

Ethical Leadership and Trust in Human Resource Management Practices During Economic Uncertainty and Organizational Restructuring

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Abstract- This conceptual paper explores the impact of ethical leadership on trust in HRM practices during economic uncertainty and organizational change, integrating insights from leadership theory, SHRM literature, and perspectives on organizational justice to inform contemporary concerns over organizational legitimacy, fairness, and employee relations in organizations under crisis; set against a backdrop of macroeconomic volatility, inflation, involuntary workforce reductions, and further restructuring initiatives observed across the globe up to the middle of 2025, it is argued that ethical leadership serves an essential role in maintaining trust and legitimizing HRM practices by inherently shaping the design, communication, and enactment of key practices in areas such as layoffs, redeployment, performance management and internal communication under high uncertainty; more specifically, the analysis put forth that ethical leaders, through moral role modelling, transparency, fairness, and stakeholder concern, provide normative expectations on the actions of HR professionals, signaling procedural and interactional justice to employees in ways that mitigate the common erosion of trust that accompanies downsizing and restructuring processes; utilizing an integrative conceptual framework, it further synthesizes relevant insights from ethical leadership theory, social exchange theory, organizational justice theory, and psychological contract theory to elucidate how trust in HRM can be preserved or rebuilt in the face of economic trade-offs between organizational survival and employee welfare; the paper's primary contribution is the development of a comprehensive conceptual framework delineating ethical leadership as an antecedent of trust in HRM, mediated by justice perceptions and transparent communication, with boundaries conditions iterated in terms of the intensity of uncertainty and consistency of management; additionally, a set of theoretically informed research propositions is articulated to direct future empirical analyses of trust dynamics during restructuring processes, a significant gap in the HRM literature that has primarily been studied in stable organizational contexts instead of crisis situations; theoretically, the paper extends

ethical leadership and strategic human resource management frameworks into periods of disruption and reframes human resource management as a moral governance system under organizational change; managerially, it provides time-sensitive guidance for HR leaders and senior executives alike, noting the necessity of ethical leadership, transparency, and continuous investment in practices that sustain trust if organizational legitimacy, employee engagement and longer-term capability development are to be retained in times of economic uncertainty and restructuring.

Keywords: Ethical Leadership, Trust in Human Resource Management, Organizational Restructuring, Economic Uncertainty, Organizational Justice, Crisis-Era Human Resource Management

I. INTRODUCTION

The last decade has witnessed a pervasive wave of economic instability across the globe marked by inflationary pressures, market contraction, geopolitical disruptions and cyclic downturns upsurge of economic volatility that continuously exacerbated much of the world until the middle of 2025 forcing both private and public sector organizations to intensify cost containment, workforce reorganization, and firm restructuring operations, raising the strategic and moral profile of human resource management (HRM) as the main juncture where the levers of leadership are employed, interpreted, and actioned at the employee level; during such periods strife, privatized downsizing, redeployment, and hiring freezes, and performance recalibration prevailed as strategies of choice for ensuring financial viability to the extent that recurrent exigencies have consistently exposed employees to workplace vulnerabilities, job insecurity, and sensitivity to fairness, transparency and

