

# Perceived Diversity, Inclusive Leadership, and Discrimination: The Mediating Role of Inclusion on Employee Well-Being

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## Abstract

**Purpose:** This study examines how perceived diversity, inclusive leadership, and discrimination impact employee well-being, with employee inclusion as a mediator. It highlights the importance of inclusive leadership and the absence of discrimination for positive workplace outcomes and addresses the limited research on these relationships in Indonesia.

**Research Methodology:** This study employed a quantitative survey design. Data were collected from 206 permanent employees of PT XYZ Bekasi using purposive sampling. The data were analyzed using structural equation modeling partial least squares (SEM-PLS) with SmartPLS 4 to assess both direct and indirect relationships among the variables.

**Results:** Perceived diversity does not significantly affect employee inclusion. Inclusive leadership positively impacts both inclusion and well-being, while discrimination negatively affects inclusion. Employee inclusion positively influences well-being and mediates the effects of leadership and discrimination on well-being, but not the effect of perceived diversity.

**Conclusions:** Employee inclusion plays a crucial role in enhancing employee well-being, particularly through inclusive leadership practices and discrimination reduction. Perceived diversity alone is insufficient to foster inclusion or well-being without supportive organizational practices.

**Limitations:** This study was limited to a single organization and employed a cross-sectional design, which may restrict the generalizability and causal interpretation of the findings.

**Contributions:** This study contributes to the literature by highlighting employee inclusion as a key psychological mechanism linking inclusive leadership and discrimination to employee well-being in diverse organizational settings in Indonesia.

**Keywords:** *Discrimination, Employee Inclusion, Employee Well-Being, Inclusive Leadership, Perceived Diversity*

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## 1. Introduction

Workplace diversity has increasingly become a primary characteristic of modern organizations, both in demographic and non-demographic aspects, such as age, gender, ethnic background, values, education, and work experience. Although diversity is often viewed as a source of competitive advantage, various studies indicate that it does not always produce positive impacts if it is not effectively managed. Inappropriate diversity management may lead to social tension, psychological exclusion, discrimination, and reduced employee trust and well-being. ([Alam & Shin, 2021](#); [Ali, Khan, Rais, & Gul, 2023](#)).

In this context, inclusion is a key element in managing organizational diversity. Inclusion refers to the condition in which employees feel valued, accepted, and meaningfully involved in the work environment. Previous research indicates that employee inclusion can strengthen social relationships among employees, enhance collaboration, and support psychological well-being in the workplace ([Dudek, 2023](#); [Jaiswal & Dyaram, 2020](#)). Thus, the success of diversity management is not only determined by the existence of differences themselves but also by the extent to which the organization can create an inclusive work environment.

The role of leadership is highly crucial in shaping an inclusive work environment. Inclusive leadership, characterized by openness, accessibility, and responsiveness to individual differences, has been shown to contribute to the creation of psychological safety, work engagement, and employee well-being. Empirical findings indicate that inclusive leadership encourages better-quality working relationships and enhances employees' perceptions of inclusion ([Prinhandaka, Rohman, & Wijaya, 2023](#)).

In addition, leadership has broader implications for organizational performance and development through the formation of a positive and sustainable work climate ([Makambe & Moeng, 2019](#); [Saha, Roy, & Akber, 2025](#)). Conversely, workplace discrimination, whether based on age, gender, social background, or ethnicity, can weaken perceptions of inclusion and negatively affect employee well-being. Discrimination has been shown to increase psychological distress, feelings of alienation, and reduce work well-being, particularly among vulnerable employee groups. In the long term, such conditions not only harm individuals but also hinder the creation of a healthy and productive work environment ([Lee et al., 2017](#)).

Several previous studies have highlighted the role of employee inclusion as a mediator in the relationship between organizational characteristics and employee well-being. Empirical studies indicate that leadership can indirectly influence employee well-being through psychological mechanisms, such as innovative work behavior and work engagement ([Piri & Abdi, 2025](#)). However, empirical findings regarding the relationship between perceived diversity, inclusion, and employee well-being have shown inconsistent results. Some studies have found that perceived diversity is positively associated with inclusion and employee well-being, whereas others have indicated that diversity does not automatically produce positive impacts without the support of concrete organizational practices ([Alam & Shin, 2021](#); [Alexandra, Ehrhart, & Randel, 2021](#)).

