considers path coefficients, significance values, and explanatory power to determine whether workplace well-being and ethical leadership have meaningful effects. A strong structural result should not only show statistical significance but also reflect a logical connection with the theory. Therefore, the findings need to be interpreted carefully, especially when coefficient values are close or when one predictor appears stronger than another. This evaluation provides a basis for judging whether the model is analytically sound and suitable for explaining the relationship among the studied variables.

Table 4. Path Coefficients and Hypothesis Testing

Hypothesis	Relationship	Coefficient	T-Statistic	P-Value	Result
H1	Welfare → Performance	0.341	4.554	0.000	Supported
H2	Ethical Leadership → Performance	0.315	4.112	0.000	Supported

The table is the result of Hypothesis Test which shows how welfare and ethical leadership influence employee performance. Here is a simple explanation: 1. Hypothesis 1 (H1): Welfare on Performance Direction of Influence: The Coefficient value (0.341) is positive. This means that the better the welfare provided, the more employee performance will increase. Significance: The P-Value (0.000) is far below 0.05, and the T-Statistic (4.554) is greater than 1.96. This shows that the influence is very real (significant). Results: Supported. Your hypothesis is proven to be statistically correct. 2. Hypothesis 2 (H2): Ethical Leadership on Performance Direction of Influence: The Coefficient value (0.315) is also positive. This means that the better the implementation of ethical leadership in the company, the higher employee performance will be. Significance: Similar to H1, the P-Value (0.000) is very small and the T-Statistic (4.112) is high, which means this relationship is scientifically valid. Results: Supported. This hypothesis was also proven correct.

Both Welfare and Ethical Leadership have a positive and significant influence on Performance. The coefficient value shows that Welfare has a slightly stronger effect, with a value of 0.341, compared to Ethical Leadership at 0.315. This result suggests that employee welfare plays a more direct role in encouraging better performance at the research location. However, ethical leadership remains highly relevant because fair, responsible, and trustworthy leadership can strengthen employee motivation and work discipline. Therefore, performance improvement should not rely on one factor alone, but should combine better welfare practices with ethical leadership behavior.

Table 5. R-Square (Coefficient of Determination)

Variable	R^2 Value	Interpretation
Employee Performance	0.512	Moderate

Based on the table, the R2 value of 0.512 for the Employee Performance variable has the following meanings: 1. Contribution of Independent Variables The R2 value (Coefficient of Determination) shows the extent to which the independent variables (factors studied) in your model are able to explain variations or changes in the dependent variable (Employee Performance). A value of 0.512 means that 51.2% of the variation in Employee Performance can be explained by the research model. 2. Factors Outside the Model. The remaining 48.8% (100% - 51.2%) is influenced by other factors or other variables outside the research model that are not measured. 3. Interpretation "Moderate". The Moderate category indicates that the level of relationship strength or predictive ability of the model is at a medium level. In social or management research: A value around 0.5 is often considered good enough and acceptable to explain human behavior phenomena such as employee performance. Conclusion: The factors you are studying have a fairly strong (medium/moderate) influence in determining the rise and fall of employee performance in that place.

4.2 Discussion

The significant effect of workplace well-beeing on employee performance indicates that a healthy, happy, and supportive work environment is a primary driver of organizational productivity and success. Employees with high well-being experience more positive emotions and higher motivation, which leads to increased output and better work quality. Research suggests meaningful increases in well-being can boost productivity by approximately 10%. The significant effect of workplace welfare on employee performance confirms that well-being is a fundamental driver of productivity. Employees who experience good physical, psychological, and social conditions are more motivated and capable of performing their tasks effectively. Workplace welfare enhances energy levels, concentration, and resilience, which are essential for achieving high performance. Research shows that employees with high subjective well-being (SWB) demonstrate better work engagement, including involvement in work outside their job description (extra role), which has a unique contribution to employee performance. Furthermore, improved subjective well-being can also increase job satisfaction (Darwis & Syafiq, 2021). Praptadi (2009) states that employees with longer tenures tend to have higher and better job mastery compared to employees with shorter tenures or less experience. This means that individuals with long tenures in an organization typically possess expertise and a deep understanding of their tasks and work environment. This can increase self-confidence and job satisfaction, adding value to their work experience, while also supporting workplace well-being.The results of this research are in line with several studies by trerdahuku, Ardianto & Rosari (2024) examined the mechanism of High Performance Work Systems (HPWS) in improving psychological well-being in the workplace.

The positive influence of ethical leadership on employee performance highlights the importance of leadership behavior in driving employee productivity. Ethical leaders create a work environment that emphasizes fairness, transparency, and accountability. Such conditions increase employee trust and reduce uncertainty, allowing employees to focus more on their responsibilities. When employees perceive their leaders as ethical, they are more likely to demonstrate higher commitment and engagement, which directly contributes to improved performance. These studies align with Malik & Khalid (2016) research, which showed that ethical leadership implemented through open communication and respect significantly impacts employee performance. However, Koesworo's (2022) research, which does not support this finding, proves that ethical leadership does not directly impact performance but must be fully mediated by employee engagement or organizational citizenship behavior (OCB). These results confirm the findings of previous research by Susanti (2022), which demonstrated that ethical leadership has a significant impact on employee performance. This ethical leadership provides space for employees to reflect on their leaders' ethical actions. Employees perceive their superiors as always giving their best, which leads them to strive for maximum performance in their work.

Similarly, Herawati & Prayekti (2015) demonstrated in their study on the influence of ethical leadership and organizational commitment on employee performance. They found that ethical leadership had a regression coefficient of 0.623, indicating that the influence of ethical leadership was greater or more dominant than organizational commitment. This positive influence can be explained by the positive relationship between company leaders and their employees. Leaders with ethical leadership tend to be better able to guide employees to achieve optimal performance. This finding is supported by research by Oladimeji & Abdulkareem (2022), which found that employee performance in the workplace is influenced by ethical leadership. Because ethical leaders give meaning to work, instill moral standards, and theoretically, research shows that employees working under ethical leaders significantly improve their workplace performance.

5 | CONCLUSIONS AND FUTURE WORK

This study concludes that workplace well-being and ethical leadership significantly affect employee performance within a sustainable organizational framework. Employees tend to perform better when the organization provides fair treatment, reliable leadership, supportive work relationships, and a safe working environment. Workplace well-being encourages employees to feel valued and motivated, while ethical leadership builds trust, discipline, and confidence in managerial decisions. Both factors should be treated as central priorities in performance management. In practice, organizations need to strengthen employee welfare through clear policies, open communication, fair leadership behavior, and healthier working conditions. Leadership training, psychological support, work-life balance programs, and safe physical workspaces can help improve employee performance over the long term. However, the use of cross-sectional data makes causal claims less certain because employee attitudes and performance may change over time. Future studies should apply longitudinal designs and include variables such as organizational culture, innovation, or employee engagement to produce a stronger and more balanced research model.

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