

Fostering Sustainable Workplace Wellbeing Through Responsible Leadership Via Lens Of Signalling Theory: Mediating Effect Of Employee Oriented Hrm In Banking Sector Of Pakistan

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Abstract

The well-being of employees should not be considered solely an HR issue but rather an important ethical and strategic priority for businesses in order to achieve long-lasting organizational resilience and legitimacy. Over the last decade, there has been a movement away from viewing employee well-being as an independent responsibility of the employee to being an organizational responsibility that is tied to corporate ethics, stakeholder expectations and the creation of sustainable value (Bocean et al., 2022). The UN's Sustainable Development Goals (in particular, Goal 3: Good Health and Well-Being and Goal 8: Decent Work and Economic Growth) indicate that organizational practices should promote employee well-being and dignity in the workplace as part of the higher goal of achieving global sustainability.

Introduction

The well-being of employees should not be considered solely an HR issue but rather an important ethical and strategic priority for businesses in order to achieve long-

lasting organizational resilience and legitimacy. Over the last decade, there has been a movement away from viewing employee well-being as an independent responsibility of the employee to being an organizational responsibility that is tied to corporate ethics, stakeholder expectations and the creation of sustainable value (Bocean et al., 2022). The UN's Sustainable Development Goals (in particular, Goal 3: Good Health and Well-Being and Goal 8: Decent Work and Economic Growth) indicate that organizational practices should promote employee well-being and dignity in the workplace as part of the higher goal of achieving global sustainability.

Responsible leadership has been identified as an important lever for integrating well-being into the day-to-day functioning of organizations. Recent empirical evidence suggests that leaders who prioritize both stakeholder welfare and ethical considerations can influence the development of organizational policies, as well as employee attitudes and behaviours related to psychological safety, job satisfaction and health-related outcomes (Chitranshi & Chopra, 2024). In complex service industries, where employees consistently experience high emotional and cognitive demands, the way that leaders behave can be particularly influential in making employees believe that their organization is genuinely committed to employee well-being or simply makes empty statements. Employees interpret and respond to signals given off by leaders using the systems set in place by that organization. Signalling theory underlying how this occurs suggests that signals sent by leaders through words/behaviours are amplified by systems (Burgess et al., 2022). In effect, these practices reduce asymmetry of information between management and employees while also providing employees with information on managers' intentions regarding them. This study uses signalling theory to explore how the mediating role of employee-oriented HRM systems influences the relationship between responsible leadership and sustainable wellbeing in the workplace. Sustainable wellbeing in the workplace is defined as having a psychological dimension, social dimension, and a physical dimension (Siddiqui & Ijaz, 2022). Recent reviews of sustainable HRM and the literature on workplace wellbeing demonstrate that employee-oriented HRM practices produce positive measurable impacts for both employees and organizations, provided the employee-oriented HRM system is perceived to be authentic and institutionally supported (Liu et al., 2023). Furthermore, these studies indicate that the benefits provided by HRM systems are contingent on the context in which leadership occurs. The banking industry in Pakistan provides a unique context for studying these dynamics because banks are high-stress, customer service focused organizations that are regulated and therefore must balance customers' expectations of service delivery with employee stressors and risk of burnout given the high-stress they are under. In addition, research into sustainable HRM in emerging economies indicates that coupled with resource constraints are influencing the interaction between leaders and HRM practitioners and ultimately the well-being of employees (Gyensare et al., 2024). Therefore, conducting an empirical study examining the relationship between responsible leadership, employee-oriented HRM, and sustainable workplace well-being using a sample from Pakistan can provide both theoretical refinement and

practical guidance for business managers who are dealing with ethical and sustainability pressures in emerging markets.

This paper contributes to three strands of research. First, it extends the body of knowledge on responsible leadership by providing a mechanism of signalling that translates ethical leadership and stakeholder orientation to employee well-being. Next, it extends the body of literature on sustainable HRM by providing an understanding of the contextual limits where employee well-being HRM practices create the intended outcome, i.e., employee well-being when the HRM practices align with the signals from the leader. Finally, it answers the calls for research that ties organization's micro-level processes to global policy objectives (SDGs #3 and #8), thereby linking the ethical leadership literature with the larger discussions around corporate social responsibility and sustainable business development.

Theoretical Background and Hypotheses Development

This research, grounded in current leadership and human resource management literature, utilizes the theoretical underpinnings of responsible leadership and employee-centered approaches to HRM to understand the relationship between organizational practices and employee well-being outcomes. Past research has shown that leadership styles and HRM do not act in a vacuum; rather, they tend to jointly influence employees' perceptions, attitudes, and overall well-being in the workplace (Jada et al., 2025). However, this research extends the current theoretical understanding of leadership and HRM by proposing a set of hypotheses on the relationship between responsible leadership, employee-centered approaches to HRM, and employee outcomes such as work satisfaction, work-life balance, organizational respect, employer care, and physical well-being.

Responsible Leadership as an Ethical Foundation for Sustainable Workplaces

The topic of responsible leadership is receiving much increased focus nowadays in business ethics. Individuals require companies to be responsible, open, and, in fact, communicate with their stakeholders (Siddiqui et al., 2023). The traditional leadership is mainly concerned with meeting targets and the relationships between the leaders and the followers. However, responsible leadership is another thing. It is also based on a larger view of morality, where different stakeholder groups are considered and where the ethical consequences of each decision are taken into account (Pless et al., 2022). At the very heart of responsible leadership lies a balance between profitability and social responsibility and ensuring that justice, care and sustainability are no mere buzzwords, but practical principles of leadership.