morality, in view of the reality that HRM functions become responsible for truly difficult management decisions impacting employee livelihoods, psychological well-being, and trust in organizational intentions, yet empirical evidence shows that disruptive contexts magnify employees' monitoring of management conduct and HR practices such that incidents of perceived inconsistencies, opaque communication, or procedurally unjust actions such as the sudden lay-off of employees, unequal replacement severance arrangement, or shifting performance measures are construed no longer merely as managerial lapses but ethical failures threatening organizational legitimacy and relational trust (Brockner et al., 1992; Cascio, 2014;), and despite the preponderance of such conditions, urges for the present study on the one hand emerge from the divergent findings regarding the erosion in employee trust in restructuring phases, where several prominent cases and academic chronicles have pointed to how intellectual and moral insensitive management practices may trigger employee-free to negatively turn disengaged, resistant, and preserving reputation, even when economic arguments reflected are objectively sound, which getting down to suggests that the way decisions encircled in performance and economic viability are delivered and responded to may be as imperative as to which ones have been taken (Kim & Mauborgne, 1997; Mayer et al., 2012;), and to other hand, the limited but still existing literature examining ethical leadership and HRM is relatively partitioned in nature, as an ethical leadership study of the HRM function during restructuring often investigates efficiency objectives and employee responses to the exclusion of leadership ethics while in HRM studies on restructuring generally advances empirical work focusing on theoretical outcomes at the neglect of justice perception and trust as interrelated explanatory variables, leaving a degree of dearth of integrated conceptual models outlining how ethical leadership transmits through HRM practices embodied in trust levels, sentiment, and behavior (Lopez et al., 2021; Wright et al., 2021); based on this, the aim of the present paper is to conceptually interrogate the role of ethical leadership as a trust-preserving and legitimacy-conserving element in HRM practices under conditions of economic uncertainty and organizational restructuring, further clarifying the nature of the study as contextual rather than empirical, is theory-oriented

and framework-focused, aimed at proposition-building rather than hypothesis-testing or data-mining, while purposely narrowing its scope on ethical leadership, trust, and HRM practices in the face of restructuring, to move forward a more cohesive theoretical lens through which HRM can be considered as a moral governance system during crisis conditions and provide basis to future empirical research and responsible managerial behavior in an epoch of persistent instability.

II. CONCEPTUAL FOUNDATIONS

In the context of economic uncertainty and organizational restructuring, ethical leadership is grounded in leaders' moral role modeling, integrity, fairness, and transparency, whereby they enact and communicate ethical standards through their decisions and behaviours, particularly under heightened pressure and scarcity of resources, acting as norm-setters who signal acceptable conduct and priorities to both HR professionals and employees when established routines and expectations are disrupted (Brown et al. 2005; Treviño et al. 2003); unlike transformational leadership, which emphasizes vision, inspiration, and change, or transactional leadership, focused on contingent rewards and compliance, ethical leadership is distinct in its explicit moral dimension, foregrounding responsibility, justice, and concern for stakeholder well-being as guiding principles rather than instrumental outcomes that are especially relevant during restructuring periods when leaders must justify difficult decisions such as layoffs, pay freezes, or role eliminations in ways that preserve legitimacy and trust (McAllister, 1995); trust, as a central relational construct in organizations, is equally multifaceted and especially fragile during restructuring, encompassing both cognitive trust employees' rational assessment of leaders' and HR systems' competence, reliability, and consistency and affective trust, which reflects emotional bonds, perceived care, and benevolence, with both shaping how employees interpret and respond to HRM practices under uncertainty (Dirks & Ferrin, 2002); beyond interpersonal relationships, trust in this study is also conceptualized at an institutional level, referring to employees' confidence in HR systems, policies, and procedures as fair, predictable, and ethically governed, especially when formal HR

practices mediate the implementation of leadership decisions that directly impact employment security, career prospects, and dignity; as such, trust operates simultaneously as a relational mechanism facilitating cooperation, acceptance of change, and reduced resistance and as a governance mechanism that substitutes for constant monitoring by enabling employees to accept unfavorable outcomes when they perceive decision processes to be just and ethically grounded (Colquitt et al. 2001); within restructuring contexts, human resource management takes on a uniquely visible and morally charged role, as HR practices such as layoffs, redeployment, performance recalibration, and internal communication act to communicate organizational values and priorities more powerfully than formal statements or codes of conduct, with procedural justice (the fairness and consistency of decision processes) and interactional justice (the respectful, transparent, and dignified treatment of employees) playing a decisive role in shaping trust perceptions (Quintanilla et al. 2012); for example, advance notice of layoffs, clear criteria for selection, opportunities for employee voice, and empathetic communication can mitigate the negative effects of job loss or role change, whereas opaque, inconsistent, or impersonal HR actions are widely experienced as an ethical failure irrespective of economic necessity; consequently, HR functions during restructuring act both as agents of leadership decisions, translating strategic directives into operational practices and as buffers that can mitigate harm by advocating fairness, consistency, and humane treatment, positioning HRM not merely as an administrative executor but as a moral intermediary whose practices materially influence whether ethical leadership intentions are actualized or undermined in the lived experience of employees/taken together, these conceptual foundations frame ethical leadership, trust and HRM practices as tightly interdependent elements of a moral governance system that becomes especially consequential in the context of economic uncertainty and organizational restructuring.

