

THE NIGERIAN JOB OUTSOURCING IN RETROSPECT: ISSUES, CHALLENGES AND WAY FORWARD

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Abstract

The level of relationship that exist between employers and it workforce over the years has been changing, with more organization now relying majorly on outsourcing firm, agencies and consultancy outlet rather than directly engaging the needed employees. To this end, the study critically assessed the Nigerian job outsourcing in retrospect. This paper put into consideration the issues, challenges and way forward for job outsourcing in Nigeria. One of the identify challenges associated with firm outsourcing their non-core business to other firm was due to companies trying to avoid specific costs such as high taxes, high energy costs and avoidance of regulators. Findings however revealed that outsourcing equally offers different incentives that can leads to firm competitive advantage and also an opportunity to engage expertise in areas where existing internal staff is deficient. It was recommended that Nigeria national assembly should enact employment legislation law that will serve as a protection for employees against any form of maltreatment within their organization.

Keywords: Job outsourcing, Employer, Nigeria labour congress, Contract Staff, Organization

INTRODUCTION

Recent research in the area of human resource management has revealed that the concept of 'outsourcing' is not new and it is a global phenomenon. In the Nigerian context, the word outsourcing sneak into our lexicon and it has become a corporate culture in almost all the organizations of our major sectors of the economy. It is often said that both public enterprises and private firms has something in common, in the sense that they both have operational efficiency plus cost savings as one core objectives in carrying out their mandates. A research conducted by Okorie (2010) emphasized that countries like US, UK, Canada, Singapore and Japan uses job outsourcing as one of the key factor for creation of employment in order to sustain their economy. Nigeria as a country equally drew their inspiration about outsourcing from this developed country.

However, Obadan (2003) added that as Nigeria government is trying to become more technologically efficient, a whole of attention is been given to job outsourcing or the sub-contracting out to a private sector provider, certain processes within the government. It has also been observed that Nigeria government has long been applying this same practice of job outsourcing to its various operational needs i.e. contracting out government projects like infrastructure constructions to consulting firms with the growing popularity of the New Public Management (NPM) concepts.

The brain behind NPM has to do with prioritization of efficiency and cost effectiveness in spending tax payers money judiciously, treating each citizen as a customer who needs to be properly served with utmost competence and efficiency. Other bottlenecks such as over bearing bureaucratic protocols experienced in government transactions when it comes to claiming of welfare benefits and applying for various licenses or permits. As a result, practitioners hereby recommended to the Nigeria government by outsourcing to NPM because the business model combines the use of technology with technical expertise that are often in short supply in government agencies.

Consequently, job outsourcing based on the prevailing situation in Nigeria, have become a major subject matter and of great concern due to the fact that, employees within this affected sectors continue in groaning under the policy of wages reduction by the employers of labour. Gibson, (1996) explained outsourcing as a process of "submitting activities and routine functions to external units". It is also seen as the process by which business organization contract out all or some aspect of their services to the third parties.

Current statistics from the Nigeria labour Congress (NLC) revealed that many employees of this so called telecommunication, oil and gas sectors are casual workers/laborers'. Due to the predominant circumstances in Nigeria, job outsourcing and

casualization have become the order of the day. A report by the campaign for Democratic and workers right in Nigeria, an NGO saddle with responsibility of labour issues confirms that 45% of Nigerian labour force was made up of contract/causal staff. As of the time of the report and with the present happenings in the nation, it is evident that the number would have risen. Subsequently, the report from US solidarity center further explains that the Nigerian oil industries moved from employing permanent staff to outsource and casual/contract staff. Part of the report argument was that the reason for employer going to outsourced business was because it reduces the cost of doing business.

Basically, labour unions confirm that casualization and contract staffing is against section 7(1) of the labour act, cap 198, laws of the federation of Nigeria, 1990. The act stipulates that “not later than three months after the beginning of a workers period of employment with an employer, the employer shall give to workers a written statement specifying the terms and conditions of employment; which include the nature of the employment and if the contract is for a fixed term, the date when the contract shall expires.

Based on this evidence above, it is clearly seen that many employers of labour does not comply with this provisions of law. It is equally worthy of note to state that the term ‘outsourcing’ grows the economy in other climes to be more effective, but here in Nigeria study shows that it shortchanges the employees (contract staff) and make them feel not relevant to the system. Although many business enterprises claims that the motive of outsourcing is to be able to focus and concentrate more on their core business activities. However, findings revealed that many of this organization have other motives which in most cases to their own advantages. Based on this aforementioned, this study intends to examine the merit and demerit of job outsourcing and how it can improved the Nigeria economic sector. This is the essential framework that informed the concept behind this study.