In addition, most previous studies have examined inclusive leadership and discrimination separately; therefore, the understanding of how these two factors simultaneously influence employee inclusion and well-being remains limited. Furthermore, the role of employee inclusion as a psychological mechanism that bridges the relationship between perceived diversity, inclusive leadership, discrimination, and employee well-being has rarely been tested comprehensively within an integrated model. This limitation is increasingly evident in the context of organizations in Indonesia, which have a high level of social and cultural diversity but still lack supporting empirical evidence.

Based on this research gap, this study is important for integrating perceived diversity, inclusive leadership, and discrimination within a comprehensive conceptual framework and examining the mediating role of employee inclusion in employee well-being in the context of Indonesian organizations. Thus, this study is expected to provide theoretical contributions to the development of diversity and inclusion literature and practical contributions for organizations in designing more inclusive human resource management strategies oriented toward employee well-being.

## **2. Literature Review and Hypothesis/es Development**

### **2.1 Perceived Diversity toward Employee Inclusion**

Perceived diversity reflects how employees interpret diversity in the workplace, which shapes their social and psychological experiences. Various studies have shown that positive perceptions of diversity can encourage the formation of a more inclusive work environment when diversity is viewed as a source of learning and contribution, rather than merely demographic differences ([Alexandra et al., 2021](#); [Jaiswal & Dyaram, 2020](#)). However, empirical findings also indicate that the influence of perceived

diversity on inclusion is not always consistent and is highly dependent on how diversity is interpreted and managed within the organization ([Ali et al., 2023](#)). Therefore, perceived diversity is expected to serve as an initial trigger for the formation of employee inclusion.

*H<sub>1</sub>*: Perceived diversity positively affects employee inclusion.

### **2.2 Inclusive Leadership toward Employee Inclusion**

Inclusive leadership emphasizes openness, accessibility, and responsiveness of leaders toward individual differences, thereby creating psychological safety and increasing feelings of acceptance in the workplace. Inclusive leaders play an important role in shaping fair and open work climates through mechanisms such as belongingness, perceived insider status, and quality of working relationships ([Furtado, Carvalho, & Sobral, 2024](#); [Naseer, Bouckennooghe, Syed, & Haider, 2024](#)). Empirical findings indicate that inclusive leadership practices consistently enhance employee inclusion and strengthen employee engagement ([Prinhandaka et al., 2023](#)).

*H<sub>2</sub>*: Inclusive leadership positively affects employee inclusion.

### **2.3 Discrimination toward Employee Inclusion**

Discrimination refers to the unfair treatment of certain individuals or groups that undermines the sense of being accepted and recognized in the workplace. Research shows that experiences of discrimination directly reduce employee inclusion by increasing social isolation, psychological distress, and feelings of alienation, particularly among minority groups ([Anushka & Shivani, 2024](#); [Howard, 2024](#)). Thus, discrimination is viewed as a major barrier to the formation of an inclusive work environment.

*H<sub>3</sub>*: Discrimination negatively affects employee inclusion.

### **2.4 Employee Inclusion toward Employee Well-Being**

Employee inclusion is a psychological condition that directly contributes to employee well-being because it fulfills the basic needs for acceptance and recognition. Several studies have shown that employee inclusion consistently enhances psychological well-being, work engagement, and employee satisfaction ([Dudek, 2023](#)). In addition, inclusion often functions as a key mechanism that explains how organizational factors influence employee well-being ([Ali et al., 2023](#); [Jaiswal & Dyaram, 2020](#)).

*H<sub>4</sub>*: Employee inclusion positively affects employee well-being.

### **2.5 Inclusive Leadership toward Employee Well-Being**

Inclusive leadership not only affects well-being through inclusion but can also provide a direct influence by creating a fair, supportive, and responsive work environment toward individual needs. Studies show that inclusive leadership enhances employee well-being by reducing burnout, strengthening psychological capital, and increasing work engagement ([Adams, Meyers, & Sekaja, 2020](#); [Ashmawy, 2023](#)). Thus, inclusive leadership is expected to positively contribute to employee well-being.