III. REVIEW OF RELEVANT LITERATURE (THEMATIC) RELATED TO THE STUDY

The research on ethical leadership and trust through HRM practices during economic crises and reorganizations has built a strong body of knowledge

regarding the severe psychological effects of increasing uncertainty—caused by inflationary pressures, demand declines, layoffs, and recurrent reorganization initiatives on employees, which leads to feelings of job insecurity, stress, diminishes organizational commitment, and increases vigilance over managerial behavior thereby fueling employees' dependence on trust as a coping and sensemaking resource while at the same time making that trust more brittle (Sverke et al., 2002; De Jong et al., 2016), with empirical evidence indicating that downsizing and reorganization contexts are particularly associated with denting trust especially when employees believe that decision making was unpredictable, applied inconsistently or poorly justified, and causing cynicism, exit, and change resistance even among the remaining "survivors" (Brockner et al., 1992; Van den Bos et al., 2001); in this context, an increasing stream of leadership research points to the importance of ethical leadership during crises and changes as leadership ethics become highly visible and consequential under duress as well as that it is when leaders are under pressure and have to make tough decisions between the economic survival of the organization and employee welfare that their willingness to act with moral courage, consistency, and transparency becomes a much more powerful signal of organizational values and trustworthiness (Brown and Mitchell 2010; Hannah et al 2011), however restructuring contexts provide officers with strong incentives for ethical compromise, for instance masking information, changing performance standards, or instrumentalizing HR policies, undermining leaders claim to ethical standards if it seems to employees that the level of perceived ethicality fluctuates too much together with the economic environment; parallel research in HRM and organizational justice highlight that HRM practices during reorganizations serve as powerful signals of trust, as employees are judging not only by the outcomes (e.g. who gets fired) but, more importantly, the procedural (i.e., consistency, neutrality, and voice within decision processes) and interactional justice (meaning respect, dignity, and honesty) in communication, such that transparent lay-off criteria, employee voice and engagement, and timely, honest communication mitigate negative reactions even for largely unfavorable outcomes (Colquitt et al., 2001; Kim and Mauborgne, 1997); moreover performance

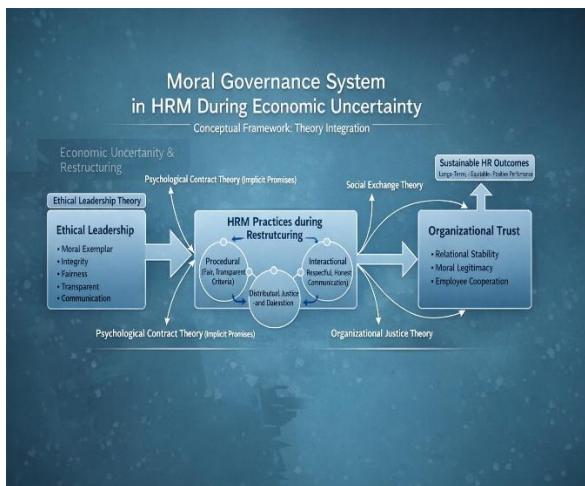
management re-calibration, re-deployment decisions, and severance arrangements have increasingly become seen as an ethical signal that can help develop institutional trust in HR systems, positioned between leaders and employees where HRM may be implementing leadership decisions as well as buffering against harm through fairness advocacy and ethical sensemaking mechanisms (Cascio, 2014); despite this, the trust dynamics between ethical leadership and HRM practices are under-researched and perceived as less valuable by focusing too much on the post-restructure consequences performance, engagement, or turnover intentions while paying relatively little attention to the process by which restructuring decisions are formulated and implemented ethically, namely, under-theorizing work on how ethical leadership and HRM practices interact and develop the trust dynamics over time; in addition, although the consequence of trust appears frequently as the time-frame for studies, HRM is seldom treated as a governance mechanism capable of trust building in crisis conditions, and the literature generally treats both elements of ethical leadership, HR practices, and HRM as separate entities instead of related domains of a moral, relational system suggesting the need for integrating conceptual models that describe how ethical leadership is transformed into trust-preserving HRM practices under crisis conditions.

