

# The Impact of Ethical Leadership on Employee Engagement Through Job Insecurity

Dedi Kurniawan<sup>1</sup>, Pras Rendi<sup>2</sup>, Nunung Ayu Sofiati<sup>3</sup>, Rama Chandra<sup>4</sup>

<sup>1,2,3,4</sup>Universitas Indonesia Membangun, Bandung, Indonesia

Email: [dedikurniawan@inaba.student.ac.id](mailto:dedikurniawan@inaba.student.ac.id)

## Abstract

This research investigates how ethical leadership shapes employee engagement, with job insecurity examined as a possible mediating mechanism at Bank Syariah Indonesia KC Jakarta Fatmawati 2. 172 employees who were chosen by probability sampling were surveyed for the study using a quantitative explanatory design. Structured questionnaires were used to collect the data, and SEM-PLS was used for analysis. Sound instruments are confirmed by the measurement model, which shows that all constructs meet reliability, discriminant validity, and convergent validity requirements. Structural results show ethical leadership exerts a strong, positive, and significant direct effect on employee engagement, implying that leaders who act with integrity, fairness, and transparency strengthen employees' vigor, dedication, and involvement at work. In contrast, ethical leadership does not significantly predict job insecurity, and job insecurity does not significantly predict employee engagement. Nonetheless, bootstrapped mediation testing reveals a significant indirect effect of ethical leadership on engagement through job insecurity, consistent with an indirect-only mediation pattern. Overall, ethical leadership emerges as the primary driver of employee engagement, while job insecurity contributes a secondary, limited mediating pathway, underscoring the importance of reinforcing ethical leadership practices.

**Keywords:** *Banking Sector, Employee Engagement, Ethical Leadership, Job Insecurity.*



## A. INTRODUCTION

The swift progression of digital technology has fundamentally transformed the banking sector, compelling banks to engage in comprehensive digital transformation to enhance efficiency and maintain competitiveness in the face of technological disruption, regulatory modifications, and increasing global economic volatility. In Indonesia, this transformation has been accompanied by organizational restructuring, changes in employee competencies, and post-pandemic work patterns, all of which have intensified the shift toward technology-based service optimization while maintaining public trust and service quality. One clear impact of this process is the reduction in physical bank branches; depends on Indonesian Financial Services Authority statistics, the total count of bank branches declined to 23,734 as of March 2025, a decrease of 2.1% or 509 branches compared to March 2024. State-owned banks under the Himbara group recorded 12,116 branches, down by 2.2% or 275 branches, while private banks and Regional Development Banks (BPD) experienced reductions of 187 and 47 branches, respectively. These structural changes have inevitably influenced organizational structures, business processes, job responsibilities, and employee roles within banking institutions.

It is anticipated that Bank Syariah Indonesia (BSI), a government-owned Sharia-based financial institution formed by the merging of Bank Mandiri Syariah, Bank BRI Syariah, and Bank BNI Syariah, will account for roughly 41.3% of the Islamic banking market; however, this transformation has generated considerable performance pressures and psychological challenges for employees, as evidenced by Dipotmodjo (2025), who reported that 67% of employees experienced increased workload, psychological stress, career uncertainty, and organizational ambiguity, while 53% of middle-level employees expressed heightened anxiety regarding job security due to unclear structures. These pressures are also apparent at the branch level, particularly at BSI KC Jakarta Fatmawati 2, which was relocated in 2021 as part of service enhancement and network expansion initiatives and currently contributes around 0.9% to national third-party funds (DPK) and 0.5% to financing distribution, underscoring its strategic importance and the ongoing demand for improved service quality and operational efficiency (Rohmah, 2025).

In responding to dynamic organizational changes, effective human resource management is essential, as human capital serves as the primary asset and a key driver of business sustainability; effective HRM practices have been shown to enhance organizational performance and customer satisfaction through improved employee performance (Faeni et al., 2025), with ethical leadership, clear policies and procedures, active employee participation through employee engagement, and structured evaluation identified as critical success factors in human resource development (Harahap & Iskandar, 2024), while also requiring careful attention to employees' job insecurity across HR functions (Benu et al., 2020). Employee engagement itself is broadly acknowledged as a key factor in achieving organizational performance, especially within fast-expanding economies like Indonesia, in which engaged employees play a pivotal role in sustaining competitiveness (Mercer, 2025), yet global evidence shows that 85% of workers are disengaged or actively disengaged (Gallup, 2022), and in the banking sector only 50% of employees are highly engaged while 35% face turnover risk, highlighting the urgency of strengthening employee engagement (Ryba, 2021).

Prior studies consistently indicate that ethical leadership has an important influence on fostering employee engagement and mitigating job insecurity. Dethan & Wanasida (2025) found that ethical leadership strengthens employee loyalty by encouraging consistent adherence to moral principles in leadership behavior. These results are consistent with those of Rustikarini (2021), and Junaidi (2023), who highlight the link between increased employee engagement and favorable opinions of leadership quality. Furthermore, a study by Hong et al. (2023) and Yolanda et al. (2024) shows that moral leadership can lessen work uncertainty, which otherwise has a negative impact on employee engagement, commitment, motivation, and service quality (RM et al., 2021; Kim, 2020).