*H<sub>5</sub>*: Inclusive leadership positively affects employee well-being.

### **2.6 Employee Inclusion as a Mediator between Perceived Diversity and Employee Well-Being**

The relationship between perceived diversity and employee well-being shows inconsistent results, indicating the presence of a mediating mechanism. Research has shown that diversity provides psychological benefits only when employees feel accepted and meaningfully involved ([Ali et al., 2023](#)). Thus, employee inclusion acts as a mediator, explaining how perceived diversity influences employee well-being.

*H<sub>6</sub>*: Employee Inclusion mediates the relationship between Perceived Diversity and Employee Well-Being.

### **2.7 Employee Inclusion as a Mediator between Inclusive Leadership and Employee Well-Being**

Inclusive leadership is believed to enhance employee well-being by creating an inclusive work environment. Several studies have shown that employee inclusion is the main psychological mechanism that bridges the influence of inclusive leadership on employee well-being ([Adams et al., 2020](#); [Jha, Pal, & Sarkar, 2024](#)). Therefore, employee inclusion is expected to mediate the relationship between inclusive leadership and employee well-being.

*H*<sub>7</sub>: Employee Inclusion mediates the relationship between Inclusive Leadership and Employee Well-Being.

### 2.8 Employee Inclusion as a Mediator between Discrimination and Employee Well-Being

Discrimination has a negative impact on employee well-being; however, inclusive practices within the organization can mitigate this impact. Employee inclusion functions as a psychological mechanism that protects employees from the harmful effects of discrimination by increasing feelings of acceptance and social support (Adams et al., 2020; Chen & Tang, 2018). Thus, employee inclusion is expected to mediate the relationship between discrimination and employee well-being.

*H*<sub>8</sub>: Employee Inclusion mediates the relationship between Discrimination and Employee Well-Being.

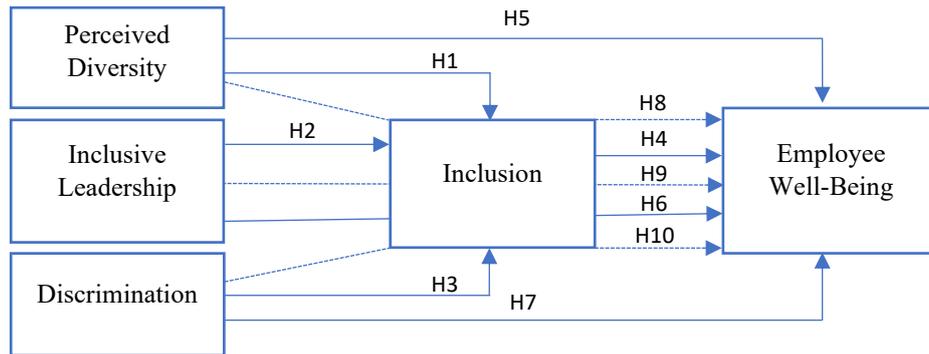


Figure 1. Conceptual framework

## 3. Methodology

This study uses a quantitative survey method to examine the relationships between perceived diversity, inclusive leadership, discrimination, employee inclusion, and employee well-being. The research was conducted among permanent employees of PT XYZ Bekasi, a manufacturing organization with a high level of ethnic and social diversity, making it relevant to examine the dynamics of diversity and inclusion in the context of Indonesian organizations. Respondents were selected using purposive sampling technique with a minimum tenure criterion of one year, and 206 respondents were obtained, a number considered adequate for partial least squares structural equation modeling (PLS-SEM) analysis based on recommendations (Hult et al., 2018).

The measurement instruments for perceived diversity, employee inclusion, and employee well-being refer to Jaiswal and Dyaram (2020), inclusive leadership to Al-Atwi and Al-Hassani (2021), and discrimination to James, Lovato, and Cropanzano (1994), with all items measured using a five-point Likert scale. Data analysis was conducted using SmartPLS 4 through evaluation of the measurement and structural models, including tests of validity, reliability, collinearity, and significance testing of the relationships between variables through bootstrapping. Although the survey method allows efficient data collection, this study may face common method bias due to the use of self-reported data, as well as limitations in causal inference because of the cross-sectional design; therefore, the results of the study should be interpreted cautiously.

