



**EFFECT OF OUTSOURCING ON EMPLOYMENT  
RELATIONS IN NIGERIA: A STUDY OF SHELL PETROLEUM  
PRODUCING AND DEVELOPMENT COMPANY**

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**Abstract:**

This study investigates the effect of outsourcing practice on employment relations in Multinational Corporations with special focus on Shell Petroleum Producing and Development Company (SPDC). The study also examined the importance of employment relations in organizational performance. Descriptive research methodology was adopted in this study. The questionnaire that was administered in the field survey was the abbreviated version of Hewitt's Human Resource Outsourcing Survey Questionnaire. The research findings showed that: the management of SPDC engages in unfair labour practices in order to trivialize workers conditions of service; mere transferring human resource management to a third party does not necessarily improve labour-management relations; outsourcing affects workers' performance in Nigeria; there is positive relationship between employment relations and organisational performance. Based on the research findings, it recommends that the management of SPDC must discontinue its unfair labour practices; should improve the working conditions of its contract staff and show more interest in their career development; should focus attention on fostering mutual employment relations by ensuring that all its human resource policies are not counter-productive especially its outsourcing policy.

**JEL:** L20; L23; L53

**Keywords:** outsourcing, employment relations, workers' commitment, SPDC

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## 1. Introduction

Unemployment occurs when a person who is actively searching for employment is unable to find work. Unemployment is often used as a measure of the health of the economy. The most frequently cited measure of unemployment is the unemployment rate. This is the number of unemployed persons divided by the number of people in the labor force. The failure of the economy to fully employ its labour force is called unemployment. In other words, unemployment is a state or condition in which a person, who is genuinely willing to work for money, is not being able to find a job. The increase in the unemployment rate was largely attributed to the increased number of school graduates with no matching job opportunities, a freeze in employment in many public and private sector institutions, the crash in the capital market which caused huge job losses, and continued job losses in the manufacturing and oil sectors. The surge in unemployment rate in Nigeria is one of the most fundamental - and many believe worrisome - problems confronting the Nigerian economy in recent years. The decline of job availability has been widely attributed to new technology, competition from foreign companies, and the outsourcing of production and service by most organizations.

As competition continues to increase, organizations are being continuously forced to find ways to improve business performance and to obtain competitive advantage. So, organisations are looking beyond the traditional boundaries of the firm to obtain performance improvement. They have been turning to outsourcing increasingly in an attempt to enhance their competitiveness, increase profitability and refocus on their core business (Azhar & Shehzadi, 2013; Adeyemi & Salami, 2008; Richtner & Rognes, 2013).

The term outsourcing can cover many areas, including the outsourcing of manufacturing as well as services. Outsourcing can involve the transfer of an entire business process to a supplier. Alternatively, outsourcing may lead to the transfer of some activities associated with the process whilst some are kept in-house. Outsourcing can also involve the transfer of both people and physical assets to the supplier.

Organisations have always employed external product and service providers to carry out a range of business activities such as security, distribution, accounting and information technology (Gachunga & Munyaka, 2013). Okere and Ezeanyeji (2014) argued that organization that employs the skills and services of a worker has a responsibility to fulfill his reasonable goals and needs. However, many organisations are increasingly outsourcing a wider range of activities and a greater level of the value associated with these activities. In effect, organisations are no longer outsourcing peripheral activities alone but extending the scope of outsourcing to encompass more critical activities that impact upon competitive position. However, the findings of Yeboah (2013) show that although outsourcing enables organizations to focus on their core business, it could cause their competitive advantage to decrease in value.

The extension of the scope of outsourcing has made its effects more pronounced.

Although a number of advantages of outsourcing have been highlighted in the literature - most of which are accruing to the organisation, its effects are most likely

hurting many aspects of workers industrial and personal lives. It does not matter what the organization is producing, outsourcing is affecting Nigerian industry and it will become a larger issue in a matter of time.

The surge in outsourcing in Nigeria and indeed around the world is causing workers to lose their jobs, across every field from manufacturing to engineering and marketing positions. Even when jobs are not lost, outsourced workers are derided and humiliated in most cases. Some outsourced core jobs to contractors are made to last for two years and in such contracts; workers are made by contractors to sign yellow dog agreement which provides that the employee must not join the union while in the service of the company. Although outsourcing is a global phenomenon in employment relations and the world is now a global village, the method of outsourcing core jobs to contractors thereby trivialising workers' job security and their conditions of service does not amount to internationally accepted best practices.

Nigeria being a low-qualified labour-intensive country, one would expect that its workers would be more affected by this trend. Besides, it is also expected that outsourcing would affect workers' performance as it depends in part on their commitment (Camilleri, 2002). Commitment or the lack thereof, drives worker behaviour in ways which can impact on output and hence organizational performance. A number of factors have been identified in the literature to determine the level of workers' commitment and some of them include: salary, benefits, management policy, leadership style, work environment etc. but little attention has been paid to employment relations as it relates to outsourcing. It is therefore worthwhile to conduct a research of this nature.

### **1.1 Research Problem**

One of the most emphasized the main motives for establishing outsourcing relationships in the literature is to obtain a win/win situation, based on an open-book principle. However, one may argue that this incentive is not fully consistent with the company that is insensitive to the plight of outsourced workers, most of whom are exposed to emotional trauma which consequently affects their morale and performance. Bockerman and Maliranta (2013) assert that the sizeable short-term adjustment costs of outsourcing to employees may reduce their well-being and explain their persistent resistance to outsourcing.

Another school of thought on the motive of outsourcing as expressed by Zappala (2000) alleges that the benefit of outsourcing is said to be the ability of improving employee relations due to shifting employee relations responsibility to a third party. This was said to be the case especially where the union representing the organisation's workers is perceived as militant or where workplace reform is being resisted. However, Rosheen and Hummayoun (2013) posit that human resource outsourcing may cause the human side of human resource to suffer because the external agencies are not well aware with the structure, culture, values and system of the organization and therefore fail to nurture commitment and loyalty among employees.

Outsourcing and its alleged negative effects on employment relations recently have generated considerable public concern in Nigeria, particularly against the backdrop of rising unemployment rate (Ogunrinola & Osabuohien, 2010). In the public debate, the dominating view appears to be that outsourcing severely threatens jobs security, a view that is fueled largely by anecdotic evidence. However, Mankiw and Swagel (2006) argued that empirical literature is able, however, to conclude that outsourcing is unlikely to have accounted for a meaningful part of the job losses in the recent downturn or contributed much to the slow labour market rebound. Robert, et al., (1997) noted that the treatment of workers displaced through outsourcing is an important area of concern. However, in the academic literature it is far from consensual what impact outsourcing has on employment relations.

However, several studies have been conducted on outsourcing. In fact, there is an impressive literature on the financial and strategic reasons why firms should outsource. Nevertheless, the influence of outsourcing on employment relations in developing countries is far less documented. Therefore, there is the need to bridge this research gap, which is the main thrust of this paper. This study does not only aim to bridge this gap, it will also go further to identifying ways by which employment relations could be enhanced in the context of outsourcing that will be beneficial to both the organizations and the workers.

## 1.2 Research Questions

The research questions that would guide this paper are stated below:

- 1) Does outsourcing affect labour-management relations?
- 2) What is the effect of outsourcing on workers' performance in Nigeria?
- 3) What role does employment relations plays in improving organisational performance?

## 1.3 Research Objectives

The broad objective of this study is to examine the effect of outsourcing on employment relations in Nigeria. The specific objectives of the study can be stated as follows:

- 1) To examine the influence of outsourcing on labour-management relations in Nigeria.
- 2) To investigate the effect of outsourcing on workers' commitment and performance in Nigeria.
- 3) To evaluate the importance of employment relations in organizational performance in Nigeria.