On the empirical level, the recent studies have identified the paramount role of responsible leaders in ensuring ethically oriented organizational climate and trust based relations with subordinates (Miska & Mendenhall, 2018). By involving stakeholders with and conversing with them, taking clear action, and other organizational interactions, strong leaders make it to be the organizational situation where subordinates experience a sense of respect, appreciation, and moral recognition. These types of leadership are essential in service based organizations like banks

where members of the organization are constantly put to test as far as their welfare is concerned. While the extant literature has emphasized the normative importance of responsible leadership, little is known with regards to its ethical translation and organizational outcomes with regards to sustainable workplace wellbeing.

Signalling Theory and Ethical Meaning-Making in Organizations

Signalling theory can provide an important theoretical framework for understanding the role of leadership behaviour on employee perceptions and attitudes during information asymmetry. It was first conceptualized by Spence, who argued that individuals make decisions based on the information they can observe, which helps them understand the unobservable values, intentions, and future actions of the decision-maker (Spence, 1974). In the organizational environment, employees often have less information about the intentions of the organization or the long-run commitments of the organization, particularly when the information is related to ethical issues such as fairness, care, and wellbeing. Employees often make sense of the organizational environment by relying on the signal or the information they can observe about the organization or the leader. Signalling theory has been used by some researchers to understand the role of ethical leadership, HRM systems, and sustainability strategies (Bauwens et al., 2024). In the organizational environment, the leader or the organization is the primary signal sender, and the HRM systems can be considered an institutionalized signal that can either support or contradict the message of the leader. When leaders convey one message, but the HR systems convey another, people will take note of it. It makes the whole thing look baffling and before you know it, trust is becoming elusive. Other people even become a bit cynical. However, when HR and leaders are on the same page regarding ethics, everything falls into place and individuals become sensitive to the clarity, and it is simply more comfortable.

Signalling theory enters in at this point. It assists in the understanding that ethical leadership is important and that organizations should be ready to support the words of their leaders with the actions. When you would like people to follow your values, it is necessary to talk and act. Through business ethics, the theory can offer a valuable insight about the role of the organization in maintaining the support of the messages of the leader by actions of the organization. This is particularly important for wellbeing-related employee outcomes, which can often be considered symbolic by the employees.

Employee-Oriented HRM as an Ethical Signal

Employee-oriented HRM comprises human resource management practices that are explicitly designed to accommodate the personal, family, and developmental needs of employees. It generally includes flexible work arrangements, training and development programs, employee participation in decision-making, health-promoting programs, and work-life balance. In the context of ethical management, employee-oriented HRM is embedded in a care-based morality of human dignity, respect, and long-term employment relationships. Empirical research indicates employee-oriented

HRM is positively related to employee outcomes such as job satisfaction, organizational commitment, psychological safety, and health outcomes (Ehnert, 2023). Nevertheless, recent research indicates that the ethical meaning of human resource management is embedded in the leadership context. If human resource management is perceived to be symbolic or instrumental, the positive relationship with employee well-being outcomes is reduced.

Employee-oriented HRM is considered a secondary but highly salient signal of organizational ethical management. It is also considered to reinforce the leadership signal by embedding ethical values in organizational systems. Thus, the alignment of human resource management with ethical management is crucial. Despite the theoretical relevance of employee-oriented HRM, few empirical studies have been conducted to test the mediating role of employee-oriented human resource management in the relationship between responsible leadership and sustainable employee well-being outcomes in the context of the emerging economies.

Sustainable Workplace Wellbeing as an Ethical Outcome

Traditionally, the study of workplace well-being has been conceptualized using psychological and health-oriented approaches; however, contemporary research in business ethics has introduced the moral dimension of well-being in the context of the broader organizational systems and leadership practices. Sustainable well-being in the workplace means going beyond the immediate state of satisfaction and stress reduction to include the permanent state of physical, psychological, and social well-being that allows workers to flourish in the long term. This approach to well-being strongly echoes the ethical underpinnings of the sustainability movement, stakeholder theory, and humanistic management. Contemporary research has shown that sustainable well-being has multiple dimensions, including job satisfaction, work-life balance, respect in the workplace, perceived care by the employer, and physical health and safety, to name a few (Madero-Gómez et al., 2023). Not only do these dimensions of well-being represent the individual experiences of workers, but they also represent the ethical judgment of the organization's treatment of its workers as stakeholders.

Most importantly, emerging research has pointed to the fact that well-being outcomes may be particularly vulnerable in high-pressure industries and in the context of developing economies, where the state of economic uncertainty may be particularly pronounced. In the context of the banking industry in Pakistan, workers may experience high working hours, performance monitoring, and lack of autonomy in the workplace, making the ethical nature of the leadership and HRM practices particularly crucial to the well-being of the workers.

Conceptual Model:



Source: Author's completion.

Hypotheses Development

Responsible Leadership and Employee-Oriented HRM

Given their stakeholder-oriented approach and their focus on ethics, responsible leaders are likely to support HRM practices that focus on employee welfare. Such leaders' behaviors will send signals about the legitimacy of HRM investments in employee development, work-life balance, and health (Bashir et al., 2025). Therefore, it is proposed that responsible leadership will have a positive impact on employee-oriented HRM practices.

H1: Responsible leadership has a positive relationship with employee-oriented HRM.

Responsible Leadership and Sustainable Workplace Wellbeing

Responsible leaders can immediately impact aspects of employee respect, care, and psychological safety through fair decision-making practices, transparent communication, and moral modelling (He et al., 2019). These practices should positively impact various aspects of sustainable workplace wellbeing.

H2a-H2e: There are positive relationships between responsible leadership and (a) work satisfaction, (b) work-life balance, (c) organizational respect for employees, (d) perceived care provided by the employer, and (e) physical wellbeing.