Despite a substantial body of studies concerning ethical leadership, employee engagement, with job insecurity, evidence-based investigations analyzing both immediate and mediated relationships within the Indonesian banking context remain

limited. Serang (2023) notes that prior research has predominantly focused on job satisfaction, organizational commitment, and organizational behavior, while studies positioning ethical leadership as a determinant of employee engagement with job insecurity as an intervening variable are still scarce. Despite extensive research on ethical leadership and employee engagement, the mediating effect of job insecurity within a singular organizational setting in the Indonesian banking sector is still inadequately investigated. This study seeks to construct and empirically evaluate a model that elucidates the influence of ethical leadership on employee engagement, either through direct pathways or by employing job insecurity as a mediating variable. This research concentrates on Bank Syariah Indonesia to furnish empirical information that enhances human resource management theory and provides practical insights for leadership policy development in unpredictable organizational contexts.

## **B. LITERATURE REVIEW**

### **1. Human Resource Management**

Human Resource Management (HRM) is understood as a set of policies and practices used by organizations to direct and organize the workforce so that employee contributions align with organizational goals. HRM covers key functions such as workforce planning, recruitment and placement, learning and skill development, performance assessment, reward systems, and the management of employment relations to ensure effective operational processes (Dessler, 2020). Through these functions, Human Resource Management facilitates the methodical administration of personnel in attaining organizational goals. The alignment of HRM policies with business requirements is crucial for improving employee competences, motivation, and commitment (Kotler, 2021).

Conceptually, HRM is not merely viewed as an administrative employment activity but as a strategic management function that adds value to the organization. Its scope includes talent sourcing procedures, learning and skill advancement initiatives, performance appraisal frameworks, reward management, and the regulation of industrial relations. When implemented consistently and systematically, HRM practices contribute to a well-structured work environment and increased productivity. These practices also support organizational sustainability through fair and directed workforce governance.

The principal functions of human resource management (HRM) encompass planning, organizing, directing, and regulating human resources, aimed at ensuring that employees are allocated according to their competencies and are continually supported in improving their performance (Judge, 2019). HRM's main goal is to strike a balance between the interests of employees and the needs of the business. While HRM offers career development possibilities, job security, equitable compensation, and a healthy work environment to employees, it also improves productivity, service quality, and competitive advantage from an organizational standpoint. As a result, HRM is crucial to creating innovative, human-centered, and flexible organizations.

## **2. Ethical Leadership**

Ethical leadership refers to a leader's capacity to provide direction, motivate, and coordinate employees while grounding actions and decisions in moral values and ethical principles (Hermina U.I., 2019). This leadership approach emphasizes moral awareness, concern for others, and behavioral consistency with prevailing norms and values, which are reflected through honesty, trustworthiness, altruism, and fairness (Primadhani, 2021; Amsori, 2024). Ethical leaders are required to communicate moral standards clearly, apply ethical considerations in decision-making, and establish rules and monitoring mechanisms to sustain ethical conduct within organizations (James, 2023). Consequently, ethical leadership functions not only as a personal moral quality but also as a normative guide that shapes responsible organizational behavior and service to society (Amsori, 2024).

From the employees' perspective, ethical leadership is evaluated through leaders' daily work behaviors, including honesty, justice, integrity, altruism, and commitment to organizational values (Pahrudin, 2018). Ethical leaders consistently adhere to principles, demonstrate concern for others, and consider broader social interests while maintaining high moral standards in both professional and personal domains (Rakhma, 2022). Based on these perspectives, ethical leadership can be understood as leadership that places moral values at the core of actions and decisions, providing clear ethical direction for employee behavior within organizations. In practice, ethical leadership contributes to managing workplace dynamics, resolving conflicts, and fostering an ethical organizational climate oriented toward collective responsibility (James, 2023; Rakhma, 2022).

Indicators of ethical leadership serve as benchmarks to assess whether leaders' behaviors and organizational practices align with ethical values, particularly integrity, transparency, fairness, social responsibility, and moral role modeling (Northouse, 2012). Treviño et al. (2000) classify ethical leadership into two dimensions: ethical conduct in personal character and ethical behavior in managerial roles, where the former focuses on personal character such as honesty and integrity, and the latter emphasizes actively managing ethics through communication, guidance, rewards, and sanctions (Rakhma, 2022). These dimensions are complementary, as ethical leadership depends not only on individual character but also on the leader's ability to create an ethical organizational environment. Ultimately, ethical leadership prioritizes ethical processes alongside outcomes, strengthens trust, and promotes a fair and value-oriented organizational culture for the common good.

## **3. Job Insecurity**

Job insecurity generally refers to a condition in which employees experience uncertainty and has limited control over the continuity of their jobs and future careers (Gayatri, 2020). It is described as a psychological state characterized by doubt and insecurity arising from a perceived unstable and rapidly changing work environment (Gayatri, 2020). Ashford et al. conceptualize job insecurity as an employee's perception of potential events or conditions that may result in personal loss,

emphasizing its subjective and anticipatory nature (Arlen, 2024). This perspective highlights key indicators such as the importance of the job, the perceived likelihood of negative changes, the overall significance of the job, the probability of unfavorable work outcomes, and feelings of powerlessness in facing such changes (Abidin, 2019).