IV. THEORETICAL PERSPECTIVES INFORMING THE MODEL

The conceptual model advanced in this study is grounded in the insights of complementary perspectives of Ethical Leadership Theory, Social Exchange Theory, Organizational Justice Theory, and Psychological Contract Theory which together provide a coherent theoretical framework for understanding how ethical leadership is related to HRM trust under conditions of economic distress and organizational change; where formal authority, moral legitimacy, and relational stability are simultaneously challenged; Ethical Leadership Theory places the leader as a moral example in the organization whose behaviors, decisions, and communication set normative standards for acceptable organizational conduct, especially during crisis where ambiguity and pressure heightens employees' attention to integrity, fairness, and consistency in their leaders (Brown et al.

2005; Treviño et al. 2003); from this idea, Social Exchange Theory proposes that trust is a reciprocal outcome, which develops when organizational agents treat employees fairly and courteously and express respect to the in-group, implying that ethical leadership requires not only role modeling of leader but a continued exchange where both leader and HR systems display reliability and concern for employee welfare even when the worker experiences detrimental outcomes, thus encouraging the employee to repay with acceptance, collaboration, and continuous utilization even when restructuring occurs (Blau 1964; Cropanzano & Mitchell 2005); Organizational Justice Theory further elaborates this exchange based logic dividing justice into three specific types that refine the logic that employees are more sensitive toward how restructuring decisions are made and communicated rather than about the decisions themselves, also indicating the centrality of HRM practices as vehicles through which the justice norms of the organization are enacted during economic adversity (Colquitt et al., 2001); for example, transparent criteria for lay-off, voice opportunities, and explaining job cuts respectively can foster trust even in the presence of job cuts while opaque or abrupt actions can undermine the legitimacy, due to the detrimental skill of opposite norms enacted in isolation of course; finally, Psychological Contract Theory complements these theories by elaborating on the perceived relational duties between the employee and the organization claiming that restructuring in turn amplifies a perception of psychological contract breach to the employee that find that implicit promises of job security, career development, or fair treatment have been infringed, therefore elevating emotional reactions like anger, betrayal, and distrust to employees in the case where navigating sensemaking, explanation, and moral justification of decisions are not practiced by leaders and HR professionals (Rousseau 1995; Morrison & Robinson 1997); Taken together, these theories converge to suggest that ethical leadership is a critical upstream influence that shapes justice perceptions, exchange relationships, and psychological contract interpretations through HRM practices during periods of restructuring that trust should not be treated as a static attitude but as a dynamic relational outcome that is contingent on ethical consistency, procedural fairness, and credible communication under conditions of uncertainty, and

justified as a conceptual model that treats ethical leadership, HRM practices, and trust as interdependent elements of a moral governance system particularly salient when organizations face the difficult choice of straddling the trade-offs between economic survival and employee dignity.



Above image showing Theoretical Perspectives, Informing the Model considering Moral Governance System in HRM during Economic Uncertainty (Authors own)

V. KEY CONSTRUCTS RELATED TO THE STUDY

The behavioral constructs of ethical leadership include leaders consistently demonstrating moral integrity, fairness, honesty, and responsibility; leaders willing to act as moral role models, who do not shy away from communicating openly and justifying tough decisions in value-laden terms during times of economic uncertainty and organizational restructuring; and ethical leadership functioning as salient ethical cues that guide HR professionals' actions and the interpretations employees make of organizational intent in the absence of formal rules and expectations of secure jobs. On the other hand, the behavioral constructs of HRM practices during restructuring include set of formal and informal policies and actions through which the decisions of leadership are put into operation (e.g., layoffs, redeployment, performance management recalibration, severance arrangements, and internal communication); treatment of HRM practices during restructuring as ethical signals rather than neutral