Employee-Oriented HRM and Sustainable Workplace Wellbeing

Employee-oriented HRM practices embed ethical values into organizational systems and provide employees with resources and support that are tangible and beneficial to long-term employee wellbeing. These practices are therefore likely to improve all aspects of sustainable workplace wellbeing.

The Mediating Role of Employee-Oriented HRM

Drawing from signalling theory and various perspectives of business ethics, this study proposes the following mediating relationship: employee-oriented HRM mediates the relationship between responsible leadership and sustainable workplace wellbeing

(Ludwikowska, 2021). Responsible leadership generates ethical signals that are translated into employee experiences via HRM practices, thereby reducing uncertainty and positively impacting wellbeing.

Methodology

The current research employed a quantitative cross-sectional survey research design in assessing the relationship that exists between responsible leadership, employee-oriented human resource management (HRM), and sustainable workplace wellbeing in the banking industry of Pakistan. A survey research design is considered most appropriate for this research since the intention of this research is to assess the perception of the employees regarding the leadership and wellbeing in the workplace, which are considered very subjective in nature (Goodfellow, 2023). The research design employed is consistent with the research designs employed in other research studies published in the Journal of Business Ethics. The hypothesized model will be tested using Partial Least Squares-Structural Equation Modeling (PLS-SEM), facilitated by the SmartPLS tool. The use of PLS-SEM is justified on both theoretical and methodological grounds.

First, the study is prediction-oriented and attempts to explain the variance in sustainable workplace wellbeing, which is the primary objective of the PLS-SEM technique. Second, the study proposes a model with multiple latent variables and multiple mediation effects, making the model more complex. The PLS-SEM technique is more appropriate for estimating such a model without the need for any restrictive distributional assumptions (Legate et al., 2023). Third, the study takes place in emerging economies, so the data isn't always neat or normal. And let's be clear: just because we used the PLS-SEM technique doesn't mean we ignored theory. In fact, it assists us in verifying whether the results are consistent with the model which is based on the signalling theory and the business ethics literature.

Sample and Data Collection

This paper is dedicated to the banking industry of Pakistan, which is one of the most over-regulated and active industries of the country. Pakistanis banks have a lot to contend with: the interaction with customers twenty-four hours a day, extreme scrutiny by the regulators, demanding targets, as well as the emotional and mental pressures that their staff must handle. This is why banking is an ideal option to consider when considering the relationship between responsible leadership, HR practices focused on employees and wellbeing at work. The scholars drew data concerning employees in the five largest commercial banks who include: Habib Bank Limited (HBL), National Bank of Pakistan (NBP), Meezan Bank Limited, MCB Bank Limited and United Bank Limited (UBL). These banks combined have a massive portion of the banking market in Pakistan and also provide thousands of others with a variety of jobs and positions. To ensure that it makes sense, the team applied purposive sampling. In simple terms, they have only brought in employees who had at least spent a record of six months with their bank- and full-time workers. The point

was that these people would be somehow informed about their managers and HR practices, and their feedback would be more detailed.

The questionnaires were distributed face-to-face and through the Internet to the employees of the bank who live in the largest cities of Pakistan. No one was made to take part; individuals volunteered to do so and the researchers emphasized on the anonymity and confidentiality of the responses. They did not want polite answers but truthful ones.

Table No 3.1: Demographic Characteristics of Respondents (N = 503)

Variable	Category	Frequency	Percentage (%)
Gender	Male	388	77.1
	Female	115	22.9
Age (Years)	20–25	101	20
	26–30	106	21
	31–35	196	39
	36–40	50	10
	41–45	35	7
	46–50	10	2
	51–55	5	1
Education Level	Graduation (14 Years)	161	32
	Master's Degree (16 Years)	201	40
	MPhil / Equivalent	116	23
	ACCA / CA / CIMA	20	4
	PhD	5	1
Bank Affiliation	Habib Bank Limited (HBL)	146	29
	National Bank of Pakistan (NBP)	55	11
	Meezan Bank Limited	75	15
	MCB Bank Limited	96	19
	United Bank Limited (UBL)	131	26

Source: Author's completion.

We got 503 valid answers to our final analysis. Our sample was a sample of the employees of all five banks in the sample, namely, 29 percent of HBL, 26 percent of UBL, 19 percent of MCB Bank Limited, 15 percent of Meezan Bank Limited, and 11 percent of the National Bank of Pakistan. This distribution provided us with a good representation among the large banks in the country. The demographic information is tabulated in table 3.1. The majority of the respondents were male, middle-aged careerists, and at least have a master degree. That is quite normal considering that the banking employees in Pakistan are very educated and engaged in their profession.

Measures

To ensure that our measures are consistent with previous studies and that they capture the appropriate content, we apply previously tested scales to all the constructs.

Responsible Leadership

We use a five-item scale of Voegtlin (2011) to assess responsible leadership because it has been tested in various organization contexts. This scale is addressed to the way leaders manage the interests of stakeholders, demonstrate ethical consciousness, and make decisions in an inclusive manner. To illustrate, one of them states the following: My supervisor engages affected stakeholders (e.g. employees, customers) in significant decisions. Respondents will answer on a five point Likert scale 1 strongly disagree, 5 strongly agree.

Employee-Oriented HRM

To apply to the employee-oriented HRM, we apply four-item scale created by Shen and Jiu Hua Zhu (2011). This scale looks at the extent to which an organization can customize its HRM practices in order to suit the employees. Sample questions include: "My organization provides adequate training and development opportunities for employees." The responses are recorded using a five-point Likert scale.