## 1.4 Research Hypotheses

Based on the research questions and objectives, the research hypotheses for testing during the course of the study are stated below:

- 1) That outsourcing does not affect labour-management relations.
- 2) That outsourcing does not affect workers' performance in Nigeria.

- 3) That there is no positive relationship between employment relations and organisational performance.

## **2. Review of Related Literature**

### **2.1 Conceptual Review**

Outsourcing involves the sourcing of goods and services previously produced internally within an organisation from external suppliers. Zappala (2000) define outsourcing as the situation where an external vendor provides, on a recurring basis, a service that would normally be performed within the organisation. He further describes outsourcing as a process in which companies concentrate on aspects of their business which give them a competitive advantage (core-business) and contract out the more peripheral or non-core aspects for other firms. According to Adeyemi and Salami (2008), outsourcing is the transferring of activities previously performed within the company to external suppliers due to high transaction costs and risks, allowing the company to benefit from the suppliers' higher production economies, such as scale and specification. However, Gachunga and Munyaka (2013) simply describe outsourcing as the transfer of the management or day-to-day execution of an entire business function to an external service provider. According to Adeyemi and Salami (2008), outsourcing is the transferring of activities previously performed within the company to external suppliers due to high transaction costs and risks, allowing the company to benefit from the suppliers' higher production economies, such as scale and specification. Bockerman and Maliranta (2013) note that outsourcing comprises domestic outsourcing (i.e. moving business functions to another firm within the home country) while offshoring (i.e. international outsourcing) involves the movement of business functions abroad.

Employment relations or industrial relations is the multidisciplinary academic field that studies the employment relationship, that is, the complex interrelations between employers and employees, labor/trade unions, employer organizations and the state (Ackers, 2002; Kaufman, 1993). Nevertheless, employment relations have frequently been concerned with employment relationships in the broadest sense, including "non-industrial" employment relationships. This is sometimes seen as paralleling a trend in the separate but related discipline of human resource management (Banfield & Kay, 2008). Employment relations conceived in these terms not only involves the micro-level relations that take place between individual managers and employees, as is predominantly the case in the American use of the term, but also the macro-level interactions that take place between extraneous institutions set up to govern such relations (see, for example: Gennard & Judge, 2002).

### **2.2 Empirical Review**

Most of the positive effects of outsourcing are being enjoyed by the organization that is outsourcing. One of such effects is that outsourcing is reduces the staffing cost of the organization since it would not have to incur expenses on sick pay, vacation pay,

maternity leave, work cover insurance, health insurance etc. since contract staff are not permanent staff. Besides, outsourcing also helps the organization to reduce the impact of losing workers. Since the contract staff are engaged by the various contractors of the organization, the management need not bother about losing staff because the contractors are in the position to make sure that contract staff are always available. Using OLS and the fixed effects model, Rosa and Rúben (2019) examined the impact of offshoring on home country's employment. The study used sample of 14 sectors of the manufacturing industry during the 1995 to 2009. The research finding suggests that offshoring has a positive but small impact on home country's employment in the Portuguese case. This result may indicate that due to higher sales induced by productivity gains from offshoring, this contributes to the creation of a greater number of jobs than those who are relocated abroad.

Bockerman and Maliranta (2013) examined the relationship between outsourcing and employee well-being by constructing a comprehensive set of indicators to measure the four main facets of occupational restructuring: destruction, creation, reallocation and work content. They found that offshoring to high-wage countries stimulates the vertical mobility of employees in the affected firms and thus improves perceived employee well-being in terms of better prospects for promotion. Secondly, their study shows that offshoring to low-wage countries is typically accompanied by increasing the shares of knowledge workers, who have much better overall job satisfaction. Similarly, Oktafien and Suryati (2013) studied the relationship between outsourcing employee perceptions to recruitment process and status with employee morale at Corporate Office Kopegtel using test validity, reliability testing, moment product correlation coefficient Karl Pearson, then testing hypotheses using path analysis (path analysis) based on data collected from 41 employees selected through cluster sampling from 14 field/office work. The results show that there is a significant and positive relationship between outsourcing employee perception to recruitment process and status with employee work spirit. This finding suggests that the perception to recruitment process and status, which is interpreted differently by outsourcing employees, will be able to affect employee morale. Oktafien and Suryati (2013) note that positive perception appears possible with the attention from company to status, welfare, health and safety of its employees work revealing that one of respondents gave an effective selection process, job placement in accordance with the position or the right place, the clarity of the status of labour relations, as well as a program of compensation policies both wages and welfare benefits in accordance with the amount of responsibility, expense and risk of the employee's field. They maintain that positive outlook can improve employee morale and will also determine the level of achievement of organizational goals.

The negative effects of outsourcing on employment relations are mostly impacted on unionism, collective bargaining, and the labour market as a whole. Braun and Scheffel (2007) examined the empirical evidence of the effect of outsourcing on the wage premium of collective bargaining agreements and found that outsourcing deteriorates the bargaining position of unions and reduces the bargained wage of low skilled workers

only. They explained that this could be as a result of the risk which outsourcing subjects the jobs of low skilled workers to and hence, wage restraints are more readily accepted in this skill group. Similarly, Bockerman and Maliranta (2013) opine that the immediate negative effects of outsourcing on employee well-being are evident from its definition: elimination of certain occupations (i.e. moved to other local firms or abroad); thus, the demand for this type of labour in a firm decreases. They reveal that a substantial proportion of the negative effects on well-being originate from the expected losses of firm-specific human capital, quasi-rents, delayed compensation (when a worker expects to earn less in the future) or from job search costs that are incurred. They state further that outsourcing may cause job satisfaction to decrease as a result of losing fellow employees, and such decision may increase uncertainty regarding the future of employees. Again, Smirnykh and Worgotter (2013) opine that the application of non-standard contracts by enterprises provides more flexibility compared with standard terms of employment, but also increases risks for workers. They argue that outsourcing, which is also a form of non-standard contracts, increases the instability of employment relations and the salary level, and may contribute to income inequality and dualisation as well as the risk of lowering productivity growth because of less investment in human capital by the employer.

### 3. Research Method

This paper is designed to investigate the effect of outsourcing on employment relations investigate with special focus on Shell Petroleum Producing and Development Company (SPDC) with the aim of ascertaining its impacts on the workers' productivity. Descriptive research design was adopted in this project. This is because the paper aims to measure the extent of the effect of outsourcing on employment relations. A paper of this nature requires a wide collection of opinions on the subject matter and this can only be done through administration of questionnaires. As such, self-administered questionnaire was used to gather all relevant information on the subject matter.

The population includes all the contract staff of Shell Petroleum Producing and Development Company (SPDC). There are over 100,000 contractor staff working at various SPDC locations and during contract execution, most multinational contractors are obliged to recruit most of their low level casual staff from the remote communities where the contract is being executed. A total of one hundred (100) respondents will be selected for the purpose of the questionnaire administration. The sample size chosen is to ensure fair representation of the respondents and to allow for precision in the data analysis.

A Multi-staged sampling technique would be used to select the respondents. The first stage is the selection of Delta State as the area of focus. The method used is purposive because Delta State is an Oil-Producing State in which Shell Petroleum Producing and Development Company (SPDC) operates prominently. The second stage is the division of Delta State into major petroleum extracting areas. Using a simple random sampling

technique, all the major petroleum extracting areas were written on a piece of paper and some of them selected. In the third stage, the two major areas in which Shell Petroleum Producing and Development Company (SPDC) operate were selected and they include: Ughelli North and Ughelli South. The fourth stage is the selection of equal number of respondents in each of the selected areas. Systematic sampling technique was used to select the respondents. This technique was adopted by selecting every other contract staff of Shell Petroleum Producing and Development Company (SPDC) that arrives for work on the day of survey.