CONCEPTUAL CLARIFICATION: JOB OUTSOURCING

According to Wikipedia, outsourcing became a globalization phenomenon following the growth of groups of people using online technologies to use outsourcing as a way to build a viable service delivery business that can be run from virtually anywhere in the world. The term outsourcing and casualization has mostly been used interchangeably. The definition by oxford advance dictionary explains casualization as the practice of employing temporary staff for short period instead of permanent staff, in order to save costs.

However, Irefin, Olateju and Hamed (2012) explains job outsourcing as a process of replacement of in-house provided activities by sub-contracting it out to external agents. Also, a system whereby organization give out some of its services to outside service provider to handle

on their behalf. Adeyemi and Salami (2008) further explain the term outsourcing as the transferring of activities previously performed within the organization to external suppliers which can be as a result of high transaction costs, risks, higher production (scale and specifications). According to Handfield (2006), job outsourcing is also said to be the strategic use of outside resources to perform activities individually handled by internal staff and resources. He further opined that job outsourcing can sometimes be referred to as *facilities management*, a strategy whereby most organization contracts out their major responsibilities to specialized and efficient service providers who become valued business partners.

Awodun, (2006) equally argue that when it comes to outsourcing of job, it has to do with a temporary engagement of the employee hereby there is limit to those benefits and allowances the casual workers are entitled to. Another perspective from Harland et al, (2005) and Hansen et al, (2008) on job outsourcing means sub-contracting of service or activity to a third party for strategic use of company's resources, to generate company's values and gain competitive edge. Offshore outsourcing refers to the process by which companies undertake some activities at offshore locations instead of in their home countries (Kumar et al 2009; Murtha et al., 2006).

Moreover, outsourcing of job has also been seen as a growing, expanding and cost-cutting business strategy been adopted by many organizations to maximize profits. A study by Hätönen and Eriksson, (2009) examine outsourcing from another standpoint. He explains outsourcing as transferring some aspect of management and running of day-to-day activities of the corporate business to a service provider. Meanwhile, in the labour context, this is refers to as a process through which an organization hires its workforce through the help of a third party company, also known as consulting firm or labour contractor. Outsourcing equally encourages organization to have better focus on some of their core business products and growth, while saving time and money.

Mark et al, (2006) however classified outsourcing into three (3) major types. These are Business process outsourcing (BPO); Knowledge process outsourcing (KPO); and Information technology outsourcing (ITO). The study conducted by Thomas and Rick (2005) defines business process outsourcing (BPO) as a process that involves the movement of business processes and procedures from inside the organization to other external service provider. The process of BPO also involves sourcing of external service provider internationally in case there is none locally. Knowledge process outsourcing (KPO) on the other hand involves the outsourcing of core business activities which are often competitively important. The concept of KPO is driven by information. It involves dissemination of information by ensuring that industry information leaders create knowledge in their area of expertise which include marketing, research & development and advertising (Agarwal and Nisa, 2009). Information technology

outsourcing (ITO) has to do with information technology as a support system or services. The essence of (ITO) is to reduce IT costs on the organization.

NIGERIA JOB OUTSOURCING: ISSUES

The issue when it comes to outsourcing of job in Nigeria is very complex, which requires a holistic view before it goes out of hand. According to McIvor (2008), it is difficult if not impossible to agree on the origin of outsourcing as a practice or a scientific concept. It is an established fact that as good as outsourcing benefits may be for organization, it also has its disadvantages if not properly managed.

One implication of outsourcing of job on the organization is that an employee is expected to have total commitment to his/her organization; but in a situation whereby a contract staff works the same hours of time with the permanent staff and observe the other staff earning more, this can lead to disloyalty, non-chalant attitude and uncommitted workforce. As such, the disgruntle employee as a consequence can take any advantage that can lead into defrauding the business or absconding with company property.

The Nigeria Labour Congress (NLC) president, Ayuba (2017) also reiterated the need to fight against job outsourcing in Nigeria by collaborating with the government. In his remarks he pointed that multinationals corporations in telecoms, oil and gas sectors are contributing to the Nigeria economic crisis with the habit of outsourcing of jobs which an average Nigeria can be engaged in, to new destination in Asia, Dubai and India respectively. He further stated that Ericsson Nigeria, local subsidiary of the global telecommunication solution provider had disengaged all Nigeria Staff in its network operating centres and is being transferred to India to manage the operation. As a result of this taking over of operations by India, in the name of offshoring, India workers are now understudying their Nigerian counterparts, and therefore the job monitoring skills will be transferred to India. Ayuba fears was that there are lots of huge implications for the nation security, with the fact that it will lead to jobs which competent Nigerians can do, will be moved out of the country. With this trend, Nigeria can easily be shut out from the rest of the world. According to analyst, outsourcing which also a global phenomenon is quite obvious in Nigeria and is getting the unemployment situation in the country more complicated. It has been described as way of increasing the risk of leakage and reduction in confidentiality, privacy and security concerns.