Sustainable Workplace Wellbeing

Sustainable workplace wellbeing is considered a multidimensional construct that includes work satisfaction, work-life balance, organizational respect for employees, perceived care by the organization, and physical wellbeing. The scale is developed by adapting the wellbeing measurement scale created by Siddiqui and Ijaz (Siddiqui & Ijaz, 2022). The scale is considered comprehensive and assesses wellbeing from both psychological and physical aspects. The questions are aligned with the concept of sustainability and ethical considerations of employee wellbeing. The responses are recorded using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

RESULTS

This section gives the empirical results based on the sample of the proposed research model using PLS-SEM. The findings are organized in a chronological order, providing both descriptive statistics, the measurement of the common method bias and the measurement model reliability and validity. This is followed by the structural model analysis, testing of the hypotheses, mediation effects, and assessment of the effect sizes to determine predictive relevance. When all of this is added up, it is a strong support to the proposed connections between responsible leadership, people-focused HRM, and sustainable workplace wellbeing.

Descriptive Statistics

I also ensured that the data were suitable to carry out structural equation modelling before carrying out any hypothesis tests. The descriptive statistics were good since all the key constructs had a lot of variability. The means were greater than the mid-point of the scale, and its standard deviations were acceptable. On examining skew and kurtosis, the data appeared to be close enough to normal and hence multivariate analysis was suitable in the future.

Table 4.1: Descriptive statistics and correlations

Variable	Mean	SD	1	2	3	4	5	6	7
1. Responsible Leadership	3.87	0.74	—						
2. Employee-Oriented HRM	3.92	0.71	0.41	—					
3. Work Satisfaction	4.02	0.68	0.52	0.38	—				
4. Work–Life Balance	3.95	0.72	0.46	0.49	0.51	—			
5. Physical Wellbeing	3.88	0.69	0.48	0.34	0.44	0.40	—		
6. Employer Care	4.10	0.66	0.33	0.62	0.47	0.53	0.41	—	
7. Organizational Respect	3.91	0.70	0.49	0.36	0.50	0.45	0.38	0.42	—

Source: Author’s completion.

We conducted a Pearson correlation test to investigate the relationship between the study variables. The results revealed that responsible leadership and employee-oriented HRM practices are associated with increased work satisfaction, improved work-life balance, enhanced physical health, increased employer caring, and increased organisational respect. These relationships are positive and precondition the testing of our hypotheses using the means of structural equation modelling.

Besides, the full collinearity variance inflation factor (VIF) was used to evaluate possible the issue of common method bias. Following the recommendations for PLS-SEM analysis, VIF values below the conservative threshold of **3.3** indicate that common method variance is unlikely to bias the results. The analysis showed that all constructs exhibited VIF values below this threshold, suggesting that common method bias does not pose a significant threat to the validity of the findings.

Common Method Bias

Since the research employs self-reported survey data as the source of information that was gathered by one respondent, the possible issues that might have arisen due to common method bias (CMB) were mitigated with both procedural and statistical solutions. To reduce common method variance, procedurally, a number of steps were followed in the process of data collection. To minimize the evaluation apprehension and social desirability bias, first, the respondents were promised to keep their answers anonymous and confidential. Second, the questionnaire was well-composed to give psychological distinction between the predictor and outcome variables measurement scales. Respondents were given clear instructions and the items that measured various

constructs were separated in different sections to discourage the ability of the respondents to deduce the relationship that existed among the variables.

Table 4.2: Full Collinearity VIF Test

Construct	VIF
Responsible Leadership	2.11
Employee-Oriented HRM	2.34
Work Satisfaction	2.05
Work–Life Balance	2.18
Physical Wellbeing	1.97
Employer Care	2.26
Organizational Respect	2.12

Source: Author's completion.

Note: All VIF values are below the threshold of **3.3**, indicating that common method bias is unlikely to affect the results.

Statistical tests were also done to evaluate existence of common method bias besides procedural remedies. According to the recommendations provided by Kock (2015), the full collinearity variance inflation factors (VIFs) of all the latent constructs were analyzed. The findings suggested that the VIF of all variables was less than the conservative value of 3.3 which indicated that common method bias will not be a potential threat to the validity of the results. Hence, procedural and statistical data point to the fact that the common method variance is not a big issue in the current study.

Assessment of the Measurement Model

The measurement model was evaluated based on the indicator reliability, internal consistency reliability, convergent and discriminant validity. The outer loadings of the measurement items were the measure of indicator reliability. Indicator loadings that are greater than 0.70 are deemed as satisfactory as advised in PLS-SEM literature. In the current research, most of the item loading were above this value. To have responsible leadership, the loading of items was between 0.72 and 0.85 which means that there is good reliability of the indicators. Equally, the HRM items that related to employees had the loading value of between 0.64 and 0.93. The wellbeing dimensions also showed satisfactory loads: the work satisfaction (0.62-0.91), the work-life balance (0.54-0.88), the physical (0.68-0.87) and employer care (0.79-0.89) and the respect of the employees by the organization (0.65-0.80). These findings suggest that the variables under investigation are adequate measures of the latent constructs that exist in them.

Cronbach alpha and composite reliability (CR) was used to test internal consistency reliability (Bell et al., 2024). Values of Cronbach alpha values were between 0.71 and 0.93 as indicated in Table X, and this is higher than the recommended alpha of 0.70. Internal consistency as indicated by composite reliability value was also high with an average of 0.83 to 0.95. The results show that the measurement items have a consistent ability to measure their respective constructs. Average variance extracted (AVE) was used to compute convergent validity (Lim, 2024). The values of AVE of responsible leadership (0.62), employee oriented HRM (0.74), work satisfaction (0.58), work life balance (0.53), physical wellness (0.62) and employer care (0.72) are above the stipulated value of 0.50, which implies that these constructs have over half of the variance in their indicators. Organizational respect towards employees had a value of 0.48 which is a little below the recommended value though should still be taken as good, since its composite reliability is higher than the recommended one thus has sufficient convergent validity.