## 4. Results and Discussions

### 4.1 Descriptive Analysis of Respondents

This section explains the demographic characteristics of the respondents as well as the results of the evaluation of the measurement and structural models. Table 1 presents the respondent profile, which includes gender, age group, and tenure. This information provides important context for understanding the research findings and ensuring that the sample used represents the conditions of employees within the organization.

Table 1. Respondent Profile (n=206)

No	Criteria	Category	Frequency (n)	Percentage (%)
1	Gender	Male	185	89,81
		Female	21	10,19
2	Age	<25	18	8,74
		26-35	93	45,15
		36-45	58	28,16
		>45	37	17,96
3	Tenure	<1 year	26	12,62
		1-3 year	33	16,02
		>3 year	147	71,36

Table 1 presents the respondent profile, providing an initial overview of the demographic characteristics of the employees involved in the study and helping to ensure that the sample used reflects the real conditions in the workplace at PT XYZ Bekasi. Based on the data obtained, the majority of respondents are male, accounting for 89.81%, while females account for 10.19%. This composition shows that the company’s workforce is dominated by male employees, a common characteristic in the manufacturing sector, which is the context of this study.

Regarding age groups, the respondents are predominantly employees aged 26 to 35 years, accounting for 45.15%, followed by those aged 36 to 45 years at 28.16%, and those over 45 years at 17.96%. Respondents under 25 years old account for only 8.74%. This distribution indicates that most of the respondents are in their productive years, a range typically associated with high work intensity and direct involvement in operational processes, making it relevant to assess their experiences related to diversity, inclusive leadership, and psychological conditions at work.

Based on tenure, employees with more than three years of experience make up the largest group at 71.36%, while employees with one to three years of experience represent 16.02%, and those with less than one year of experience account for 12.62%. The dominance of respondents with longer tenure provides methodological advantages, as they have a more stable understanding of organizational culture, interaction patterns, and leadership dynamics and treatment experienced at work. This condition makes the data obtained more representative for assessing perceptions of diversity, inclusion, and employee well-being. Overall, the demographic characteristics of the respondents show that the research sample reflects the real workforce structure of the company and provides a solid foundation for interpreting the relationships between variables in the research model.

#### 4.2 Measurement Model Evaluation

Convergent validity is used to assess the extent to which indicators consistently measure the same variable. As shown in Table 2, all indicators had outer loading values above 0.60, and each variable showed an AVE value exceeding 0.50; thus, convergent validity was satisfied.

Tabel 1. Convergent Validity Result (Outer Loadings and AVE)

Latent Variable	Item Code	Loading Factor	AVE	Description
PD	PD1	0,683	0,695	Valid
	PD2	0,721		Valid
	PD3	0,765		Valid
	PD4	0,855		Valid
	PD5	0,676		Valid
IL	IL1	0,791	0,532	Valid
	IL2	0,794		Valid
	IL3	0,784		Valid
	IL4	0,797		Valid
	IL5	0,737		Valid

	IL6	0,763		Valid
	IL7	0,795		Valid
<i>D</i>	D1	0,839	0,632	Valid
	D2	0,897		Valid
	D3	0,881		Valid
	D4	0,703		Valid
<i>EI</i>	EI1	0,754	0,609	Valid
	EI2	0,837		Valid
	EI3	0,803		Valid
	EI4	0,816		Valid
	EI5	0,748		Valid
	EI6	0,806		Valid
	EI7	0,796		Valid
<i>EB</i>	EB1	0,736	0,552	Valid
	EB2	0,808		Valid
	EB3	0,728		Valid
	EB4	0,764		Valid
	EB5	0,757		Valid
	EB6	0,657		Valid
	EB7	0,641		Valid

Discriminant validity was used to ensure that each variable was empirically distinct. The assessment was performed using the Heterotrait Monotrait Ratio (HTMT) with a recommended threshold value of 0.90 (Hair, 2014). As shown in Table 3, all HTMT values were below this threshold; therefore, discriminant validity was considered adequate, and each variable did not overlap with one another.