Beyond being viewed as a perceived threat, job insecurity is also defined as uncertainty accompanied by fear and insecurity regarding possible work-related consequences, including unclear job placement, salary issues, and limited opportunities for promotion and training (Audina, 2018; Rezeki, 2024). Greenhalgh and Rosenblatt define job insecurity as a condition in which employees feel unable to maintain their employment due to threats to job continuity, which can intensify work-related stress (Marzuqi, 2021). Such pressure may encourage employees to consider leaving their organization in search of alternative employment opportunities. Overall, job insecurity includes more than concerns about employment termination and additionally concerns about deteriorating employment conditions and reduced career prospects.

In terms of measurement, De Witte developed the Job Insecurity Scale (JIS), which captures job insecurity through four core indicators: perceived likelihood of job loss, difficulty in maintaining employment, insecurity regarding future job prospects, and thoughts that the job may disappear in the near future (Zammitti, 2023). Nugraha and Rezeki propose a broader framework that includes the meaning of work for individuals, perceived current threats to job aspects such as wages and promotions, anticipated future threats, and the risk of negative changes such as transfers or relocation (Nugraha, 2010; Rezeki, 2024). These models collectively emphasize that job insecurity reflects employees' perceptions of threats to job continuity and limited control over such threats. Therefore, job insecurity extends beyond employment termination to include anxiety over unfavorable changes in working conditions, benefits, and long-term career stability.

#### **4. Employee Engagement**

Employee engagement denotes the extent of a person's attachment to their work, reflected in full presence while performing tasks and a willingness to actively play a role in fulfilling organizational aims (Alifia, 2023). It is viewed as a measure of whether employees perform essential tasks effectively and possess the necessary competencies, while also involving participation in decision-making and support for their organizational roles (Alifia, 2023; Al Akbar, 2024). Furthermore, employee engagement is influenced by the availability of job and personal resources that foster energy, enthusiasm, and a strong sense of connection to work (Sukoco, 2020). Engaged employees tend to demonstrate professional and emotional commitment, high dedication, effective task completion, and readiness to evaluate and improve their performance in line with organizational targets (Arifin, 2021; Putri, 2021).

Employee engagement is widely recognized as a multidimensional construct encompassing affective, cognitive, and behavioral aspects. It represents a positive psychological state characterized by job satisfaction, responsibility, commitment, and

a continuous willingness and ability to contribute to organizational success (Shuck, 2019). Engagement goes beyond mere physical presence at work, as it involves deep mental and emotional involvement that encourages employees to take active roles in achieving organizational objectives. Moreover, employee engagement is developed through participation across organizational levels in decision-making and problem-solving processes, which fosters enthusiasm, initiative, and continuous employee development (Kosim, 2023).

Employee engagement does not emerge spontaneously but is shaped by organizational conditions such as work culture, leadership style, management practices, communication quality, trust, recognition, and organizational reputation (Moningka, 2025). Measurement of employee engagement commonly relies on three core dimensions: vigor, dedication, and absorption, which reflect energy and resilience, meaningful involvement and pride, and deep concentration in work activities (Moningka, 2025). These dimensions demonstrate a consistent framework across various studies for assessing the level of employee engagement. Employees with high engagement typically exhibit stronger commitment, superior performance, and greater loyalty, making employee engagement a crucial indicator of organizational effectiveness and sustainability in a dynamic work environment.

## **5. Previous Study**

The impact of leadership, work ethics, and job insecurity on employee outcomes has been the subject of prior research. Ali et al. (2025) demonstrated that work ethics positively influence performance through organizational commitment, while Fajar et al. (2025) discovered that leadership significantly impacts job satisfaction and career development. In contrast, Putrayasa (2021) contended that job uncertainty adversely affects employee satisfaction and attitudes. Nevertheless, these studies typically conceptualize leadership in a broad sense and concentrate on individual ethics, without explicitly integrating ethical leadership and employee engagement as key mechanisms. This suggests a research gap in understanding how ethical leadership can mitigate job insecurity and improve organizational outcomes by enhancing employee engagement.

## **6. Hypothesis Development**

Based on the theoretical and empirical studies, this research proposes four hypotheses:

H1: Ethical leadership positively affects employee engagement.

H2: Ethical leadership negatively affects job insecurity.

H3: Job insecurity negatively affects employee engagement.

H4: Job insecurity mediates the relationship between ethical leadership and employee engagement.

## C. METHOD

This study used an explanatory quantitative design to investigate the causal relationship between ethical leadership and employee engagement, with job insecurity acting as a mediating variable. The study took place at BSI KC Jakarta Fatmawati 2 from January to February 2026, involving 172 personnel picked from a population of 300 by probability sampling. The research data was acquired via a formal questionnaire disseminated both online and offline, and assessed for reliability and validity utilizing a five-point Likert scale. To examine the indirect effects of job insecurity, SEM-PLS was utilized, involving measurement and structural model assessment, path coefficient analysis, significance testing, and mediation evaluation. This strategy ensures experimentally quantifiable, objective outcomes concerning the relationship among ethical leadership, job insecurity, and employee engagement.