Corroborating the view of Ibrahim (2013) in his article, he stated that “when companies offshore product and services, those jobs may leave the home country for foreign countries at the expense of the wealth producing sectors, just as outsourcing may increase the risk of leakage and reduce confidentiality as well as introduce additional privacy and security

concerns". In the same manner, the rate at which company's in telecommunication, oil and gas sectors subject their non-core business to outsourcing organization who in return maltreat their workforce due to high level of unemployment calls for serious investigation. Some of the pitfall that is associated with job outsourcing initiative are discussed below;

Change Management: The very first challenge that companies are likely to experience when embarking on outsourcing of certain function of the business, is that of a possible lack of buy-in from people inside the company, which may take the form of active or passive resistance. The prospects of outsourcing also create uncertainty for existing employees who may decide to look elsewhere for employment.

Loss of managerial control: One particular issue to the process of job outsourcing has to do with turning the management and control of particular segment of the company's department to be managed by another company. Although, a contract exist between the two parties, but the managerial control will belong to the other company. It is worthy of note to state that the outsourcing firm will not be driven by the same standard and mission that drives the parent company. There motive of taken the contract is to make profit from the services rendered and other businesses alike.

Confidentiality and security threat: For any business organization to be a going concern, the information that it has at its disposal is what keeps it running. Any useful information relating to medical records, payroll and other confidential documents that will require to be exchanged with the outsourcing company's, it is of high risk that such confidentiality may be compromised.

Problem of quality: Most of the time, findings revealed that the motive behind the outsourcing firm is always been motivated by profit. Hence, the possible way out to have increase profit will lead to decrease in expenses. This invariably will affect quality and can affect the image of entire parents company.

JOB OUTSOURCING AND IT'S BENEFITS

Recent studies as shown that outsourcing and casualization can also be beneficial to both the staff and the organization. With regards to the organization; outsourcing of jobs permits the organization pay for only the service they need and when they need them. Not only that, it reduces the cost of hiring and training of specialized workers, capital, as well as operating expenses.

Outsourcing also offers different incentives that can leads to firms' competitive advantage (Ghodeswear and Vaidyanathan, 2008). It is also an avenue in providing opportunity to engage expertise in areas where existing internal staff is deficient (Shy and Stenbacka, 2005). Gilley et al, (2004) further explain the benefit of outsourcing as enhancing flexibility by

improving cost efficiency and turning some fixed cost into variable costs. The process of outsourcing is also known as a stimulator for higher levels of innovation throughout business practices and technology; it enables companies to utilize their resources to better promote their competitive advantage. Some of the benefits derived from job outsourcing are as follows;

Focus on core business activities: It is expected that when a company start to experience rapid growth within its industry, the back-office operations tends to grow along side. As such, this expansion will require both human and financial resources which invariably may affect the core business activities of the company in the long run. Therefore, by outsourcing back-office operations which are not core to the business to a specialized third party company, the business will be more focused on their major strength without sacrificing quality or service in the back-office (Vining and Globerman, 1999).

Staffing flexibility: This provides the organization to have seasonal requests to bring in human resources when they are needed and release upon completion of their contract. However, company's also engaged the service of skilled manpower at very low costs through the process of outsourcing whereby the ultimate goal is to increased productivity and reduced cost Suraju, and Hamed, 2013).

Operational Control: This will enables operations whose costs are running out of control to be considered for outsourcing. Units, divisions or departments that are poorly managed are prime areas for outsourcing. Subsequently, an outsourcing company can bring about better management skills into the organization than what would otherwise be available.

Advantage of Competitors: For any organization to enjoy "customer loyalty", provision of high quality services is of great necessity. Therefore, outsourcing is one of the tools that any firm can adopt to maintain lower rates alongside with better and adequate services solution through which they can have better market share and competitive advantage respectively. In addition, a company will have a competitive advantage over it competitors by developing a strategy which focus on their internal strengths, through responding to environmental opportunities, while neutralizing external threats and by avoiding internal weaknesses (Brooks, 2006).

Risk management and internal staff development: Another benefits associated with the use of job outsourcing is that, the process as well provides an avenue for continuity within the organization while reducing the risk which a substandard level of operation would bring to the company. Likewise, there are also enormous project that requires adequate skills which can't be found among the existing staff of the company. The on-site outsourcing of the project will sourced for the people with the required knowledge, skills and abilities to do the job in the organization. Based on this, the internal staff can work alongside in order to acquire the new skill set that will both be of advantage to the staff and organization at large. Internal operations

can be reduced by outsourcing if not the company will maintain it internally with higher costs (Suraju, and Hamed, 2013).