Tabel 2. Discriminant Validity (HTMT Ratio)

Variable 1	Variable 2	HTMT Value
<i>EB</i>	<i>D</i>	0,721
<i>EI</i>	<i>D</i>	0,807
<i>EI</i>	<i>EB</i>	0,840
<i>IL</i>	<i>D</i>	0,665
<i>IL</i>	<i>EB</i>	0,647
<i>IL</i>	<i>EI</i>	0,677
<i>PD</i>	<i>D</i>	0,389
<i>PD</i>	<i>EB</i>	0,389
<i>PD</i>	<i>EI</i>	0,341
<i>PD</i>	<i>IL</i>	0,432

Reliability testing is conducted to ensure the internal consistency of each variable using Cronbach's Alpha, Composite Reliability (CR), and rho\_A. The testing results presented in Table 4 show that all variables met or exceeded this minimum threshold. These findings confirm that all latent variables were measured reliably. These findings confirm that all latent variables have been measured reliably.

Tabel 3. Construct Reliability

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Status
<i>D</i>	0,849	0,850	0,900	Reliabel
<i>EB</i>	0,853	0,857	0,888	Reliabel
<i>EI</i>	0,903	0,906	0,923	Reliabel
<i>IL</i>	0,893	0,897	0,916	Reliabel
<i>PD</i>	0,800	0,819	0,859	Reliabel

### 4.3 Structural Model Evaluation

After ensuring the reliability and validity of the measurement model, the analysis proceeds to the structural model (inner model) in PLS SEM to assess the predictive strength and significance of the hypothesized relationships between variables.

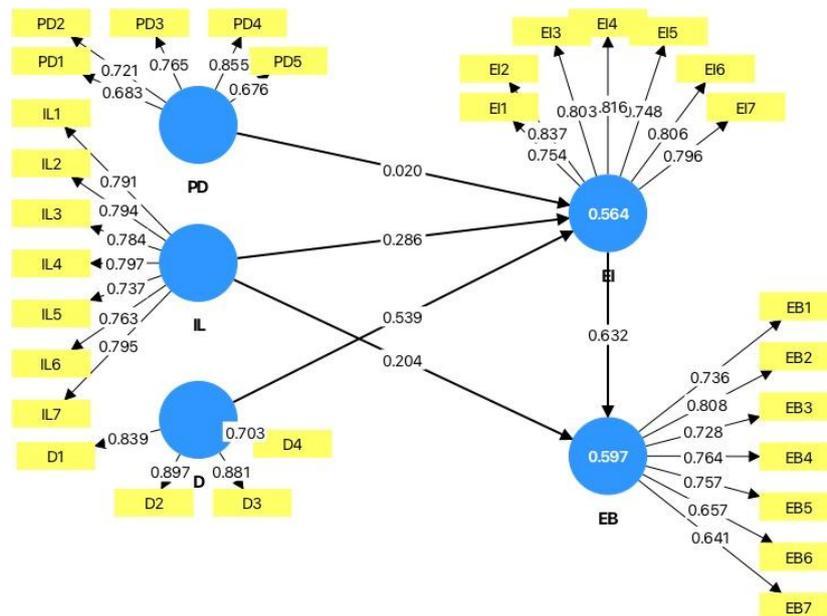


Figure 2. Results of Structural Model Evaluation

#### 4.3.1 Coefficient of Determination ( $R^2$ )

The R Square ( $R^2$ ) value indicates the extent to which exogenous variables can explain the variance of endogenous variables.  $R^2$  values of 0.75, 0.50, and 0.25 are categorized as substantial, moderate, and weak, respectively. The  $R^2$  results presented in Table 5 show that employee inclusion has an  $R^2$  value of 0.564, which falls into the moderate category, while employee well-being has an  $R^2$  value of 0.597, which also falls into the moderate category and is close to the substantial threshold. These findings indicate that the model can adequately explain the variance of the two endogenous variables.