## D. RESULT AND DISCUSSION

### 1. Descriptive Statistical Analysis

The subsequent table displays the results of the descriptive statistical analysis:

**Table 1. Descriptive statistical analysis**

Variable	Missing	Mean	Median	Minimum	Maximum	Standard Deviation	Kurtosis	Skewness
Employee Engagement (Z)	0	36.238	39	10	44	8.952	2.373	-1.978
Job Insecurity (Y)	0	37.314	40	13	44	6.908	5.5	-2.544
Ethical Leadership (X)	0	27.977	30	10	35	6.999	2.137	-1.921

Table 1 displays the descriptive statistical analysis of the three primary research variables: Ethical Leadership, Job Insecurity, and Employee Engagement. The Employee Engagement variable shows a mean score of 36.238 with a median value of 39 from a maximum score of 44, indicating that respondents generally demonstrate a high level of engagement. The standard deviation of 8.952 suggests a moderate variation in engagement perceptions among employees. The negative skewness value (-1.978) indicates that most responses are concentrated toward the higher end of the scale.

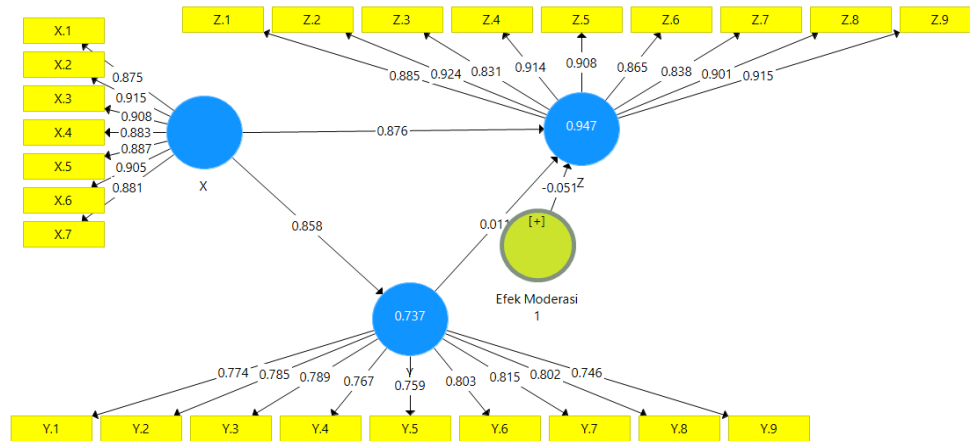
The Ethical Leadership variable obtained a mean score of 27.977 and a median of 30 out of a maximum score of 35. These values indicate that employees perceive ethical leadership practices within the organization to be relatively high. The standard deviation of 6.999 reflects moderate dispersion of responses, while the negative skewness value (-1.921) shows that positive perceptions of leadership behavior dominate among respondents.

For the Job Insecurity variable, the mean score is 37.314 with a median of 40 from a maximum score of 44. The standard deviation of 6.908 indicates relatively low variability, suggesting that respondents hold fairly similar perceptions regarding job

insecurity. The negative skewness number (-2.544) indicates that the majority of responses are concentrated at the upper end of the scale. The descriptive data reveal that respondents exhibit elevated levels of employee engagement, favorable opinions of ethical leadership, and somewhat stable feelings of job insecurity.

## 2. Measurement Model Evaluation (Outer Model)

The following figure presents the findings from structural model:



**Figure 1. Structural model**

The measurement relationships between each latent variable and its respective indicators are illustrated in Figure 1, which serves as the outer model of the study. The outer loading values for the three constructs: Ethical Leadership, Job Insecurity, and Employee Engagement are illustrated in the figure.

Seven indicators (X1–X7) represent the Ethical Leadership concept. These variables demonstrate strong correlations with the Ethical Leadership construct, as indicated by their external loading values, which vary from 0.875 to 0.915. All payload values surpass the suggested minimum level of 0.70.

Nine indicators (Y1–Y9) are employed to evaluate the Job Insecurity construct. The outer loading values for this construct fall within the range of 0.746 to 0.815. These values suggest that all Job Insecurity indicators satisfy the necessary loading criterion.

In the same vein, the Employee Engagement construct is represented by nine indicators (Z1–Z9) with peripheral loading values that range from 0.831 to 0.924. These values illustrate that each engagement indicator is heavily reliant on its respective construct.

The outer loading values presented in Figure 1 indicate that all indicators across the three constructions surpass the minimal acceptable threshold, signifying that each indicator exhibits sufficient loading on its respective latent variable.