#### 4. Data Analysis and Discussion of Findings

##### 4.1 Presentation of the Responses to the Questionnaire

**Table 4.1:** Responses to the questionnaire

<b>Performance rating of SPDC'S contractors</b>		
<b>Performance rate</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Excellent	11	11
Good	55	55
Average	34	34
Below Average	0	0
Poor	0	0
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Most rated benefits of outsourcing</b>		
<b>Outsourcing Benefit</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Cost Reduction	62	62
Improved Quality of HR Service	15	15
Quick Standardisation and Centralisation	0	0
Access to External Qualified Resources	10	10
Upgrade of HR System at no major capital cost	0	0
No Benefit	13	13
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Outsourcing by competitors and effect on understanding of outsourcing option</b>		
<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes, but no reason to outsource	34	34
Yes, SPDC need to understand outsourcing more	57	57
No	0	0
I Don't Know	9	9
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Existence of Barrier to Outsourcing</b>		
<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	0	0
No	100	100
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Extent to which staff are involved in human resource decisions of SPDC</b>		
<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Not at all Involved (1)	100	100
(2)	0	0
(3)	0	0
(4)	0	0
Completely Involved (5)	0	0
<b>Total</b>	<b>100</b>	<b>100</b>



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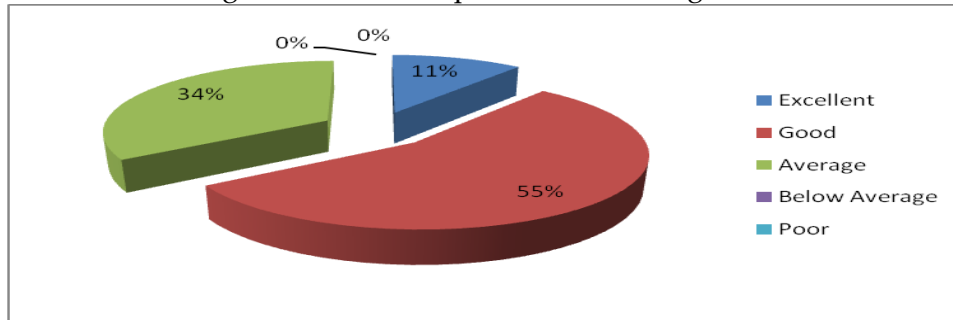
<b>Rate at which training courses are organised for contract staff of SPDC</b>		
<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Never	37	37
Seldom	29	29
Sometimes	34	34
Usually	0	0
Always	0	0
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Responses to whether contract staffs are allowed to engage in collective bargaining in SPDC</b>		
<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	0	0
No	100	100
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Responses to whether the management of SPDC entertains contract staff complaint</b>		
<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	6	6
No	94	94
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Responses to whether contract staffs are prohibited to join workers' union</b>		
<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	93	93
No	7	7
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Responses to whether the contract staffs of SPDC are entitled to severance benefits</b>		
<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	0	0
No	100	100
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Extent to which the HR outsourcing arrangement of SDPC affects its contract staff's commitment and performance</b>		
<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Not at all (1)	2	2
(2)	0	0
(3)	0	0
(4)	4	4
(5)	31	31
Absolutely (6)	63	63
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Extent to which respondents are satisfied with the HR outsourcing arrangement of SPDC</b>		
<b>Responses</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Not at all Satisfied (1)	96	96
(2)	4	4
(3)	0	0
(4)	0	0
(5)	0	0
Completely Satisfied (6)	0	0
<b>Total</b>	<b>100</b>	<b>100</b>

**Source:** Field Survey, 2021.

Based on the performance rate of the contractors of SPDC by its contract staff, more than half of the respondents (55%) rated their performance as being good while 34% of the respondents opined that their performance is average. Only 11% of the respondents rate the performance of the contractors as excellent. None of the respondents rated their

performance as below average or being poor. It is evident from the information depicted above that the performance of SPDC contractors is highly rated by most of the contract staff. This is an indication that the contractors are providing satisfactory services. The chart 4.1 shows the percentage distribution of performance rating of SPDC’s contractors.

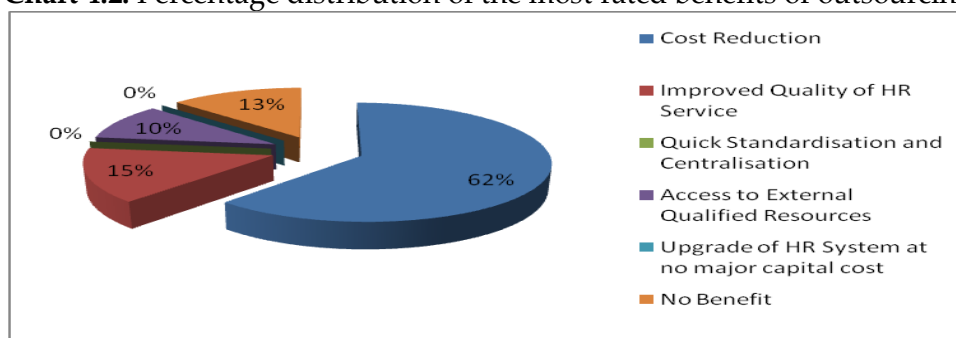
**Chart 4.1:** Percentage distribution of performance rating of SPDC’s contractors



Source: Field Survey, 2021.

The ratings of the benefits of outsourcing by the respondents revealed that the most rated benefit of outsourcing is cost reduction. This is in agreement with most of the available literature that highlighted the arguments for outsourcing. Other rated benefits of outsourcing as indicated by the respondents are improved quality of HR Service (15%) and access to external qualified resources. However, 13% of the respondents indicated that there are no benefits of outsourcing. It is clear from the information presented above that some of the respondents opine that improved quality of HR Service is also a major benefit of outsourcing, although, it was relatively lowly-rated compared to the cost-reduction benefit. Therefore, contrary to the assertion by some critics of outsourcing that it may lead to a reduction in the quality of HR service, some of the respondents opined otherwise. The chart 4.2 below shows the percentage distribution of the most rated benefits of outsourcing.

**Chart 4.2:** Percentage distribution of the most rated benefits of outsourcing

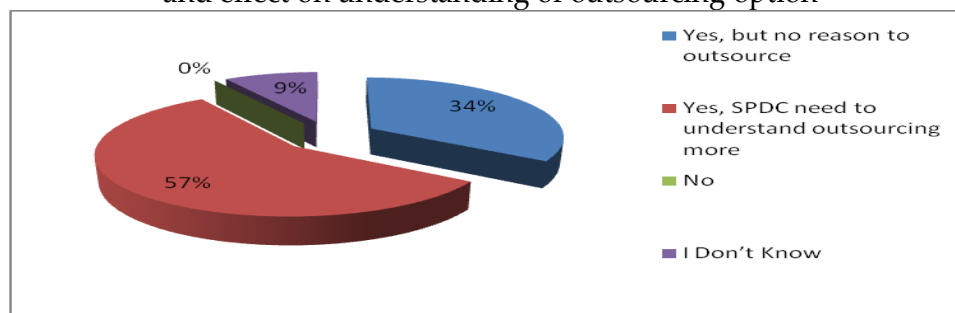


Source: Field Survey, 2021.