Table 5.  $R^2$  Values for Endogenous Variables

Endogenous Variables	R-Square	R-Square Adjusted
<i>EB</i>	0,597	0,593
<i>EI</i>	0,564	0,558

#### 4.3.2 Predictive Relevance ( $Q^2$ )

To assess predictive accuracy for out-of-sample data, the  $Q^2$  value is calculated using the PLSpredict feature in SmartPLS. [Hair Jr et al. \(2021\)](#) state that a  $Q^2$  value greater than 0 indicates predictive relevance, and a  $Q^2$  value of 0.35 or higher is categorized as strong. As shown in Table VI, both variables exceed this threshold, indicating that the model is relevant.

Table 6.  $Q^2$  Values for Endogenous Variables

Endogenous Variables	$Q^2$ Predict	Interpretasi Prediktif
<i>EB</i>	0,444	Strength
<i>EI</i>	0,531	Strength

#### 4.3.3 Model Fit Assessment SRMR

Standardized root mean square residual (SRMR) was used to assess model fit. An SRMR value  $\leq 0.08$  is generally considered to indicate an acceptable model fit. As shown in Table 7, the model obtained an SRMR value of 0.085 for the saturated model and 0.089 for the estimated model. Although both values are slightly above the 0.08 threshold, they are still within the tolerance range commonly accepted in

partial least squares structural equation modeling (PLSSEM) analysis; therefore, the model can still be considered to have an adequate fit. Additional indices, such as NFI and chi-square, further support that the research model is at an acceptable fit level.

Table 7. Model Fit Assessment (SRMR)

Item	Saturated Model	Estimated Model
SRMR	0,085	0,089
<i>d</i> ULS	3,361	3,399
<i>d</i> G	1,387	1,389
Chi-square	1392,888	1395,982
NFI	0,680	0,679

#### 4.3.4 Collinearity Assessment (VIF)

Multicollinearity is assessed using the Variance Inflation Factor (VIF). An F value below 5.0 indicates no serious multicollinearity issues. Table 8 summarizes the F values for all items.

Table 8. Collinearity Evaluation Results

Item code	Value VIF
D1	2,338
D2	3,035
D3	2,648
D4	1,382
EB1	2,103
EB2	2,431
EB3	1,715
EB4	7,774
EB5	7,949
EB6	1,403
EB7	1,342
EI1	2,120
EI2	2,606
EI3	2,390
EI4	2,389
EI5	2,145
EI6	2,647
EI7	2,473
IL1	2,259
IL2	2,402
IL3	2,090
IL4	2,261
IL5	1,900
IL6	1,979
IL7	2,077
PD1	1,347
PD2	1,567
PD3	1,695
PD4	1,975
PD5	1,637

As shown in Table 8, most items in the model have VIF values below the acceptable threshold of 5, indicating no multicollinearity issues. However, two items in the Employee Well-Being variable, namely, EB4 (VIF = 7.774) and EB5 (VIF = 7.949), are above this threshold, indicating potential multicollinearity. Nevertheless, both items are retained because they have important theoretical

relevance in describing the Employee Well-Being variable, and their removal could potentially reduce the content validity of the variable.

#### 4.3.5 Path Coefficients and Hypothesis Testing

The relationships between variables are tested using the bootstrapping procedure. Statistical significance is determined based on a t-statistic value greater than 1.96 and a p-value smaller than 0.05. Table 9 presents the results of the path coefficient tests, which include direct and indirect effects through the mediating variables, providing a comprehensive overview of the relationships between variables in the research model.

Hypothesis		<i>Original Sample (O)</i>	<i>t-statistics</i>	<i>p-values</i>	Description.
<i>H<sub>1</sub></i>	<b>PD → EI</b>	0,020	0,327	0,744	H1 rejected
<i>H<sub>2</sub></i>	<b>IL → EI</b>	0,204	3,126	0,002*	H2 accepted
<i>H<sub>3</sub></i>	<b>D → EI</b>	0,539	8,919	0,000*	H3 accepted
<i>H<sub>4</sub></i>	<b>EI → EB</b>	0,632	9,731	0,000*	H4 accepted
<i>H<sub>5</sub></i>	<b>IL → EB</b>	0,286	4,307	0,000*	H5 accepted
<i>H<sub>6</sub></i>	<b>PD → EI → EB</b>	0,013	0,324	0,746	H6 rejected
<i>H<sub>7</sub></i>	<b>IL → EI → EB</b>	0,181	3,911	0,000*	H7 accepted
<i>H<sub>8</sub></i>	<b>D → EI → EB</b>	0,340	6,547	0,000*	H8 accepted