### 3. Convergent Validity Test

The results of the convergent validity test are presented in Table 2 below:

**Table 2. Convergent Validity Test**

Construct / Variable	Indicator	Outer Loadings	AVE
Ethical Leadership	X. 1	0.875	0.798
	X. 2	0.915	
	X. 3	0.908	
	X. 4	0.883	
	X. 5	0.887	
	X. 6	0.905	
	X. 7	0.881	
Job Insecurity	Y. 1	0.774	0.612
	Y. 2	0.785	
	Y. 3	0.789	
	Y. 4	0.767	
	Y. 5	0.759	
	Y. 6	0.803	
	Y. 7	0.815	
	Y. 8	0.802	
	Y. 9	0.746	
Employee Engagement	Z. 1	0.885	0.787
	Z. 2	0.924	
	Z. 3	0.831	
	Z. 4	0.914	
	Z. 5	0.908	
	Z. 6	0.865	
	Z. 7	0.838	
	Z. 8	0.901	
	Z. 9	0.915	

Table 2 presents the findings of the convergent validity test for all research constructs, including Ethical Leadership, Job Insecurity, and Employee Engagement. The outer loading values for the Ethical Leadership indicators range from 0.875 to 0.915, surpassing the suggested minimal level of 0.70. These numbers indicate that each indicator demonstrates a strong link with the Ethical Leadership notion. The Average Variance Extracted (AVE) score of 0.798 for Ethical Leadership exceeds the necessary criteria of 0.50.

The outer loading values for the Job Insecurity construct fall within the range of 0.746 to 0.815. Acceptable indicator reliability is indicated by the fact that all indicators satisfy the minimum loaded requirement. The AVE value for Job Insecurity is 0.612, which is also above the recommended threshold, indicating that the construct adequately explains the variance of its indicators.

The external input values of the Employee Engagement construct span from 0.831 to 0.924. These numbers indicate that each engagement indicator significantly influences its corresponding concept. The AVE value of 0.787 for Employee Engagement fulfills the convergent validity criterion. The results in Table 2

demonstrate that all indicators across the three constructs satisfy the statistical requirements for convergent validity.

#### 4. Discriminant Validity Test

The results of the discriminant validity test are presented in Table 3 below:

**Table 3. Cross Loading**

Indicator	Ethical Leadership (X)	Job Insecurity (Y)	Employment Engagement (Z)
X. 1	0.875	0.744	0.858
X. 2	0.915	0.760	0.885
X. 3	0.908	0.784	0.892
X. 4	0.883	0.755	0.838
X. 5	0.887	0.756	0.866
X. 6	0.905	0.791	0.881
X. 7	0.881	0.777	0.849
Y. 1	0.762	0.774	0.771
Y. 2	0.716	0.785	0.727
Y. 3	0.643	0.789	0.663
Y. 4	0.597	0.767	0.593
Y. 5	0.557	0.759	0.561
Y. 6	0.636	0.803	0.654
Y. 7	0.616	0.815	0.645
Y. 8	0.693	0.802	0.686
Y. 9	0.762	0.746	0.721
Z. 1	0.865	0.809	0.885
Z. 2	0.904	0.785	0.924
Z. 3	0.834	0.738	0.831
Z. 4	0.868	0.774	0.914
Z. 5	0.867	0.770	0.908
Z. 6	0.828	0.718	0.865
Z. 7	0.805	0.734	0.838
Z. 8	0.883	0.785	0.901

Table 3 displays the outcomes of the discriminant validity assessment utilizing cross-loading values for all indicators of Ethical Leadership, Job Insecurity, and Employee Engagement. The indicators of Ethical Leadership (X1–X7) exhibit loading values on their respective constructs ranging from 0.875 to 0.915. These values are consistently higher than their loadings on the Job Insecurity and Employee Engagement constructs, indicating clear differentiation from other variables. For example, indicator X2 loads 0.915 on Ethical Leadership, while its loadings on Job Insecurity and Employee Engagement are 0.760 and 0.885, respectively.

The indicators of Job Insecurity (Y1–Y9) display loading values between 0.746 and 0.815 on the Job Insecurity construct. Each indicator demonstrates higher loading on its intended construct compared to its loadings on Ethical Leadership and Employee Engagement. As an illustration, indicator Y7 loads 0.815 on Job Insecurity, which is higher than its loadings of 0.616 on Ethical Leadership and 0.645 on Employee Engagement.

Similarly, the Employee Engagement indicators (Z1–Z8) show loading values ranging from 0.831 to 0.924 on the Employee Engagement construct. All engagement indicators load more strongly on their own construct than on the other constructs. For instance, indicator Z2 records a loading of 0.924 on Employee Engagement, compared to 0.904 on Ethical Leadership and 0.785 on Job Insecurity. Overall, the cross-loading results in Table 3 demonstrate that each indicator loads highest on its respective construct.