Table 4.3: Measurement Model Results

Construct	Items	Cronbach's Alpha	Composite Reliability (CR)	AVE
Responsible Leadership	5	0.85	0.89	0.62
Employee-Oriented HRM	4	0.88	0.92	0.74
Work Satisfaction	10	0.91	0.92	0.58
Work-Life Balance	5	0.79	0.84	0.53
Physical Wellness	3	0.71	0.83	0.62
Employer Care	7	0.93	0.95	0.72
Organizational Respect	7	0.78	0.84	0.48

Source: Authors completion.

The hetero-trait-mono-trait (HTMT) ratio of correlations were used to measure discriminant validity. The values of all HTMT were less than the conservative value of 0.85, which shows that the constructs are not empirically similar. All these findings together point to the fact that the measurement model can be said to have a good reliability and validity and hence can be used in the later analysis of structural model

Assessment of the Structural Model

Once the validity and reliability of the measurement model was determined, the structural model was tested. inner VIF values were used to evaluate multi-collinearity between constructs of predictors, and all inner values were less than the recommended value going against any collinearity issues. They were estimated with a bootstrapping technique of 5,000 resamples with path coefficients, t-values and confidence intervals. The structural model with standardized path coefficients is displayed in Figure 4.1, and the summary of the hypothesis testing results is summarized in Table 4.4.

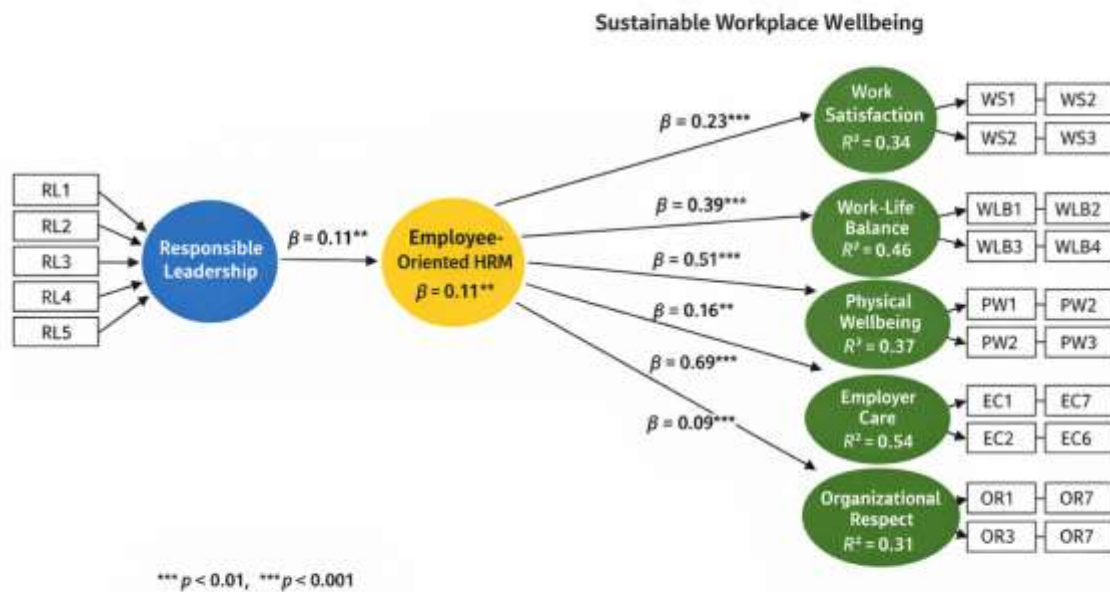


Figure 4.1: Structural Model Assessment
 Source: Author’s completion.

Direct Effects

The findings show that responsible leadership has a positive statistically significant influence on employee-oriented HRM ($\beta = 0.11$, $t = 2.18$, $p = 0.05$), which supports H1. This observation implies that leaders who are stakeholder conscious and ethically responsible will tend to encourage HRM practices that are more concerned with the welfare of the employees. Responsible leadership also demonstrates strong positive relationships with various dimensions of sustainable workplace wellbeing, among which there are work satisfaction ($\beta = 0.53$, $p = -0.001$), work-life balance ($\beta = 0.39$, $p = -0.001$), organizational respects employees ($\beta = 0.38$, $p = -0.001$), and physical wellbeing ($\beta = 0.54$, $p = -0.001$). The correlation between perceived employer care and responsible leadership is not as strong ($\beta 0.06$, $p = 0.07$) though it is directional. Altogether, these results contribute to the evidence of H2a H2e greatly, as they suggest that responsible leadership contributes to the better experiences of wellbeing in employees.

Table 4.5: Hypothesis Testing Results (Direct Effects)

Hypothesis	Relationship	Path	t- Coefficient (β)	p- value	Decision
H1	Responsible Leadership	→0.11	2.18	<0.05	Supported

H2a	Employee-Oriented HRM Responsible Leadership Work Satisfaction	→0.53	13.09	<0.001	Supported
H2b	Responsible Leadership Work-Life Balance	→0.39	10.99	<0.001	Supported
H2c	Responsible Leadership Physical Wellbeing	→0.54	13.72	<0.001	Supported
H2d	Responsible Leadership Employer Care	→0.06	1.83	0.07	Weak Support
H2e	Responsible Leadership Organizational Respect	→0.38	14.62	<0.001	Supported
H3a	EOHRM → Work Satisfaction	0.23	6.38	<0.001	Supported
H3b	EOHRM → Work-Life Balance	0.51	16.58	<0.001	Supported
H3c	EOHRM → Physical Wellbeing	0.16	4.61	<0.001	Supported
H3d	EOHRM → Employer Care	0.69	24.33	<0.001	Supported
H3e	EOHRM → Organizational Respect	0.09	4.09	<0.001	Supported

Source: Authors completion.