Based on Table 9, the results of the testing show that perceived diversity does not significantly affect employee inclusion; therefore, H1 was rejected. In contrast, inclusive leadership and discrimination have a significant positive effect on employee inclusion; therefore, H2 and H3 are accepted. Furthermore, employee inclusion and inclusive leadership were found to significantly positively affect employee well-being; therefore, H4 and H5 are accepted. In mediation testing, employee inclusion does not mediate the relationship between perceived diversity and employee well-being (H6 was rejected). However, employee inclusion significantly mediates the relationship between inclusive leadership and employee well-being, as well as the relationship between discrimination and employee well-being (H7 and H8 were accepted). Overall, these findings emphasize that employee inclusion is a key variable that bridges the influence of inclusive leadership and perceived discrimination on employee well-being.

#### 4.4 Discussion

This study clarifies how organizational dynamics, specifically perceived diversity, inclusive leadership, and discrimination, shape employee inclusion and employee well-being. While the initial theoretical framework suggests that perceived diversity can enhance inclusion and well-being, the findings indicate that the relationships between these variables are more complex and contextual. These results affirm that behavioral factors and organizational practices play a more decisive role than diversity, which is merely perceptual.

The results of the study show that perceived diversity does not significantly affect employee inclusion. Theoretically, perceived diversity is expected to enhance employees' sense of engagement and acceptance. However, without the support of managerial practices and inclusive work norms, diversity tends to be symbolic and does not result in meaningful interactions ([Alam & Shin, 2021](#); [Jaiswal & Dyaram, 2020](#); [Kuknor & Bhattacharya, 2022](#)). These findings are in line with research that emphasizes the need for diversity to be followed by cultural intelligence, fair policies, and leadership support to impact employee inclusion ([Alexandra et al., 2021](#); [Ali et al., 2023](#)). In a broader context, these findings are also consistent with the results of [Piri and Abdi \(2025\)](#), who show that internal psychological mechanisms in organizations play an important role in bridging the influence of structural factors on employee well-being.

In contrast, inclusive leadership has been shown to have a positive and significant effect on employee inclusion. Leaders who are open, fair, and responsive can create a psychologically safe climate, making employees feel valued and involved ([Furtado et al., 2024](#); [Kaur & Jaiswal, 2025](#); [Kusurkar, 2024](#);

[Naseer et al., 2024](#)). These findings emphasize the central role of leadership in shaping employees' inclusion experience, particularly in organizations with hierarchical structures such as PT XYZ Bekasi. This result is further supported by Goodwood's findings, which show that the quality of working relationships and leadership support are key determinants in building an inclusive and productive work climate ([Makambe & Moeng, 2019](#); [Prinhandaka et al., 2023](#)). The results also indicate that discrimination has a negative and significant effect on employee inclusion. Experiences of unfair treatment, both explicit and implicit, decrease employees' sense of justice and attachment to the organization ([Lee et al., 2017](#); [Pervaiz, Khan Afridi, & Gill, 2024](#); [Triana, Jayasinghe, & Pieper, 2015](#)). These findings emphasize that discrimination, although often subtle, can significantly undermine efforts to create an inclusive work environment ([Yu & Lee, 2024](#)).

Furthermore, employee inclusion has been shown to have a positive and significant effect on employee well-being. Feeling accepted and involved enhances employees' psychological well-being, reduces work stress, and strengthens work motivation and engagement ([Dudek, 2023](#); [Jaiswal & Dyaram, 2020](#); [Jerónimo, Henriques, & Carvalho, 2022](#); [Yuming & Zhuoxin, 2022](#)). These findings emphasize that inclusion is an important psychological mechanism that links the work context with employee well-being.