## 5. Construct Reliability Test

The following table presents the findings from the construct reliability test:

**Table 4. The result of construct reliability test**

Construct	Cronbach's Alpha	Composite Reliability
Ethical Leadership (X)	0.958	0.965
Job Insecurity (Y)	0.921	0.934
Employee Engagement (Z)	0.966	0.971

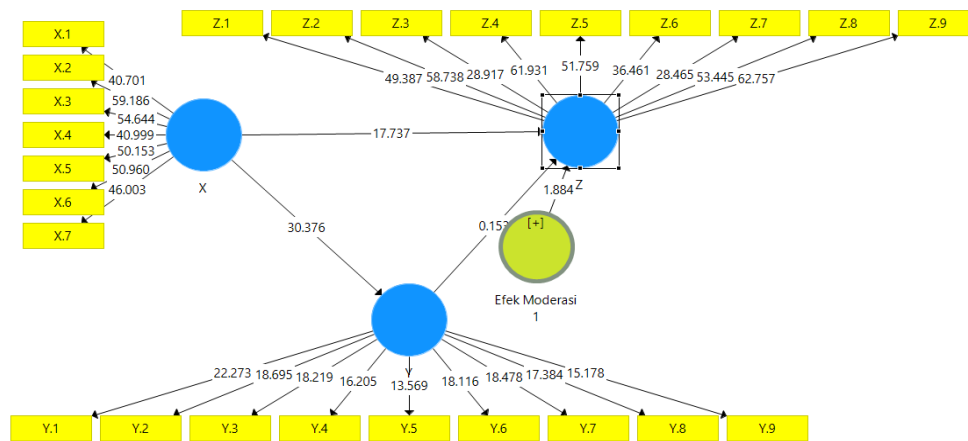
Table 4 presents the construct reliability test outcomes for the three principal variables in this study: Job Insecurity, Employee Engagement, and Ethical Leadership. The Cronbach's Alpha for the Ethical Leadership construct was 0.958, while the Composite Reliability was 0.965. The values surpass the established minimal criterion of 0.70, indicating that the indicators assessing this construct demonstrate a significant level of internal consistency.

The values for Cronbach's Alpha and Composite Reliability for the Job Insecurity construct are 0.921 and 0.934, respectively. The indicators of Job Insecurity demonstrate substantial dependability, since both coefficients surpass the established standard. The findings suggest that respondents' reactions to the job insecurity indicators are notably uniform.

The values of Cronbach's Alpha and Composite Reliability for the Employee Engagement construct are 0.966 and 0.971, respectively. The reliability values are the greatest among the three constructs, indicating that the data on employee engagement indicators is measured consistently. The reliability coefficients shown in Table 4 demonstrate that all constructions meet the statistical standards for construct dependability.

## 6. Structural Model Evaluation (Inner Model)

The results of the structural model evaluation (inner model) are presented in Figure 2 below:



**Figure 2. Inner Model Structure**

Figure 2 illustrates the structural core model of the study, showcasing the direct links among the principal research variables: Job Insecurity, Employee Engagement, and Ethical Leadership. The bootstrapping technique in SEM-PLS analysis produces standardized path coefficients and their associated t-statistic values, as depicted in the figure.

The t-statistic of 17.737, above the essential value of 1.96 at the 0.05 significance level, indicates the relationship between Ethical Leadership and Employee Engagement. This indicates that the direct relationship between Employee Engagement and Ethical Leadership is statistically significant.

A t-statistic of 1.884 is produced by the shift from Ethical Leadership to Job Insecurity. The direct impact of Ethical Leadership on Job Insecurity is not statistically significant, since this value falls below the critical threshold of 1.96.

The direct relationship between Job Insecurity and Employee Engagement yields a t-statistic of 0.153, much below the necessary significance threshold. This outcome signifies that the direct correlation between Job Insecurity and Employee Engagement is not statistically significant.

Overall, the results displayed in Figure 2 demonstrate that among the three direct structural paths tested in the model, only the path from Ethical Leadership to Employee Engagement meets the statistical significance criterion, while the paths involving Job Insecurity do not reach the required level of significance.

### 7. R-Square (R<sup>2</sup>) Value

The R-square (R<sup>2</sup>) values indicating the model’s explanatory power are presented in Table 5 below:

**Table 5. Model Accuracy**

Endogenous Variable	R-Square	Adjusted R-Square
Employee-Engagement	0.737	0.735
Job Insecurity	0.946	0.945

Table 5 presents the results of the coefficient of determination (R-square) analysis, indicating the predictive accuracy of the structural model. The adjusted R-squared value for the Employee Engagement variable is 0.735, while the R-squared

value is 0.737. This indicates that the predictor variables in the model explain 73.7% of the variance in Employee Engagement, whilst the remaining 26.3% is affected by external factors not included in the model.

The adjusted R-squared value for the Job Insecurity variable is 0.945, while the R-squared value is 0.946. This finding indicates that the exogenous variable in the model explains 94.6% of the variance in Job Insecurity, while the remaining 5.4% is ascribed to unexamined variables in this study.

The R-square values in Table 5 demonstrate that the structural model possesses considerable explanatory power for both endogenous variables. The study model delineates correlations that exhibit a significant level of predictive accuracy in elucidating differences in Job Insecurity and Employee Engagement.

## 8. Path Coefficient

The following table presents the findings from the construct reliability test.