Among other benefits that can be derived from job outsourcing has to do with restructuring together with re-focusing the corporate affairs, goals and objectives that can bring about reduction in overhead cost, organizational efficiency and effectiveness. It is also pertinent to state that organizations involved in outsourcing in order to have control and reduce operating costs, to have a wide access to world class capabilities, have a clear focus on the company core business and share risks with a partner company. Outsourcing industry has been discovered as the fastest way to create jobs in the world, especially where unemployment is the problem. In India alone this industry generated over 20million jobs in just few years. However, in Nigeria it could also generate 500,000 jobs within a very short time if fully embraced by all.

JOB OUTSOURCING: THE CHALLENGES

Recent empirical research has revealed that challenges an organization in Nigeria considering the option of job outsourcing as a strategy are numerous in nature. It is worthy to state that organization outsource their non-core business in order to avoid specific costs. Some of the reasons organization opts for outsourcing includes; the avoidance of regulations, high taxes, high energy costs and other cost associated with defined benefits as stipulated in labour union contract and taxes for government mandated benefits. According to Awodun, (2006) another major reasons for outsourcing job by employers is as a result of cost reduction in order to avoid high operational charges. This will lead to avoidance of payment of gratuity, redundancy and other overhead costs.

A study by Mclvor, (2008) explain that failure to identify the concept of job outsourcing as a viable business strategy may pose as a great shortcomings for any firm to compete favorably among their counterpart in the same line of trade.

One of the major challenge's identify by Quinn, (2000) that is associated with outsourcing has to do with identification and evaluation of the activities that needed to be outsourced by the company. Further to the argument was that a business corporation that intends to operate and achieve its stated goals and objectives without outsourcing may perhaps end up spending huge capital resources to change technology that are obsolete. Therefore, there is need for careful evaluation to identify the areas to be outsourced and which one to conduct in-house.

Another identify challenge as postulated by Steensma and Corley, (2000) is that job outsourcing has the capacity of reducing organizational control over the way particular services

are delivered, by so doing the organizational liability exposure may rise. Other adverse effect of outsourcing is failure of identifying clear objectives that the strategy intend to achieve.

Nayak, et al (2007) also pointed out another major threat ascribed to job outsourcing process which has to do with failure when it comes to choosing the right outsourcing partner. There is need for proper and careful selection of outsourcing partner which should be based on level of expertise and experienced in the function being outsourced. Subsequently, lack of regular communication among the necessary stakeholders during the implementation process of outsourcing strategy can also pose as a big challenge to the business organization. The implication of communication gap may lead to negative effects of outsourcing projects that can lead to low morale and performance.

Human resource also play a major role according to Mclvor (2008), on job outsourcing process which can also be a bottleneck to any given organization. Other challenges identify by Mclvor (2008) are; inadequate supporting infrastructures, lack of top management commitment and unclear development of objective performance criteria. This lack of properly defined performance criteria will negatively affect the outsourcing strategy implementation process.

Therefore, based on the above assertions, the success of job outsourcing are the expectation by clients that the outsourcing service provider will take care of everything. If the expectations of outsourcing, especially by the management of a company, are too high, this may lead to over-critical feedback and disappointment.

CONCLUSION: WAY FORWARD

The impact of outsourcing in Nigeria cannot be over emphasized. Although from the review above, some studies were in support and others against it. However, the following are possible way forward that can be adopted by government and all stakeholders. The Nigeria national assembly should enact employment legislation law that will serve as a protection for rights of employees against any form of maltreatment within their organization. The law should be also compelled foreign companies that desire to operate in Nigeria not to violate the labour practice which can't be allowed in their various home countries. Equally, the international best practices should be part of Nigeria labour sector. The labour law should permit contract staffs to join union in his/her company. Subsequently, there is need for government to also move into action by ensuring that the local content laws are being enforced across all the sectors of the economy in that Nigerian workers are not easily displaced by expatriates that are most not qualified or better skilled.

It is important that a company's executive management team is informed about the reasonable risks of an outsourcing project, the potential costs and the mitigation strategies.

Equally, employees, customers and other stakeholders should also be kept informed as the project unfolds. Managing expectations is not difficult, but it is frequently overlooked as a risk, because it involves confronting problems before they arise. However, if handled effectively, managing the expectations of outsourcing can create a great deal of goodwill among stakeholders for the venture. A comprehensive communication programme should be developed and disseminated to all stakeholders who will be affected by the outsourcing process. The message should be personalized for different levels of employees, and should essentially answer the question: Employees should be given the opportunity to ask questions and be heard. In addition, there should be standard and a proper guidelines that would regulate the conduct of players who can practice outsourcing and open up the sub-sector for business activities to flourish and perhaps push that process to lead to some licensing framework (Adebayo, 2017).

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