Based on the outsourcing in Nigerian petroleum industry and its impact on the understanding of respondents, more than half of respondents (57%) opine that the competitors of SPDC have adopted HR outsourcing recently, however, they argue that

the company needs to understand outsourcing more. On the other hand, 34% of respondents opine that the competitors of SPDC have adopted HR outsourcing recently but argue that there is no reason for the company to consider outsourcing. It could be deduced from the information above that most of the respondents do not approve of the manner in which outsourcing is being adopted while some of them are not in support of its adoption. This is an indication that outsourcing is not popular with the staff. The chart 4.3 below represents the trend of outsourcing in Nigerian petroleum industry and its impact on the understanding of respondents.

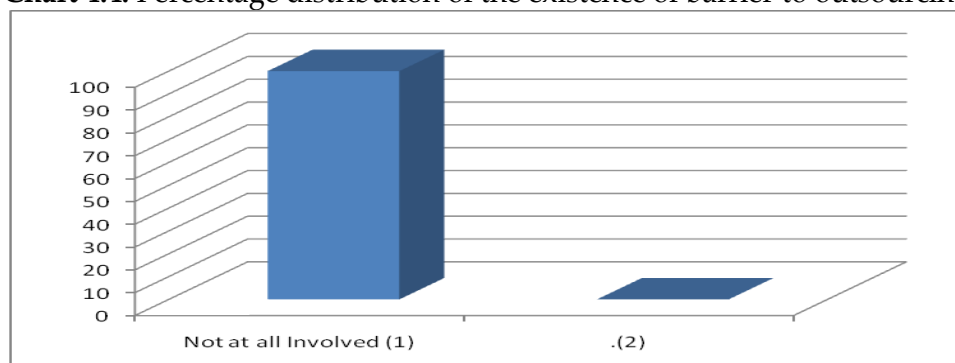
**Chart 4.3:** Percentage distribution of outsourcing by competitors and effect on understanding of outsourcing option



Source: Field Survey, 2021.

The survey also sought to identify the barrier(s) to the adoption of outsourcing in the company, but it was revealing to discover that all the respondents opine that there was no barrier to outsourcing in SPDC. This shows that the company does not encounter any barrier in implementing its outsourcing policy, not even opposition from its staff or labour union. Although, the management of the company may be encountering some hitches, the survey did not include them. The chart 4.4 shows the percentage distribution of the existence of barrier to outsourcing.

**Chart 4.4:** Percentage distribution of the existence of barrier to outsourcing

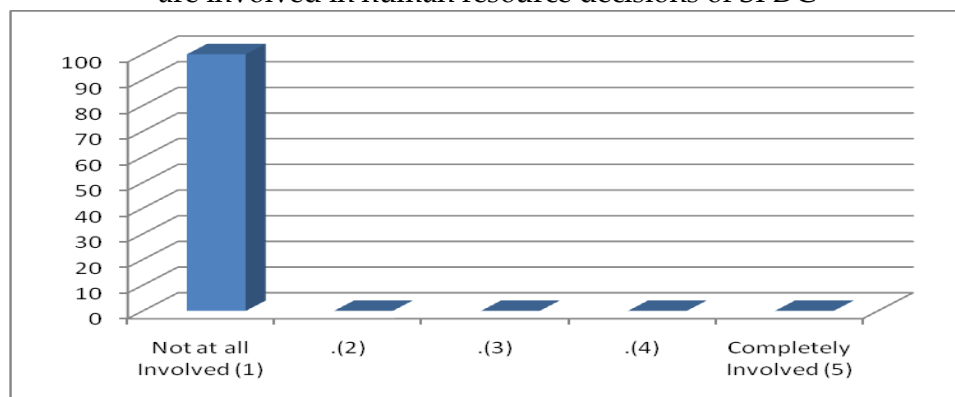


Source: Field Survey, 2021.

With the view of ascertaining the Human Resource Management (HRM) practice of SPDC, respondents were asked whether they were involved in the Human Resource decisions of SPDC. All the respondents indicated that they were not involved in the

Human Resource decisions of the company. This shows clearly that the management of SPDC does not practice participative decision-making. Employee participation is characterized by wide ranging HRM related activities primarily focused on employee management. These practices include employees sharing schemes, cooperatives, industrial democracy, unions, employees' involvement, HRM and high commitment work practices, team working, collective bargaining, employee empowerment, employee partnership in providing input in strategic decision making, and employees' right of information sharing at all levels. The chart 4.5 shows percentage distribution of extent to which staffs are involved in human resource decisions of SPDC.

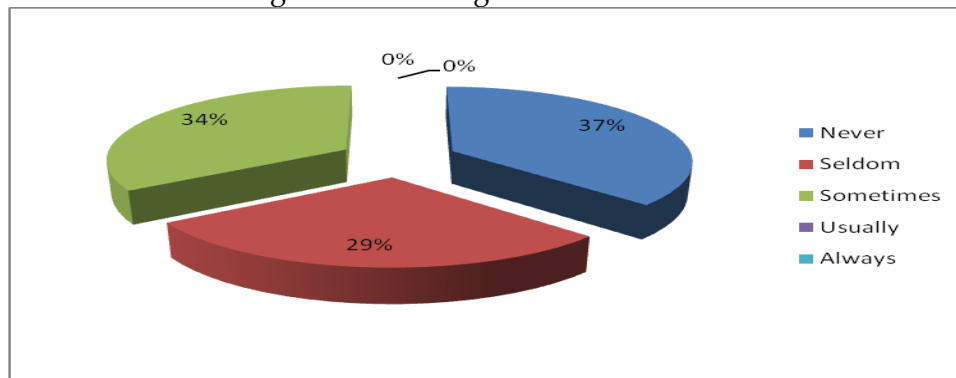
**Chart 4.5:** Percentage distribution of extent to which staffs are involved in human resource decisions of SPDC



Source: Field Survey, 2021

The responses on the rate at which training courses are being organized for the contract staff of SPDC. 37% of respondents noted that they have never attended a training course, 34% of the respondents indicated that they sometimes attend training courses while 29% of the respondents claim that they seldom attend training courses. None of the respondents indicated that they usually nor always attend training courses. This is an indication that the management of SPDC is not keen about the training and development of its contract staff. This is not unconnected to the fact that most of the contract staffs are unskilled and as such, the company does not cherish them. The chart 4.6 shows the percentage distribution of the rate at which training courses are organised for contract staff of SPDC.

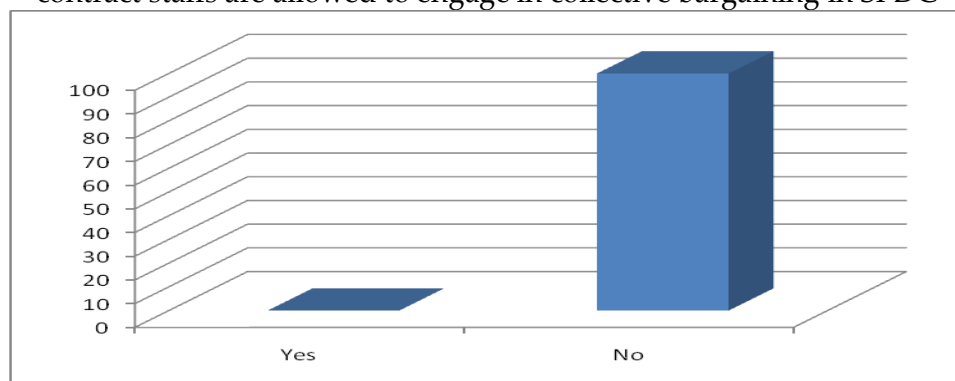
**Chart 4.6:** Percentage distribution of the rate at which training courses are organised for contract staff of SPDC



Source: Field Survey, 2021.