**Table 6. path coefficient**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistic (  O/STDEV  )	P-Values
Ethical Leadership -> Job Insecurity	-0.051	-0.049	0.027	1.884	0.060
Ethical Leadership -> Employee Engagement	0.876	0.867	0.049	17.737	0.000
Job Insecurity -> Employee Engagement	0.011	0.021	0.073	0.153	0.878

Table 6 illustrates the direct links among the research variables, presenting the findings of the route coefficient analysis. The initial sample coefficient of -0.051, accompanied by a t-statistic of 1.884 and a p-value of 0.060, represents the relationship from Ethical Leadership to Job Insecurity. The association lacks statistical significance, as the t-statistic is below the threshold value of 1.96 and the p-value above 0.05.

The direct relationship between Ethical Leadership and Employee Engagement is defined by a coefficient of 0.876, a t-statistic of 17.737, and a p-value of 0.000. The values reveal a statistically significant positive direct influence of Ethical Leadership on Employee Engagement.

The coefficient of 0.011, accompanied by a t-statistic of 0.153 and a p-value of 0.878, represents the relationship from Job Insecurity to Employee Engagement. The results indicate that the direct effect of job uncertainty on employee engagement is not statistically significant.

In terms of the three direct relationships that were examined, Table 6 indicates that only the path from Ethical Leadership to Employee Engagement is statistically significant, while the paths involving Job Insecurity do not satisfy the necessary significance criteria.

## 9. Significance Test of Relationships Between Variables

The following table presents the findings from the significant test.

**Table 7. significant test**

No	Relationship Path	Path Coefficient (O)	T-Statistic	P-Values	Description
1	Ethical Leadership → Employee Engagement	0.876	17.737	0.000	Significant
2	Ethical Leadership → Job Insecurity	-0.051	1.884	0.060	Not Significant
3	Job Insecurity → Employee Engagement	0.011	0.153	0.878	Not Significant

Table 7 displays the outcomes of the significance test about the direct links among the research variables. The primary relationship analyzed is the progression from Ethical Leadership to Employee Engagement. The coefficient for this path is 0.876, accompanied by a t-statistic of 17.737 and a p-value of 0.000. The link is statistically significant since the t-statistic surpasses the crucial value of 1.96 and the p-value is below 0.05.

The second relationship that is being evaluated is the transition from Ethical Leadership to Job Insecurity. The findings suggest a coefficient of  $-0.051$ , a t-statistic of 1.884, and a p-value of 0.060. This relationship is not statistically significant due to the fact that the p-value is greater than 0.05 and the t-statistic is less than 1.96.

The third relationship pertains to the direct impact of Job Insecurity on Employee Engagement. This pathway yields a coefficient of 0.011, accompanied by a t-statistic of 0.153 and a p-value of 0.878. These results suggest that the association lacks statistical significance.

The significance test results in Table 7 demonstrate that the association between Ethical Leadership and Employee Engagement is the sole direct path meeting the statistical significance threshold, whilst the other two paths do not attain the requisite level of significance.

### 10. Intervening Variable Test

The results of the intervening (mediation) variable test are presented in Table 8 below:

**Table 8. Intervening Test**

No	Relationship Path	Path Coefficient (O)	T-Statistic	P-Values	Description
1	Ethical Leadership → Job Insecurity → Employee Engagement (Indirect Effect)	0.858	30.376	0.000	Significant

Table 8 presents the findings of the intervening variable test conducted to examine the indirect effect of Ethical Leadership on Employee Engagement via Job Insecurity. The bootstrapping process in SEM-PLS was employed to assess the relevance of the indirect pathway.

The indirect relationship between Ethical Leadership and Employee Engagement via Job Insecurity has a path coefficient of 0.858, a t-statistic of 30.376, and a p-value of 0.000. The indirect effect is statistically significant, as the t-statistic surpasses the crucial threshold of 1.96 and the p-value is below 0.05.

The indirect association between Ethical Leadership and Employee Engagement through Job Insecurity satisfies the statistical criteria for significance, as evidenced by these results. Thus, the mediating pathway investigated in this work is statistically validated, as demonstrated by the bootstrapped indirect impact analysis.

This study examined the potential mediating variable of employment insecurity about the influence of ethical leadership on employee engagement. The findings indicate that employees demonstrate a considerable degree of engagement and possess positive views of ethical leadership. Concurrently, respondents' feelings of work insecurity are uniform and mild. These factors suggest an organizational climate characterized by systematic leadership techniques and consistent employment.

The measurement model was assessed to guarantee the appropriateness of the research instruments before hypothesis testing. Outer loading values for all constructs exceeded 0.70, Average Variance Extracted (AVE) values exceeded 0.50, and reliability coefficients were significantly higher than the minimum threshold of 0.70. These findings verify that the variables of ethical leadership, job insecurity, and employee engagement were assessed in a valid and dependable manner, thereby establishing a robust methodological framework for the examination of the structural relationships among them.

The structural model study indicates that ethical leadership exerts a robust and statistically significant positive influence on employee engagement, evidenced by a path coefficient of 0.876 and a t-statistic of 17.737. This research indicates that leaders who exhibit integrity, fairness, and transparency can elevate employees' passion, commitment, and psychological engagement in their work. The outcome corroborates the theoretical premise that affirmative leadership action fosters increased employee involvement in return.