administrative processes, as, given the disruption of the formal normative structures, when employees evaluate these practices in terms of procedural justice (consistency, neutrality, and voice in decision-making), distributive justice (perceived fairness and dignity of outcomes), and interactional justice (respectful, transparent, and empathetic treatment), HRM becomes a critical mechanism in which leadership intentions get translated into lived experiences or are undermined; the role of employee trust in management and HR, a relational and institutional construct comprising cognitive trust (beliefs about leaders' and HR systems' competence, reliability, and predictability) and affective trust (emotional bonds rooted in perceived care, benevolence, and moral concern), functions as both a psychological resource that enables employees to cope with uncertainty and a governance mechanism through which organizations can implement painful changes involving layoffs, redeployment, performance management recalibration and severance arrangements with less resistance when decision processes are perceived as legitimate an important distinction, however, is made between the two types of trust conceptualized, as both types of trust are rooted in care, benevolence, and moral concern (affective trust), or competence, reliability, and predictability (cognitive trust); and finally, the influence of moral leadership over the trust through HRM practices becomes conditional upon some key moderations—which include transparency, communication quality, and leadership consistency the first describes the extent to which leaders and HR openly communicate the rationale, criteria, implications, and consequences of the restructuring actions; the second refers to the clarity, timeliness, empathy, and bidirectionality of the messages directed towards employees; and the third reflects the congruence between stated values, prior commitments, and behavior over time, particularly under pressure (e.g., ethical high-road decisions could be damaging for trust if communicated abruptly and/or inconsistently, or transparent explanations, opportunities for voice, and stable ethical standards in successive narrowing decision episodes can mitigate perceptions of betrayal and arbitrariness); all together, these constructs position ethical interpersonal behaviors as the key antecedent, HRM practices during restructuring as the central mediating

mechanism, employee trust as the focal relational outcome, transparency, communication quality, and leadership consistency as the key boundary conditions determining whether restructuring processes are conceptualized as doing harm and suffering to the loss of the emotional bond of trust placed in an organization, or merely a lapse in governance upon economic shocks, in which trust in HRM operates not as a static attitude, but rather as a dynamic outcome shaped into existence through the interaction of leadership ethics, HR practices, and communication processes in contexts of prolonged economic uncertainty.

VI. RESEARCH PROPOSITIONS

This paper builds on ethical leadership, organizational justice and trust literatures to propose three interrelated research propositions that articulate the role of ethical leadership in shaping employee trust in HRM practices during economic uncertainty and organization-wide restructuring: P1: Ethical leadership positively affects employee trust during organizational restructuring, because ethical leaders who demonstrate high levels of integrity, justice, moral courage and openness provide stable moral reference points to employees under conditions of ambiguity and threat in ways that reduce uncertainty, indicate benevolence and foster confidence in leadership and HR systems, despite adverse layoffs, redeployment or role redefinition outcomes being necessary during restructuring, a relationship that is especially salient during restructuring because employees scrutinize leaders to observe signals about the organizational values and future organizational reliability (Brown et al., 2005; Dirks & Ferrin, 2002); P2: Fair and transparent HRM practices mediate the effect of ethical leadership on employee trust, indicating that ethical leadership affects trust primarily through the design, communication and enactment of HRM practices during restructuring, such that the ethical intentions of leaders are translated into employees' lived experiences through procedurally just decision-making processes, fair and dignified outcomes, and respectful, timely and honest communication about HRM practices, as HRM functions as the central organizational mechanism through which leadership credibility can be reinforced or undermined, because transparent layoff criteria,