On whether the contract staff of SPDC are allowed to engage in collective bargaining on their wages/salary, all the respondents indicated that they are not allowed to engage in collective bargaining under the company's outsourcing arrangement. This is a confirmation of the allegation by the National Union of Petroleum and Natural Gas Workers (NUPENG) that SPDC and other major oil multinationals engage in unfair labour practices in order to trivialise workers conditions of service. The chart 4.7 below shows percentage distribution of the responses to whether contract staffs are allowed to engage in collective bargaining in SPDC.

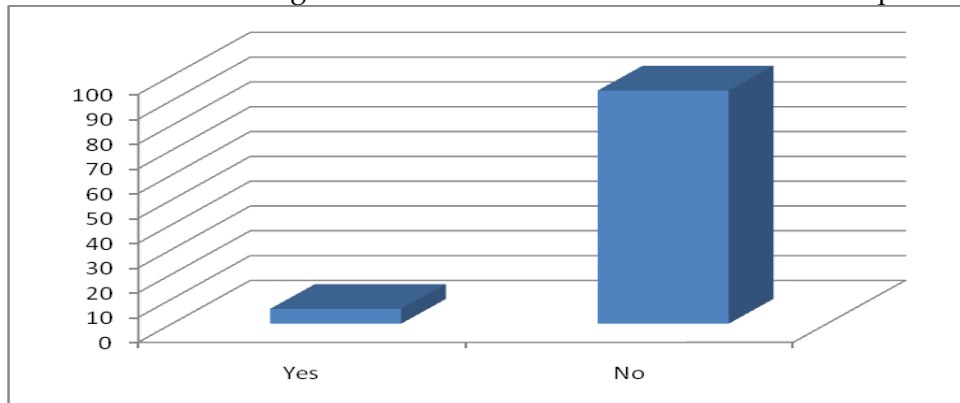
**Chart 4.7:** Percentage distribution of the responses to whether contract staffs are allowed to engage in collective bargaining in SPDC



Source: Field Survey, 2021

The responses to whether the management of SPDC entertains the complaints of the contract staff show that 94% of the respondents indicated that the management of the multinational does not entertain the complaints of contract staff while only 6% of the respondents were affirmative. This is a clear indication that the management of the company does not only ignore industrial democracy, it is also dictatorial. The chart 4.8 shows the percentage distribution of the responses to whether the management of SPDC entertains contract staff complaint.

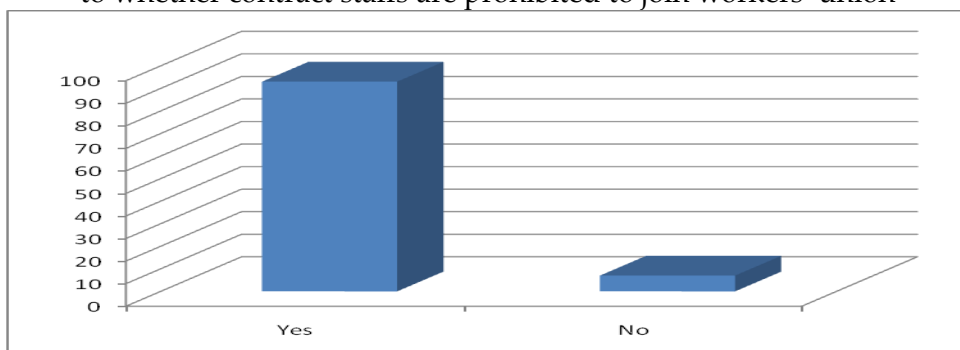
**Chart 4.8:** Percentage distribution of the responses to whether the management of SPDC entertains contract staff complaint



Source: Field Survey, 2021.

In the bid to further inquire the allegation of the National Union of Petroleum and Natural Gas Workers (NUPENG) against SPDC and other major Oil multinationals, the respondents were asked if they were prohibited to join workers' unions by the terms of their employment. Their responses as presented in table 4.9 above and chart 4.9 below shows that 93% of the respondents indicated that they were prohibited to participate in unionism while only 7% of the respondents noted otherwise. Again, this is a confirmation of the allegation by the National Union that SPDC and other major Oil multinationals do not allow their workers to freely associate and unionise in accordance with Section 40 of the Laws of the Federation - 1999 and ILO Conventions 87 and 98 of 1948 and 49 respectively. This is a denial of employees' rights and it is malicious. The Chart 4.9 shows the percentage distribution of the responses to whether contract staffs are prohibited to join workers' union.

**Chart 4.9:** Percentage distribution of the responses to whether contract staffs are prohibited to join workers' union

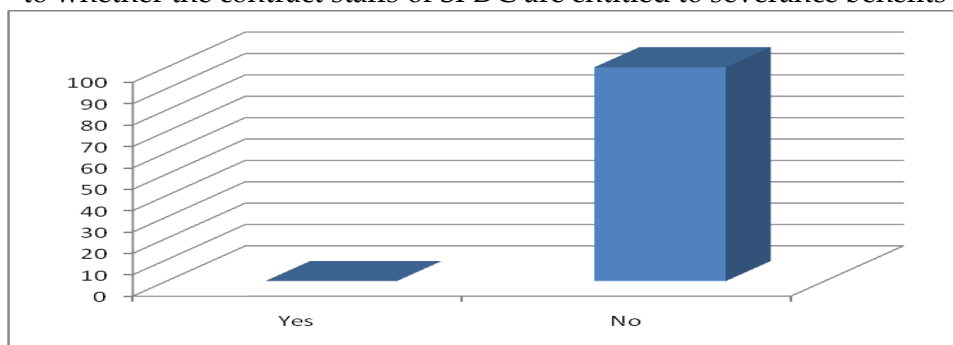


Source: Field Survey, 2021.

The responses to whether contract staffs of SPDC are entitled to severance benefits showed that none of the contract staff of the company is entitled to severance benefits. This is a confirmation that the Human Resource Outsourcing policy and practice of SPDC is unfair and callous. The allegation by the National Union of Petroleum and Natural Gas Workers (NUPENG) that SPDC adopt casualisation and contract staffing as a deliberately

policy to trivialise workers' job security and their conditions of service may be far from the truth. Engaging workers without any severance benefit is dehumanising and is not internationally acceptable. The Chart 4.10 shows the percentage distributions of the responses to whether the contract staffs of SPDC are entitled to severance benefits.

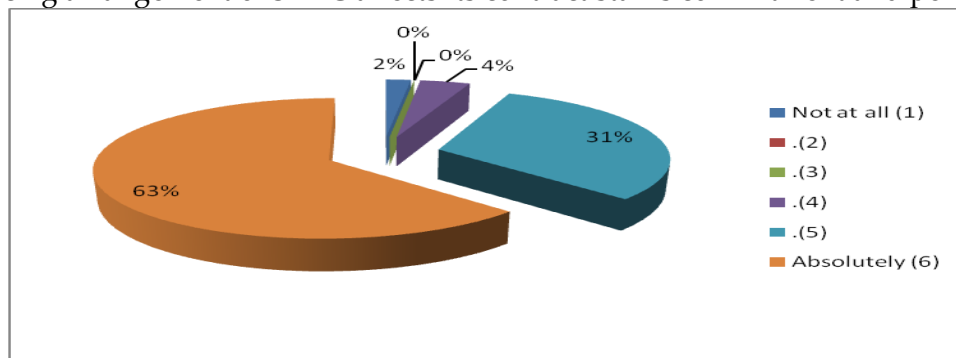
**Chart 4.10:** Percentage distributions of the responses to whether the contract staffs of SPDC are entitled to severance benefits



Source: Field Survey, 2021.