HRM approaches that are employee-focused also demonstrate high positive impacts on every dimension of sustainable work-related wellbeing. In particular, employee-oriented HRM has a positive effect on work satisfaction (β 0.23, $p < 0.001$), work life balance (β 0.51, $p < 0.001$), corporate respect (β 0.09, $p < 0.001$), employer care (β 0.69, $p < 0.001$), and physical wellbeing (β 0.16, $p < 0.001$). Thus, H3a–H3e are supported. The model describes a significant amount of variance in employee-oriented HRM ($R^2 = 0.12$) and in the measures of sustainable workplace wellbeing such as work satisfaction ($R^2 = 0.34$), worklife balance ($R^2 = 0.46$), physical wellbeing ($R^2 = 0.37$), employer care ($R^2 = 0.54$), and employer respect to employees ($R^2 = 0.31$). These values show moderate and high explanatory power of the model.

Table 4.6: Coefficient of Determination (R^2)

Endogenous Construct	R^2	Interpretation
Employee-Oriented HRM	0.12	Weak–Moderate
Work Satisfaction	0.34	Moderate
Work-Life Balance	0.46	Moderate
Physical Wellbeing	0.37	Moderate
Employer Care	0.54	Strong
Organizational Respect	0.31	Moderate

Source: Authors completion.

Mediation Analysis

To test the mediating effect of employee-oriented HRM the indirect effects were compared with the bootstrapped confidence intervals. The findings indicate that employee-focused HRM is a strong mediator of the connection among responsible leadership and various aspects of sustainable workplace wellbeing.

Table 4.7: Indirect Effects (Mediation Results)

Hypothesis	Indirect Path	Indirect Effect (β)	Effect-p-value	Mediation
H4a	RL → EOHRM → Work Satisfaction	0.025	<0.01	Partial
H4b	RL → EOHRM → Work-Life Balance	0.056	<0.01	Partial
H4c	RL → EOHRM → Physical Wellbeing	0.018	<0.01	Partial
H4d	RL → EOHRM → Employer Care	0.076	<0.001	Partial
H4e	RL → EOHRM → Organizational Respect	0.010	<0.01	Partial

Source: Authors completion.

Specifically, responsible leadership has statistically significant indirect implications on work satisfaction ($\beta = 0.025$, $p = 0.001$), work-life balance ($\beta = 0.056$, $p = 0.001$), organizational respect ($\beta = 0.010$, $p = 0.001$), employer care ($\beta = 0.076$, $p = 0.001$) and physical wellbeing ($\beta = 0.018$, $p = 0.001$) via employee-oriented HRM. The confidence intervals in both cases do not equal to zero.

Further examination of the direct paths confirms that the direct effect of responsible leadership on most of the dimensions of wellbeing are high even in the presence of the mediator, which implies partial mediation. These findings affirm H4a -H4e, and indicate that employee-oriented HRM is a useful organizational activity based on which responsible leadership may be converted to sustainable workplace wellbeing.

Effect Sizes and Predictive Relevance

The effect size (f^2) analyses indicate that responsible leadership influences employee-oriented HRM in a small to moderate way, and employee-oriented HRM in a moderate to large way, with significant influences on important wellbeing outcomes, especially employer care and work-life balance. The values of the predictive relevance (Q^2) on the endogenous constructs have values that are not less than zero, which means that the model has sufficient predictive power and predictive relevance.

Table 4.8: Effect Size (f^2) and Predictive Relevance (Q^2)

Endogenous Variable	f^2 (RL)	f^2 (EOHRM)	Q^2
Employee-Oriented HRM	0.03	—	0.05
Work Satisfaction	0.28	0.09	0.21
Work-Life Balance	0.16	0.34	0.29

Physical Wellbeing	0.29	0.04	0.19
Employer Care	0.01	0.47	0.31
Organizational Respect	0.22	0.02	0.18

Source: Authors completion.

The results of the effect size (f^2) and the predictive relevance (Q^2) are in Table 4.8. The findings suggest that employee-oriented HRM can have significant influences on the main outcomes of wellbeing, i.e. employer care and work life balance.

Discussion

This research was aimed at exploring the extent in which responsible leadership propels sustainable workplace wellbeing via the mediating variable of employee-oriented human resource management (HRM), which was informed by the signalling theory and centered on the banking industry in Pakistan. The results are solid evidence in the theoretical model presented, as well as they suggest some valuable insights into the ethical processes via which leadership affects the wellbeing of the employees within modern organizations (Lim, 2024).

First, the findings indicate that responsible leadership has a positive relationship with employee-oriented HRM. The result concurs and builds on previous studies in business ethics that place responsible leaders as major actors in the creation of ethics into organizational systems and practices (Antunes & Franco, 2016). The view of signalling theory shows that, as leaders, one is a key signaller whose actions reflect the organizational priorities in terms of care, fairness and responsibility to the stakeholders. The observed positive relationship in this research implies that a leader who is sensitive to stakeholders and ethically conscious will tend to promote HRM practices that transcend the legal requirements and those that are focused on serving the interests of the employees. This justifies the argument that ethical leadership is not symbolic but actually influences the organizational infrastructures that influence the live experiences of employees.