opportunities for employee voice and consistent policy application signal moral legitimacy whereas low transparency practices undermine trust regardless of leader espoused values (Colquitt et al., 2001; Nishii et al., 2008); P3: Further, we propose that perceived organizational justice strengthens the effect of ethical leadership on trust in conditions of economic uncertainty and organizational as it positions justice perceptions as a boundary condition that amplifies or attenuates the trust-building impact of ethical leadership during restructuring, because when employees perceive high levels of procedural, distributive and interactional justice, they are more likely to see ethically grounded leadership behaviors as sincere and credible, reciprocate trust and cooperation and endure short term losses in the hope of long term fairness, while low justice undermines trust even in the presence of morally justified leadership (Brockner et al., 1992; Van den Bos et al., 2001); All in all, these propositions conceptualize trust not as a default outcome of ethical leadership but as a relational and process-driven construct that emerges from ethically enacted HRM practices and justice-based interpretations, especially in conditions of economic uncertainty where HRM practices act as critical interstices through which material outcomes and moral assessments about how decisions are made, communicated and justified (Harrison, 2018), and that ethical leadership, HRM practices and organizational justice act interdependently as a moral governance system that ultimately can retain legitimacy, cooperation and relational stability in organizations facing severe and adverse economic pressures through restructuring.

VII. DISCUSSION RELATED TO THE STUDY

The findings and arguments advanced in this conceptual study carry several important theoretical, managerial, and policy-related implications for understanding ethical leadership and trust in human resource management during periods of economic uncertainty and organizational restructuring, as they extend ethical leadership theory beyond stable organizational settings by demonstrating that its relevance is amplified rather than diminished under crisis conditions, where leaders' moral consistency, transparency, and fairness become critical sensemaking cues that shape employee interpretations

of organizational legitimacy and future reliability, thereby reframing ethical leadership not merely as a desirable leadership style but as a foundational governance mechanism that stabilizes trust when formal structures, psychological contracts, and job security expectations are disrupted (Brown & Mitchell, 2010; Hannah et al., 2011); from a theoretical standpoint, the study contributes by repositioning HRM as a moral governance system rather than a neutral administrative function, highlighting how HR practices enacted during restructuring—such as layoffs, redeployment, and performance recalibration—operate as ethical signals that translate leadership values into tangible experiences of justice or injustice, thus integrating ethical leadership theory with organizational justice and social exchange perspectives to explain how trust is preserved or eroded through processes rather than outcomes alone; managerially, the discussion underscores ethical leadership as a trust-stabilizing mechanism in restructuring contexts, suggesting that leaders who consistently articulate values-based rationales for difficult decisions, demonstrate moral courage by acknowledging harm, and ensure alignment between espoused values and enacted HR policies are better positioned to maintain employee cooperation, reduce resistance, and sustain relational stability even when economic conditions necessitate painful trade-offs, while HR leaders emerge as central actors in ethical sensemaking and communication by interpreting leadership decisions, designing fair and transparent HR processes, and acting as buffers who advocate dignity, voice, and procedural consistency on behalf of employees; for example, HR leaders' ability to frame layoffs within transparent criteria, provide advance notice, and communicate empathetically can significantly influence whether employees perceive restructuring as a necessary and principled response to external constraints or as an opportunistic breach of trust; at the policy and ethical level, the study highlights the need for clearer ethical standards governing restructuring practices, as employment decisions during economic downturns carry heightened moral and social consequences, implying that organizations should institutionalize humane HR policies that emphasize transparency, documentation, employee voice, and respectful treatment as minimum ethical requirements rather than discretionary practices, particularly in light of growing societal

scrutiny, regulatory expectations, and reputational risks associated with perceived unethical workforce actions; taken together, these implications suggest that organizations navigating sustained economic uncertainty must move beyond efficiency-driven restructuring logics and adopt explicitly ethical frameworks for leadership and HRM, recognizing that trust, once eroded, is difficult to rebuild and that the long-term viability of organizations depends not only on financial recovery but also on maintaining moral legitimacy and relational capital through ethically grounded leadership and human-centered HR practices.