The responses on the extent to which the HR Outsourcing Arrangement of SPDC affects its contract staff's commitment and performance with 63% of the respondents indicating that the outsourcing arrangement of the company absolutely affects their commitment and performance while 35% of the respondents noted the arrangement affects their commitment and performance to high extent. Only 2% of the respondents indicated that the HR Outsourcing Arrangement of the company does not affect their commitment and performance at all. It is evident that the outsourcing arrangement of SPDC adversely affects the commitment and performance of majority of its contract staff and as such, the company cannot be said to be getting the best of them. However, the chart 4.11 shows the percentage distribution of the extent to which the HR outsourcing arrangement of SDPC affects its contract staff's commitment and performance.

**Chart 4.11:** Percentage distribution of the extent to which the HR outsourcing arrangement of SDPC affects its contract staff's commitment and performance

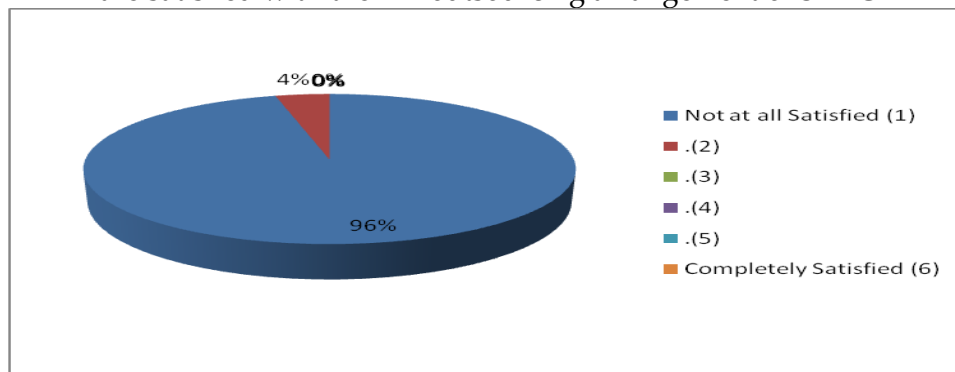


Source: Field Survey, 2021.

The rating of the overall satisfaction of the respondents with the HR Outsourcing arrangement of SPDC presented in the table above reveals that 96% of the respondents

are not at all satisfied with the outsourcing arrangement of the company while 4% of the respondents are also not satisfied to a high extent. Based on the information obtained from the respondents, it is clear that most of the contract staff are not satisfied with their employment conditions and cannot be expected to give their best. It can be costly to the company if its staff are not committed in their jobs, and if they lack the motivation to exercise their full potentials. The chart 4.12 below shows the percentage distribution of the extent to which respondents are satisfied with the HR outsourcing arrangement of SPDC.

**Chart 4.12:** Percentage distribution of the extent to which respondents are satisfied with the HR outsourcing arrangement of SPDC



Source: Field Survey, 2021.

## 4.2 Testing of Hypotheses

**Hypothesis One:** That outsourcing does not affect labour-management relations.

Table 4.2 shows the responses of the respondents on the questions that are related to the hypothesis.

**Table 4.2:** Responses to question 7, 8, and 9 on the questionnaire

No.	Questions	No. of Respondents	Yes	No
7.	Were you allowed to engage in collective bargaining on your wages/salary under the company outsourcing arrangement?	100	0	100
8.	Does the management of the company entertain your complaints?	100	6	94
9.	Are you prohibited to join any workers' union by the terms of your employment?	100	93	7

Source: Field Survey, 2021.

Using the chi-square ( $X^2$ ) test, we can now test the hypothesis.



**Table 4.2.1: Chi-square ( $X^2$ ) test**

Questions	Q7	Q8	Q9	Total
Yes	0(e11)	6(e12)	93(e13)	99
No	100(e21)	94(e22)	7(e23)	201
Total	100	100	100	300

$$H_0 : X^2 = 0$$

$$H_a : X^2 = \neq 0$$

Level of significance ( $\alpha$ ) = 1% = 0.01

$$\text{Degree of freedom (d.f.)} = (r-1)(c-1) = (2-1)(3-1) \\ = 1 \times 2 = 2$$

From the table 0.01 d.f. 2 = 9.21

$$e_{11} = \frac{99 \times 100}{300} = \frac{9900}{300} = 33$$

$$e_{14} = \frac{99 \times 100}{300} = \frac{9900}{300} = 33$$

$$e_{13} = \frac{99 \times 100}{300} = \frac{9900}{300} = 33$$

$$e_{21} = \frac{201 \times 100}{300} = \frac{20100}{300} = 67$$

$$e_{22} = \frac{201 \times 100}{300} = \frac{20100}{300} = 67$$

$$e_{23} = \frac{201 \times 100}{300} = \frac{20100}{300} = 67$$

**Table 4.2.2: Calculated chi-square ( $X^2$ ) test**

O <sub>i</sub>	E <sub>i</sub>	O <sub>i</sub> - E <sub>i</sub>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
0	33	-33	1089	33.00
6	33	-27	729	22.09
93	33	60	3600	109.09
100	67	33	1089	16.25
94	67	27	729	10.88
7	67	-60	3600	53.73
				245.04

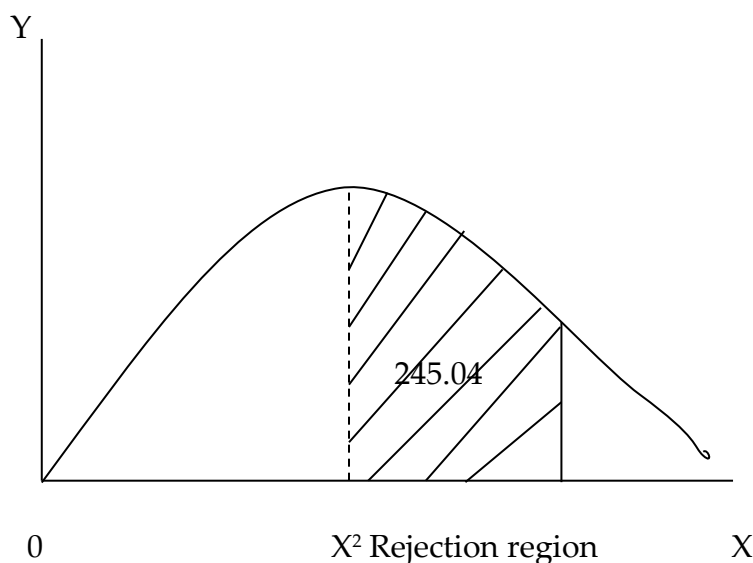
$$X^2_c = \frac{(O_i - E_i)^2}{E_i} = 245.04$$

$$X^2_t = 0.01 \text{ d.f. } 1 = 9.21$$

$X^2_c > X^2_t$  (245.04 > 9.21). So, reject  $H_0$

The result obtained from the chi-square ( $X^2$ ) test shows that the calculated chi-square (245.04) is greater than the tabular chi-square (9.21) therefore we shall reject the null hypothesis and accept the alternative hypothesis. This reveals to us that outsourcing affects labour-management relations. This finding is against the assertion of Zappala (2000) who pointed out that an alleged benefit of outsourcing is the ability of improving employee relations due to shifting personnel management to a third party. It is clear from result of this hypothesis testing that mere transferring human resource management to a third party does not necessarily improve labour-management relations. Responses to the related questions clearly shows that the management of SPDC engages in unfair labour practices in order to trivialise workers conditions of service by ignoring industrial democracy, and denial of employees' rights of collective bargaining and unionism.