Second, the positive significant correlations between responsible leadership and each of the dimensions of sustainable workplace wellbeing prove the ethical importance of leadership actions in determining the results of employees. Given that the perceived leaders are held accountable, employees report increased work satisfaction, work-life balance, organizational respect, perceived employer care, and physical wellbeing (Qi et al., 2024). These results support the perspective of responsible leadership as a factor that helps employees feel well not only due to formal measures but also due to daily routine relations and interactions with leaders, ethical decision-making and open communication. Such leadership indicators can be especially relevant in de-stressing and de-uncertainty situations in high-pressure banking offices, thus creating healthier and more sustainable workplaces.

Third, the association between the HRM which is employee oriented and sustainability of the workplace wellbeing is strongly positive in all the dimensions investigated. This finding is in line with literature on sustainable HRM that holds that

HR practices that are employee-focused, flexible and health-based are important resources that lead to long-term wellbeing (Javaid et al., 2023). Notably, the results indicate that workers will respond to such practices as ethical codes that organizational authorities are committed to respecting their dignity and the prospects of their well-being. HRM systems are not impartial- quite on the contrary. They are ethical scaffolds, which determine the ethical decision-making process taken by employees in their organizations. The most conspicuous one is the mediation analysis. It demonstrates that there is no direct connection between responsible leadership and sustainable workplace wellbeing, but it is partly constituted by employee-focused HRM. That's a big deal. It is used to denote responsible leadership not only influences the wellbeing of the employees; the majority of its influence is carried over to HRM, where ethical values are introduced directly into the daily routine. This partial mediation illuminates on the collaboration of leadership ethics and HRM systems. Leadership creates ethical compass, HRM interprets such intentions in terms of concrete life in the organization. This importance is evident in the light of a signalling theory- the signals that leaders provide is reflected and validated by the HRM practices particularly in cases where such systems are employee-centred. When HRM and leadership are aligned, employees receive powerful, convincing messages regarding the concern and accountability of the organization and serve as a slice through confusion and increase wellbeing. When this does not match, however, such ethical indicators are jumbled, and the wellbeing of employees is impaired. This cannot be ignored by both the researchers and practitioners. This further emphasizes the banking industry in Pakistan, which further complicates the discussion. In the emerging economies where the external institutional protection is less strong, the leadership and HRM practices play an oversized role in determining the wellbeing of employees. The responsible leadership combined with HRM with its focus on employees may become a form of internal regulation, compensating for the shortage of external protection. This indicates only how timely ethical leadership and sustainable HRM have become in an attempt to provide decent work and wellbeing, particularly in the midst of economic turmoil and complex laws.

Altogether, the results suggest that the real ethics model in the workplace consists of the following components: responsible leadership, employee-focused HRM, sustainable workplace wellbeing are not independent but enhance one another within the context of organizational sustainability. This study transcends abstract ethical theory because it bases these ideas on empirical evidence. It shows the real effects of ethical leadership on the employees and how this can lead to practical and long term benefits. This will add to the continuous discussions in the Journal of Business Ethics that demonstrate the translation of ethical values into the practice of organizations and how leaders can facilitate sustainability with regard to the authentic interests of stakeholders.

Implications, Recommendations, Limitations, and Future Directions

Based on actual data, this section examines the meaning of this study on theory, management, and policy. It demonstrates the role of responsible leadership in

combination with the use of HR practices with a focus on employees to achieve sustainable wellbeing in the workplace. These findings do not only remain theoretical, but they have practical recommendations that organizations and policymakers should follow in order to create healthier and more sustainable workplaces.

Theoretical Implications

This research is quite significant to business ethics, responsible leadership and human resource management. To begin with, it provides a new angle to research on responsible leadership. The study links responsible leaders to long-term well-being at the workplace by demonstrating that employee-centered HRM is a powerful ethical mediator. Responsible leadership studies done before have limited themselves to normative and moral dimensions of responsible leadership (Maak & Pless, 2006). However, empirical support for its actual impact on tangible workplace outcomes has been lacking. By integrating signalling theory, this study has provided empirical support for the impact of responsible leadership on sustainable workplace well-being. Signalling theory has provided important insights into how responsible leadership affects HRM and, consequently, sustainable workplace well-being. Most notably, this study has established that responsible leadership not only has moral dimensions but also sends important organizational signals that affect how employees perceive HRM. Second, this study contributes to signalling theory by examining its application in an ethical and organizational context. Signalling theory has been primarily applied at an individual level. However, this study has provided important insights into its application at an organizational system level. Most notably, this study has established that organizational leadership signals are dependent on HRM. Therefore, this study has provided important insights into how HRM reinforces or dampens organizational leadership signals.

Third, this study contributes to sustainable HRM literature by empirically examining the relationships between responsible leadership, employee-oriented HRM, and sustainable workplace well-being as an important multidimensional ethical outcome. Previous sustainable HRM literature has primarily focused on workplace well-being as an important attitudinal variable (Qamar et al., 2023). However, this study has provided important insights into sustainable workplace well-being as an important multidimensional construct. Most notably, this study has established that sustainable workplace well-being has psychological, social, and physical dimensions. Therefore, this study has provided important insights into its relevance as an important ethical construct.

Lastly, concentrating on the banking industry of Pakistan, this study answers the appeals for more context-dependent business ethics research in developing countries. It indicates that responsible leadership and sustainable HRM practices are not limited to developed systems but also valid in ambiguous economic conditions and regulatory complexity. This further contributes to the external validity of responsible leadership and sustainable HRM theories in different organizational settings.