VIII. LIMITATIONS OF THE CONCEPTUAL STUDY

The present paper, despite its theoretical contributions, suffers from several major limitations that must be borne in mind whilst interpreting its arguments and implications, most importantly the lack of empirical testing, given that the paper is deliberately conceptual in nature, offering no primary or secondary data to support in statistical or qualitative terms the proposed relationships between ethical leadership, HRM practices, organizational justice, and employee trust, meaning that the propositions put forth here remain theoretically plausible, but remain also contingent by contextual contingencies, differences in implementation, or unobserved moderating factors that rigorous empirical research such as longitudinal surveys, comparative case studies, or mixed-method designs might reveal in full, particularly as trust dynamics and ethical perceptions are inherently subjective and socially constructed (Colquitt et al., 2001; Dirks & Ferrin, 2002); a second important limitation relates to the context specificity of the model to restructuring environments, since the conceptual model sits squarely within a context characterized by economic uncertainty, downsizing, and organizational change, characterized by high emotional intensity and moral sensitivity, raising the question how far reaching its insights are in organizational contexts with other psychological and institutional conditions, more stable or lower in intensity, where trust, leadership behaviour, and HR practices might operate differently, suggesting that ethical leadership might function differently in routine settings than in periods of disruption, and where the

salience of justice and transparency mechanisms might vary radically between industries, organizational sizes, and cultural or regulatory environments; additionally, the study is focused primarily on uncertainty driven by restructuring but potentially underestimating other sources of uncertainty such as technological disruption, geopolitical instability, or public health crises that might interact with ethical leadership and HRM in others ways; a third limitation stems from the highly dynamic and evolving nature of economic uncertainty itself, with macroeconomic conditions, labour market dynamics, and organizational responses continuing to shift rapidly through August 2023, implying the ethical challenges, trust expectations, and HRM practices discussed in this paper may take on different forms and saliences over time, particularly as organizations cycle through repeated restructuring episodes or as new regulatory, social, and normative pressures emerge, meaning that any static conceptual model will struggle to adequately recognize the temporal complexity, feedback loops, and adaptation processes that is intrinsic to prolonged uncertainty; moreover, the relational nature of trust and ethical leadership, particularly as constructs that develop and erode over time, means that the cross-sectional logic inherent to many conceptual models is unlikely to avoid obscuring an important haul of temporal patterns, such as delayed trust repair or cumulative trust erosion or path dependence effects following repeated ethical breaches or fair treatment; finally, and as with many theory-integration efforts, the synthesis of ethical leadership theory, organizational justice, social exchange, and psychological contract perspectives whilst lending conceptual richness may oversimplify micro-processes, power dynamics, and informal practices that indirectly shape how HR decisions are exercised and experienced during restructuring, pointing to the need for future research to empirically refine, contextualize, and challenge the assumptions articulated here, and to test possible boundary conditions under which ethical leadership can realistically function as a trust-preserving mechanism in environments of prolonged economic uncertainty.

IX. DIRECTIONS FOR FUTURE RESEARCH

Building on the conceptual arguments advanced in this study, several promising directions for future research emerge that can deepen and empirically substantiate understanding of ethical leadership and trust in human resource management during economic uncertainty and organizational restructuring, foremost among which is the need for systematic empirical testing of the proposed propositions, as quantitative studies using multi-source survey data, structural equation modeling, or experimental vignette designs could validate the theorized relationships between ethical leadership behaviours, HRM practices, organizational justice perceptions, and employee trust, while qualitative approaches such as in-depth case studies or interviews could capture employees' lived experiences of ethical leadership and HR decision-making under restructuring conditions, thereby addressing the inherent subjectivity and context dependence of trust dynamics (Colquitt et al., 2001; Dirks & Ferrin, 2002); furthermore, longitudinal trust recovery studies represent a particularly important avenue for future inquiry, as trust erosion and repair are temporal processes that unfold over extended periods rather than discrete events, suggesting that researchers should examine how trust trajectories evolve before, during, and after restructuring episodes, how repeated cycles of downsizing affect cumulative trust and psychological contract perceptions, and under what conditions ethical leadership and fair HRM practices can facilitate trust rebuilding following perceived breaches, especially in organizations experiencing prolonged or recurrent economic instability (Morrison & Robinson, 1997; Kramer, 1999); additionally, cross-cultural comparisons and sectoral comparisons are essential to enhance the generalizability and contextual sensitivity of ethical leadership and HRM theories, as cultural norms regarding authority, fairness, transparency, and employee voice as well as sector-specific institutional arrangements and labor regulations are likely to shape how ethical leadership is enacted and how trust in HRM practices is formed during restructuring, implying that findings from private-sector organizations in liberal market economies may differ substantially from those in public-sector settings, highly regulated industries, or collectivist cultural contexts, where expectations of procedural justice and