Graphically, the region of rejection is shown below.



**Figure 1:** Standard Normal Curve

**Hypothesis Two:** That outsourcing does not affect workers' performance in Nigeria.

Table 4.3 shows the responses of the respondents on the questions that are related to the hypothesis.

**Table 4.3:** Responses to question 11 and 12 on the questionnaire

No.	Questions	No. of Respondents	1	2	3	4	5	6
11.	Does the HR outsourcing arrangement of the company affect your job commitment and performance?	100	2	0	0	4	31	63
12.	Please rate your overall satisfaction with your HR outsourcing arrangement	100	96	4	0	0	0	0

Source: Field Survey, 2021.

Using the chi-square ( $X^2$ ) test, we can now test the hypothesis.

**Table 4.3.1:** Chi-square ( $X^2$ ) test

Questions	Q11	Q12	Total
1 (Not at All)	2(e11)	96(e12)	98
2	0(e21)	4(e22)	4
3	0(e31)	0(e32)	0
4	4(e41)	0(e42)	4
5	31(e51)	0(e52)	31
6 (Completely)	63(e61)	0(e62)	63
Total	100	100	200

$$H_0: X^2 = 0$$

$$H_a: X^2 = \neq 0$$

Level of significance ( $\alpha$ ) = 1% = 0.01

$$\text{Degree of freedom (d.f.)} = (r-1)(c-1) = (6-1)(2-1) \\ = 5 \times 1 = 5$$

From the table 0.01 d.f. 5 = 15.09

$$e_{11} = \frac{98 \times 100}{200} = \frac{9800}{200} = 49$$

$$e_{12} = \frac{98 \times 100}{200} = \frac{9800}{200} = 49$$

$$e_{21} = \frac{4 \times 100}{200} = \frac{400}{200} = 2$$

$$e_{22} = \frac{4 \times 100}{200} = \frac{400}{200} = 2$$

$$e_{31} = \frac{0 \times 100}{200} = \frac{0}{200} = 0$$

$$e_{32} = \frac{0 \times 100}{200} = \frac{0}{200} = 0$$

$$e_{41} = \frac{4 \times 100}{200} = \frac{400}{200} = 2$$

$$e_{42} = \frac{4 \times 100}{200} = \frac{400}{200} = 2$$

$$e_{51} = \frac{31 \times 100}{200} = \frac{3100}{200} = 15.5$$

$$e_{52} = \frac{31 \times 100}{200} = \frac{3100}{200} = 15.5$$

$$e_{61} = \frac{63 \times 100}{200} = \frac{6300}{200} = 31.5$$

$$e_{62} = \frac{63 \times 100}{200} = \frac{6300}{200} = 31.5$$

**Table 4.3.2:** Calculated chi-square ( $X^2$ ) test

O <sub>i</sub>	E <sub>i</sub>	O <sub>i</sub> - E <sub>i</sub>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
2	49	-47	2209	45.08
96	49	47	2209	45.08
0	2	-2	4	2
4	2	2	4	2
0	0	0	0	0
0	0	0	0	0
4	2	2	4	2
0	2	-2	4	2
31	15.5	15.5	240.25	15.5
0	15.5	-15.5	240.25	15.5
63	31.5	31.5	992.25	31.5
0	31.5	-31.5	992.25	31.5
				192.16

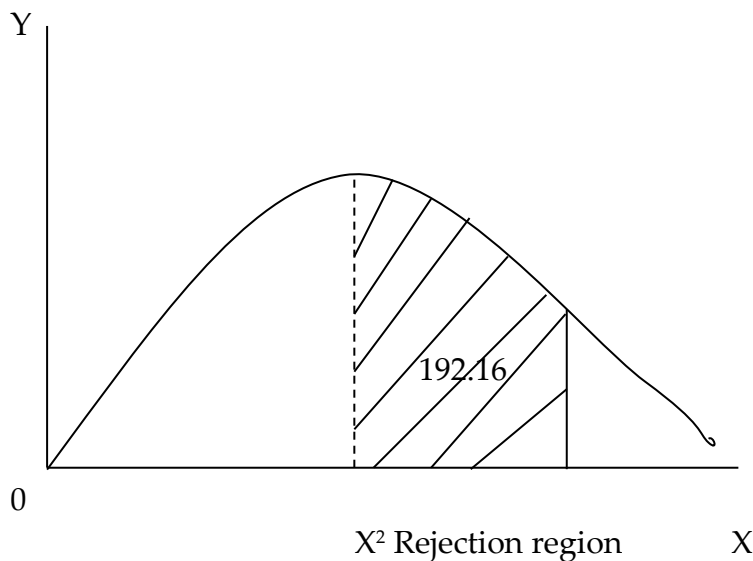
$$X^2_c = \frac{(O_i - E_i)^2}{E_i} = 192.16$$

$$X^2_t = 0.01 \text{ d.f. } 5 = 15.09$$

$X^2_c > X^2_t$  (192.16 > 15.09). So, reject  $H_0$ .

The result obtained from the chi-square ( $X^2$ ) test shows that the calculated chi-square (192.16) is greater than the tabular chi-square (15.09) therefore we shall reject the null hypothesis and accept the alternative hypothesis. This reveals to us that outsourcing affects workers' performance in Nigeria. Organisational commitment and Job Satisfaction have been identified in the literature as an important determinants of workers performance. It can be costly to the organization if workers are not committed to their job and/or not satisfied with their jobs. Companies and organisations need committed workers to create and maintain competitive advantage and achieve superior performance. In the case of SPDC where it has been found that majority of its contract staff are not satisfied with their job and not committed to it, the consequence may be problematic.

Graphically, the region of rejection is shown below.



**Figure 2:** Standard Normal Curve

**Hypothesis Three:** That there is no positive relationship between employment relations and organisational performance.

Table 4.4 shows the responses of the respondents on the questions that are related to the hypothesis.

**Table 4.4:** Responses to question 11 and 12 on the questionnaire

No.	Questions	No. of Respondents	1	2	3	4	5
5.	Please rate your involvement in the HR decisions of your company.	100	100	0	0	0	0
6.	How often are training courses organized for you?	100	37	29	34	0	0

Source: Field Survey, 2021.

Using the chi-square ( $X^2$ ) test, we can now test the hypothesis.

**Table 4.4.1: Chi-square ( $X^2$ ) test**

Questions	Q5	Q6	Total
1 (Not at All/Never)	100(e11)	37(e12)	137
2	0(e21)	29(e22)	29
3	0(e31)	34(e32)	34
4	0(e41)	0(e42)	0
5 (Completely/Always)	0(e51)	0(e52)	0
Total	100	100	200

$$H_0 : X^2 = 0$$

$$H_a : X^2 = \neq 0$$

Level of significance ( $\alpha$ ) = 1% = 0.01

$$\begin{aligned} \text{Degree of freedom (d.f.)} &= (r-1)(c-1) = (5-1)(2-1) \\ &= 4 \times 1 = 4 \end{aligned}$$