This study also shows that inclusive leadership has a direct positive effect on employee well-being. Inclusive leaders contribute to the creation of a supportive, fair, and emotionally healthy work environment and are able to reduce the risk of work burnout ([Adams et al., 2020](#); [Ashmawy, 2023](#); [Umrani, Bachkirov, Nawaz, Ahmed, & Pahi, 2024](#)). These findings are in line with Goodwood's research results, which emphasize the role of leadership in building sustainable organizations focused on employee well-being ([Saha et al., 2025](#)).

The mediation analysis results indicate that employee inclusion does not mediate the relationship between perceived diversity and employee well-being. This finding strengthens the argument that perceived diversity does not automatically impact well-being without tangible inclusive practices ([Alexandra et al., 2021](#); [Ali et al., 2023](#); [Jha et al., 2024](#)). In contrast, employee inclusion was found to mediate the relationship between inclusive leadership and employee well-being, indicating that inclusive leadership improves employee well-being through enhanced inclusion experiences ([Furtado et al., 2024](#); [Kaur & Jaiswal, 2025](#)).

Additionally, employee inclusion mediates the relationship between discrimination and employee well-being, suggesting that an inclusive climate acts as a protective mechanism that reduces the negative impact of discrimination on employee well-being ([Lee et al., 2017](#); [Murtiasih, Junaidi, Dewantoro, & Irvan, 2023](#); [Ramdas & Sudha, 2025](#); [Yu & Lee, 2024](#)). Overall, the results of this study emphasize that improving employee well-being cannot be achieved solely through diversity but requires consistent inclusive leadership and the elimination of discriminatory practices. Therefore, organizations need to integrate diversity into work practices by strengthening inclusive leadership, implementing effective anti-discrimination policies, and creating organizational mechanisms that can transform diversity into meaningful inclusion experiences that positively impact employee well-being.

## **5. Conclusions**

### **5.1 Conclusion**

This study aimed to examine the effects of perceived diversity, inclusive leadership, and discrimination on employee inclusion and employee well-being, as well as the mediating role of employee inclusion. The results showed that perceived diversity does not significantly affect employee inclusion, indicating that diversity, when merely perceived, does not automatically create a sense of acceptance and involvement in the workplace. In contrast, inclusive leadership has a significant positive effect on employee inclusion, whereas discrimination has a significant negative effect, emphasizing that leadership behavior and experiences of unfair treatment are key factors in shaping employees' inclusion experiences.

Furthermore, employee inclusion was positively associated with employee well-being, indicating that feelings of acceptance and involvement play an important role in improving employees' psychological well-being. Inclusive leadership also has a direct positive effect on employee well-being, reinforcing the role of leaders in creating a healthy emotional work environment. The mediation testing results showed that employee inclusion does not mediate the relationship between perceived diversity and employee well-being. However, employee inclusion was found to mediate the relationship between inclusive leadership and employee well-being, as well as between discrimination and employee well-being. Overall, these findings emphasize that the quality of inclusive leadership and minimization of discriminatory practices play a more decisive role in improving employee inclusion and well-being than perceived diversity alone.

### **5.2 Research Limitations**

This study has several limitations that should be considered. First, the cross-sectional design limits the ability to draw causal conclusions between variables. Second, the study was conducted in a single organization, PT XYZ Bekasi; therefore, generalizing the findings to other organizations should be done with caution. Third, all variables were measured using employee perception-based instruments, which may introduce subjective bias and common method bias. In addition, this study did not explore other contextual factors, such as organizational culture or middle management leadership styles, which may influence the relationships between variables.

### **5.3 Suggestions and Directions for Future Research**

Based on the findings and limitations of the study, future research is recommended to use a longitudinal design to gain a stronger understanding of the causal relationships between variables. Furthermore, expanding the research context to various organizations and industrial sectors can enhance the generalizability of the findings. Future studies could also combine quantitative and qualitative approaches to gain a deeper insight into employees' experiences related to inclusion and discrimination. From a practical perspective, organizations are advised to prioritize strengthening inclusive leadership competencies and the consistent implementation of antidiscrimination policies as key strategies to improve employee inclusion and well-being.

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### **Author Contributions**

SP contributed to the conceptualization, study design, data collection, manuscript drafting, and final approval. MM was responsible for data analysis, manuscript revision, supervision, and final approval. All authors reviewed and approved the final manuscript.

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