leadership responsibility may differ (House et al., 2004; Jackson et al., 2011); finally, an emerging and increasingly salient direction for future research concerns ethical leadership in AI-supported restructuring decisions, as organizations through 2025 have begun experimenting with algorithmic and AI-assisted tools to support workforce analytics, layoff simulations, and redeployment planning, raising new ethical challenges related to transparency, accountability, bias, and the moral distancing of leaders from decisions that significantly affect employees' livelihoods, thereby creating fertile ground for research examining how ethical leaders can govern and contextualize AI-supported HR decisions, maintain human oversight, and preserve trust when technological systems are introduced into already sensitive restructuring processes (Leicht-Deobald et al., 2019; Martin, 2019); collectively, these future research directions underscore the importance of moving beyond static, cross-sectional perspectives toward more dynamic, comparative, and technologically informed investigations that capture the evolving moral, relational, and governance complexities of ethical leadership and trust in human resource management during sustained economic uncertainty.

CONCLUSION

By way of conclusion, this conceptual paper has argued that ethical leadership is the central mechanism, and perhaps, an ever more vital ingredient in maintaining trust in HRM practices during periods of economic uncertainty and organizational transformation, as macroeconomic instability stretches as far as the eye could see, and trends of recurring downsizings, and workforce reconfigurations continue through mid-2025, and the heightened vigilance of employees to how their security, dignity, and future mobility, is managed and communicated, have cast HRM with a role that is much more than a set of administrative policies and procedures, but as a crucial moral interface between systems of organizational governance and employees; drawing on streams from ethical leadership theory, organizational justice, social exchange and psychological contract perspectives, the paper has argued that the erosion of trust that follows restructuring is less due to adverse outcomes per se

than to perceived ethical failures in decision processes, leadership continuity and HRM implementation, illustrating that ethical leadership—which develops its trust-preserving influence in relationship through integrity, fairness, transparency and moral courage—acts as stabilizing force by providing normative clarity and relational continuity when formal structures and expectations are upended; it also shows that ethical leadership operates as a visible ethical signal, such that transparent layoff criteria, respectful and timely communication, opportunities for employee voice, and consistent enforcement of policies and procedures, have the potential to mitigate the distrust engendered by uncertainty, and as a result, to maintain the legitimacy of organisations, even in an economically dire context, whereas opaque, inconsistent or entirely efficiency-driven HR actions have the potential to intensify perceptions of injustice and psychological contract breach; then, critically, it calls for a profound turn towards a trust-centred, human-focused HRM during restructuring, positing that organizations going through uncertainty need to rise above the short-term cost rationalization logic that only realizes economic benefits through excess downsizings and institutionalize trust as a form of relational capital that determines employee cooperation, resilience, and long-term capability development, especially, in knowledge and service intensive environments where discretionary effort and commitment remain critical aspects of traversing out of the crisis; Ultimately, by positioning ethical leadership and HRM as mutually reinforcing components of a natural governance system, this paper makes contributions to theory, by extending ethical leadership scholarship in crisis contexts and reconceptualizing HRM as an ethical consequential practice rather than a neutral executor of strategy, and to a normative appeal for practitioners and policy makers to institutionalize humane, transparent and ethically governed HR policies as core organizational commitments rather than reactive responses; and finally, it argues that trust and fair treatment are attributes that determine the long-term sustainability and legitimacy of organizations as much as cost efficiency, and that during times of far-reaching uncertainty, the success of organizational restructuring endeavour is not limited to economic deliverables, but conditional to leaders treating employees with fairness and compassion, governing HR decisions ethically, and restoring trust as a

collaborative resource that holds the key to saluting organizational disruption with dignity and respect of human dignity.

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