Managerial Implications

The results provide a number of practical implications for managers in the banking industry and related high pressure service organizations, as well as HR practitioners. Managers must understand that responsible leadership is much more than that, talking like they should or using high symbols. People observe what the leaders do the things they actually do, the way they do it, and the way they engage the various stakeholders. Employees read in between the lines to determine what it is that counts in an organization. Leaders who treat their teams fairly, remain transparent, and care about their teams develop trust. That sense of trust and psychological safety forms the foundation for long-term well-being at work. As an additional consideration, HR professionals should also consider employee-centered HRM Practices to be ethical investments as opposed to simply "cost centers." Examples of flexible workplace arrangements, health & wellness, development experiences, and participative decision making are examples of tools which can be used for increasing employee performance but also illustrate that an organization genuinely cares for its employees and assumes a moral responsibility for employees' well-being. When these employee-centered HRM practices are aligned with Responsible Leadership practices, their positive impact on employees' Well-Being will be enhanced significantly. Lastly, the data demonstrate the importance of aligning Leadership values to HRM Systems. Organizations should ensure that HR Systems are fully congruent with Leadership Messaging in order to minimize instances of ethical dissonance. For example, promoting employee Well-Being but assigning employees to exceedingly demanding Workloads or requiring strict Performance Goals may compromise employee Trust and the employee's overall Well-Being. Organizations can ensure ongoing coherence between their stated Values and the actual employee experience by conducting periodic assessments of their HRM Practices from an ethical perspective.

Policy and Societal Implications

See the big picture, and this study provides policymakers and regulators with a lot of food to ponder over particularly those concerned with the labour laws, employee welfare and sustainable economic development. These findings are also quite evident: proper HRM practices and leadership determine the way companies can influence the contributions to the Sustainable Development Goals of the United Nations, particularly SDG 3 (Good Health and Well-Being) and SDG 8 (Decent Work and Economic Growth). Here change can be brought about by policymakers. By providing guidelines, incentives, or reporting structures which serve employee interests as a sustainability strategy to companies, they push organizations in the appropriate direction. Take now the developing countries such as Pakistan where formal protection is not always effective. In such situations, a workplace can be a critical point of promoting the welfare of the employees. Companies do not need to wait. By training the industry in the financial sector, advertising ethical leadership qualifications, or establishing wellbeing standards across industries, they increase the standards. These actions promote responsible management and sustainable HRM on the very core of the industry.

Practical Recommendations

The study identifies practical interventions that any organization can implement to make responsible leadership and people-oriented HRM practice. Firstly, organizations should also be involved in the training of leaders on responsible leadership in the sense that they train leaders to be aware of stakeholders, make responsible ethical decisions and communicate freely. Such training will assist in developing a greater sense of ethics within the company. Second, the HR should consider employee wellbeing as their business strategy rather than place it as an appendix. This is to say that it is wellbeing that is tracked, measured and made as significant as standard performance indicators. Third, organizations should conduct regular audits of the ethical consistency to establish the alignment between the leadership behaviour and practices of HRM with the aim of minimizing the cases of ethical dissonance that might lessen perceptions of care and fairness among the employees. Also, the encouragement of employee voice and taking part in the decision-making process can increase the organization support and respect perceptions of employees, which will further translate into improved wellbeing outcomes. Finally, the HRM practices need to be context sensitive, taking into consideration the local dynamics of the cultures and institutions particularly in the emerging economies, in an effort to render them relevant, effective and sustainable.

Limitations and Future Research Directions

This study has various limitations, which provides opportunities of conducting future research notwithstanding its contributions. First, the cross-sectional study makes it difficult to infer causality, implying that longitudinal or time-lag studies may directly measure the dynamic relationships between responsible leadership and HRM with sustainable workplace wellbeing (Baumeister et al., 2026). Second, the use of self-reported data is subject to the issue of perceptual bias and multi-source and qualitative methods can be used to improve the strength of future studies (Campbell et al., 2022). Third, the banking sector focus in Pakistan could be a limitation of the generalizability, and it is necessary to repeat in other industries and in institutional settings (Gan et al., 2025). Additionally, future research might focus on the possible trade-offs between wellbeing dimensions and performance results and also test the possible moderating variables like organizational culture and regulatory settings. Last but not least, going beyond the field of signalling theory, future studies can take multi-theoretical approaches, which will help to give a more wholesome view of the intricate relations between leadership and HRM and employee wellbeing.

Conclusion

This paper examines the connection between responsible leadership and sustainable workplace wellbeing through employee-centred HRM in the iterative of a signalling theory as applied to the banking industry in Pakistan. By so doing, it addresses the calls of the business ethics literature to shift its focus to the prescriptions of normativity and offers empirical information on the organizational processes in which ethical leadership affects the wellbeing of employees. The results put the critical role

of responsible leadership as a moral indicator that influences the perception of employees on organizational intent and dedication to their wellbeing. In addition to its direct impact on work satisfaction, work life balance, organizational respect, employer care, and physical wellbeing, responsible leadership can also enable the creation of employee oriented HRM systems that institutionalize ethics values in the daily organizational activities. It is interesting to note that employee-focused HRM stands out as one of the most significant processes in turning leadership ethics into the long-term wellbeing delivery, and the connection between leadership behavior and the organizational systems is crucial. Using both signalling theory and views of responsible leadership and sustainable HRM, the current study would be relevant to the business ethics research because it would prove that coherent and people-oriented HRM practices enhance the presence of ethical signals, uncertainty avoidance, and trust within organisations. In addition, the study highlights the core nature of workplace wellbeing as a sustainable and multidimensional ethical outcome. The implications in the context of the emerging economies like Pakistan is that responsible leadership and employee-oriented HRM is an effective internal governance tool that fosters dignity, care, and decent work, in line with the wider sustainability agendas, including the United Nations Sustainable Development Goals. All in all, the paper notes that the attainment of sustainable workplace wellbeing cannot be done through individual efforts, but rather a combination of ethically based leadership and organizational framework hence providing a basis on how future research on the development of more responsible and sustainable organizations could be built.

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