The expected negative effect of ethical leadership on job insecurity was not statistically significant, indicated by a p-value of 0.060 and a t-statistic of 1.884. Despite the coefficient's negative orientation, the association failed to attain the requisite degree of significance. This indicates that structural and organizational factors exert a more significant influence on employees' perceptions of job insecurity than leadership action by itself. Employees' perceptions of job security are predominantly affected by elements including institutional stability, organizational policies, and employment status.

Similarly, the anticipated negative effect of job uncertainty on employee engagement was not substantiated. The t-statistic of 0.153 and p-value of 0.878, indicating no significant direct effect, were derived from the pathway between job insecurity and employee engagement. This finding indicates that employee engagement levels are not directly influenced by job security worries within the scope of this study. Employees might remain highly engaged even with certain insecurities, especially when they view leadership conduct as ethical and encouraging.

The mediation analysis revealed a statistically significant indirect influence of ethical leadership on employee engagement via job insecurity, whereas the direct

relationships involving job insecurity were not significant. The t-statistic was 30.376, and the p-value was 0.000. This pattern of results signifies indirect-only mediation, wherein the indirect pathway is substantial, although the individual direct linkages pertaining to job insecurity are not. The discovery indicates that job insecurity functions as a mediating variable in statistical analysis; nonetheless, its practical relevance in explaining employee engagement is secondary to the direct impact of ethical leadership.

The predictive accuracy of the structural model further clarifies these relationships. Ethical leadership and job insecurity together explain 73.7% of the variance in employee engagement ( $R^2 = 0.737$ ), indicating substantial explanatory power. An even higher level of explained variance was found for job insecurity, reaching 94.6% ( $R^2 = 0.946$ ). These values demonstrate that the proposed model fits the data well and is capable of explaining a large proportion of variability in the endogenous variables.

The very high R-square value for job insecurity should be interpreted carefully in relation to the characteristics of the research setting. This study was conducted within a single organizational unit, meaning that all respondents originate from the same institution and operate under identical human resource policies and organizational procedures. Such a context naturally limits variability in perceptions among employees. The respondent profile further indicates relatively homogeneous characteristics, where 59.3% of participants are permanent employees, and 72.1% have more than five years of tenure within the organization. These conditions contribute to similar experiences regarding job security and employment stability.

This interpretation is supported by the descriptive statistics of job insecurity, which show a relatively low standard deviation of 6.908 and a strongly negative skewness value of  $-2.544$ , indicating that responses are clustered within a narrow range. In SEM-PLS analysis, limited variability and homogeneity of responses can lead to higher proportions of explained variance. Therefore, the  $R^2$  value of 0.946 should be understood not only as a reflection of the relationships specified in the model but also as a consequence of the specific research design, where respondents were drawn exclusively from one organization with relatively uniform working conditions.

The outcomes of this study underscore the crucial role of ethical leadership in promoting employee engagement. Ethical leadership is the predominant factor influencing employees' psychological engagement and dedication to their work. Job insecurity, albeit statistically significant as an intervening variable, exerts a relatively weaker and more constrained influence. The results underscore that in stable organizational environments with uniform employment procedures, bolstering ethical leadership practices is the most effective approach to improving employee engagement.

Organizations should prioritize cultivating leaders that continuously exhibit ethical conduct, transparency, and equity. Initiatives designed to diminish perceptions of job instability may offer supplementary advantages; nonetheless, they

are unlikely to be as effective as endeavors-centered on fostering robust ethical leadership. This research enhances comprehension of the interplay between leadership style and psychological elements in influencing employee engagement in the banking sector. This study is constrained by its concentration on a singular organizational unit with relatively uniform respondent traits and a cross-sectional design, potentially limiting the generalizability of the results and the capacity to see dynamic changes over time.

## E. CONCLUSION

This study examined the influence of ethical leadership on employee engagement at Bank Syariah Indonesia KC Jakarta Fatmawati 2, using job insecurity as a possible mediating variable. The findings confirm that ethical leadership is a vital and impactful element in enhancing employee engagement. Leaders that demonstrate honesty, integrity, and justice boost employees' psychological engagement, passion, and dedication.

The findings indicate that job uncertainty does not directly affect employee engagement, and ethical leadership does not significantly impact employment insecurity. The findings suggest that job insecurity is not a principal factor affecting engagement in a stable organizational context, and that perceptions of job insecurity are more shaped by structural and organizational conditions than by leadership actions. Nonetheless, the mediation study reveals that job insecurity functions as a statistically significant intervening variable in the link between ethical leadership and employee engagement. This study identifies an indirect-only mediation pattern, characterized by a significant indirect influence whereas the direct routes related to job insecurity are negligible. This indicates that the mediating role of job insecurity is predominantly statistically significant although comparatively constrained relative to the prevailing direct impact of ethical leadership.

Overall, the structural model demonstrates strong explanatory power, particularly in predicting employee engagement. From a practical perspective, these findings emphasize that organizations should prioritize the development of ethical leadership practices as the most effective strategy for strengthening employee engagement. Future research is recommended to test this model in different organizational contexts and to incorporate additional variables to further explore the mechanisms influencing employee engagement.

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