From the table 0.01 d.f. 4 = 13.28

$$e_{11} = \frac{137 \times 100}{200} = \frac{13700}{200} = 68.5$$

$$e_{12} = \frac{37 \times 100}{200} = \frac{3700}{200} = 18.5$$

$$e_{21} = \frac{29 \times 100}{200} = \frac{2900}{200} = 14.5$$

$$e_{22} = \frac{29 \times 100}{200} = \frac{2900}{200} = 14.5$$

$$e_{31} = \frac{34 \times 100}{200} = \frac{3400}{200} = 17$$

$$e_{32} = \frac{34 \times 100}{200} = \frac{3400}{200} = 17$$

$$e_{41} = \frac{0 \times 100}{200} = \frac{0}{200} = 0$$

$$e_{42} = \frac{0 \times 100}{200} = \frac{0}{200} = 0$$

$$e51 = \frac{0 \times 100}{200} = \frac{0}{200} = 0$$

$$e52 = \frac{0 \times 100}{200} = \frac{0}{200} = 0$$

**Table 4.4.2:** Calculated Chi-square ( $X^2$ ) test

O <sub>i</sub>	E <sub>i</sub>	O <sub>i</sub> - E <sub>i</sub>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> - E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
100	68.5	31.5	992.25	14.48
37	68.5	-31.5	992.25	14.48
0	14.5	-14.5	210.25	14.5
29	14.5	14.5	210.25	14.5
0	17	-17	289	17
34	17	17	289	17
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
				91.96

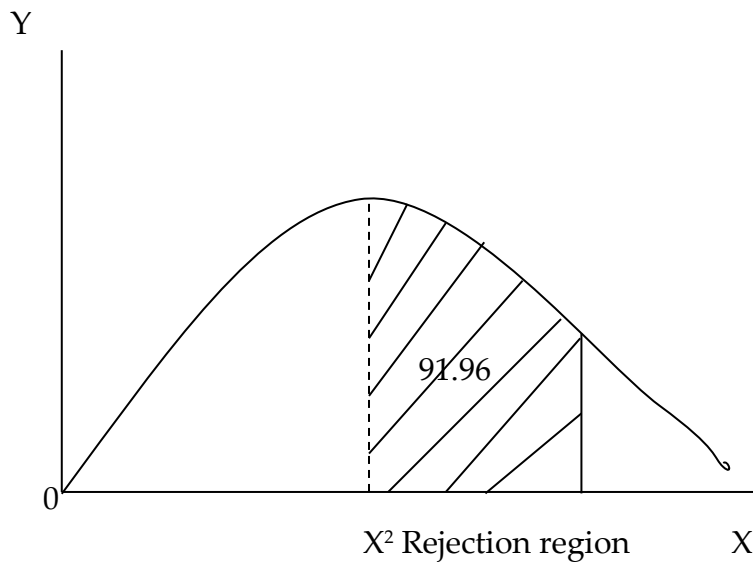
$$X^2_c = \frac{(O_i - E_i)^2}{E_i} = 91.96$$

$$X^2_t = 0.01 \text{ d.f. } 4 = 13.28$$

$X^2_c > X^2_t$  (91.96 > 13.28). So, reject  $H_0$

The result obtained from the chi-square ( $X^2$ ) test also shows that the calculated chi-square (91.96) is greater than the tabular chi-square (13.28), therefore we shall reject the null hypothesis and accept the alternative hypothesis. This indicates that there is positive relationship between employment relations and organisational performance. This is a confirmation of the widely-held opinion that cordial employment relations have impact on employee performance, organizational commitment, job satisfaction and consequently organizational performance. Therefore, the management of SPDC needs to focus attention on fostering mutual employment relations by ensuring that all its human resource policies are not counter-productive especially its outsourcing policy.

Graphically, the region of rejection is shown below.



**Figure 3:** Standard Normal Curve

### 4.3 Managerial Implications of Findings

The empirical results indicate the Shell Petroleum Producing and Development Company (SPDC) outsourcing policy is destroying its employment relations which was found to be a major determinant of organizational performance. Other findings of this study revealed that the company engages in a number of unfair labour practices such as ignoring industrial democracy, and denial of employees' rights of collective bargaining and unionism in order to trivialise workers conditions of service. This has affected adversely the morale of the contract staff judging by their low level of job satisfaction and commitment.

The management of Shell Petroleum Producing and Development Company (SPDC) must integrate Human Resource Management (HRM) practices in their organizational strategy to improve the company's performance and remain competitive. The Management must understand the importance of HRM function as a strategic partner and should incorporate HRM input in strategic decision making. This partnership would provide more active role to staff and HRM experts in the company to support the change in the company. The management must be aware of the use of these practices in an integrated manner to realize the company's objectives. The management should be well aware that a changed paradigm of people management is essential in changing business environment.

The focus of this new approach should be to attract and retain talents and leverage the talent to achieve competitive advantage through a proactive HRM related activities. It is imperative for the management to fully understand the strategic pay off of the investment made in training and development. This investment should aim at constantly improve competencies levels of the workforce both skilled and unskilled. The vital contribution of values through need-based training and development, comprehensive, and fair employment relations are needed to enhance self-esteem, foster satisfaction, and



quality of work life so as to have positive effects on superior performance for sustained competitive advantage.

## **5. Conclusion and Recommendations**

### **5.1 Conclusion**

This study was conducted to evaluate the impact of outsourcing on employment relations in multinational corporations in Nigerian Oil Industry with focus on Shell Petroleum Producing and Development Company (SPDC). The empirical analyses indicate that outsourcing affects labour-management relations. This finding clearly shows that mere transferring human resource management to a third party does not necessarily improve labour-management relations. Analysis of the responses to the administered questionnaire reveals that the management of SPDC engages in unfair labour practices in order to trivialise workers conditions of service by ignoring industrial democracy, and denial of employees' rights of collective bargaining and unionism. The second hypothesis testing revealed that outsourcing affects workers' performance in Nigeria. In the case of SPDC where it has been found that majority of its contract staff are not satisfied with their job and not committed to it, the consequence may be problematic. However, the third hypotheses found that there is positive relationship between employment relations and organisational performance. This is a confirmation of the widely-held opinion that cordial employment relations have impact on employee performance, organizational commitment, job satisfaction and consequently organizational performance.

Thus, cost savings advantage of outsourcing is indeed achieved through deterioration in employment conditions rather than an improvement in input utilisation. This study suggests that while outsourcing is a manifestation of rationality, it is less effective fostering cordial employment relations especially if not guided. This suggests that outsourcing could be implemented in a manner that will be beneficial to both the management and the employees.

The management of Shell Petroleum Producing and Development Company (SPDC) must integrate Human Resource Management (HRM) practices in their organizational strategy to improve the company's performance and remain competitive. The Management must understand the importance of HRM function as a strategic partner and should incorporate HRM input in strategic decision making. This partnership would provide more active role to staff and HRM experts in the company to support the change in the company. The management must be aware of the use of these practices in an integrated manner to realize the company's objectives.

### **5.2 Recommendations**

Based on the findings made in this study, the following recommendations are hereby suggested:

- 1) The management of SPDC must discontinue its unfair labour practices. The company's management must embrace industrial democracy by giving voice to

its staff and respect employees' rights of collective bargaining and unionism by allowing its entire contract staff to negotiate their wages and salary and also engage in unionism.

- 2) The management of the company must appreciate the fact that workers become committed to their job only when they are satisfied with it. Considering the reality that most of the contract staff of the company are not satisfied with their terms of their employment, it is imperative that the management improve their working conditions and show more interest in their career development.
- 3) The management of SPDC needs to focus attention on fostering mutual employment relations by ensuring that all its human resource policies are not counter-productive especially its outsourcing policy. It is important for the company to adjust its outsourcing policy to accommodate employees' grievances and interests. This would not only help to foster cordial industrial relations, it would also promote organizational commitment even as the company reaps the benefits of outsourcing.

### **Conflict of Interest Statement**

The author declares no conflicts of interests.

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