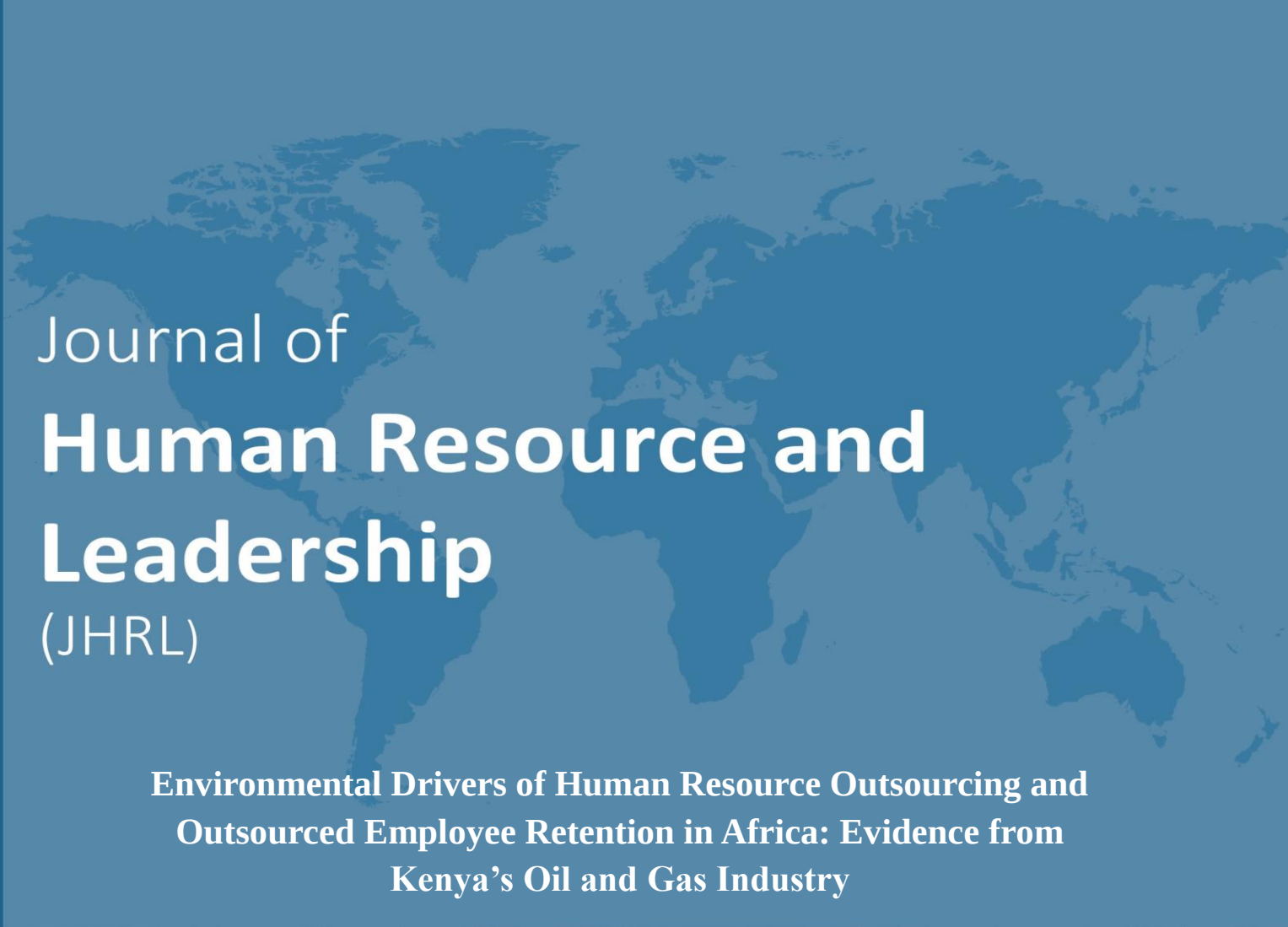


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Journal of Human Resource and Leadership (JHRL)

**Environmental Drivers of Human Resource Outsourcing and
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Kenya's Oil and Gas Industry**



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Environmental Drivers of Human Resource Outsourcing and Outsourced Employee Retention in Africa: Evidence from Kenya's Oil and Gas Industry



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Accepted: 4th Sep, 2026, Received in Revised Form: 19th Sep, 2026, Published: 30th Sep, 2026

Abstract

Purpose: The purpose of the study was to examine the influence of environmental human resource outsourcing drivers on outsourced employee retention among oil and gas companies in Kenya.

Methodology: The study employed the post-positivism philosophy, adopting concurrently embedded mixed-methods research design with quantitative data as the primary strand and qualitative data providing contextual insights. The study population comprised of 430 oil and gas companies, from which a target population of 860 respondents was identified. An sample of 273 respondents represented the unit of observation. Quantitative data analysis involved descriptive statistics and multiple regression analysis, while qualitative data were analysed thematically. The study achieved a response rate of 77.2 (n=211) percent.

Findings: Environmental human resource outsourcing drivers were found to have a positive influence on outsourced employee retention, whereby companies that respond well to external conditions such as labor market shifts and regulatory demands through outsourcing enable employees to experience improved job continuity and predictability, which strengthens their intention to stay.

Unique Contribution to Theory, Practice and Policy: The study highlights how Kenya's oil and gas sector's regulatory environment, market conditions, workforce scalability, and outsourced employment management influence outsourcing outcomes. It urges the Ministry of Labour to enhance welfare policies for outsourced workers and advises HR practitioners to prioritize remuneration and retention in human resource outsourcing decisions for sustainable employee management.

Keywords: *Environmental Human Resource Outsourcing Drivers, Outsourced Employee, Employee Retention, Oil and Gas Companies*

JEL Codes: J41, M54, J63, M51, L24, K31, L71, M52

1. Introduction

Environmental outsourcing drivers refer to external conditions that influence an organization's decision to outsource human resource (HR) functions. These include labour-market conditions, regulatory requirements, technological and market changes, demand uncertainty, and the need for workforce flexibility (Quélin & Duhamel, 2003)

Labour market conditions constitute an important environmental driver of Human Resource Outsourcing (HRO), as rising labour costs, skill shortages, changing employment patterns, and industrial relations pressures can motivate organizations to seek greater workforce flexibility and cost efficiency. Globalization has expanded these possibilities by enabling firms to access lower-cost labour markets, while strong unions and collective bargaining arrangements may constrain managerial flexibility and increase incentives to outsource non-core HR functions (Kreiner & Svarer, 2022; Bhuller et al., 2022; Boccalatte, 2019). However, the literature presents a more complex relationship, as outsourcing may simultaneously address organizational labour-market pressures while increasing temporary employment, weakening job security, and reducing employee protection (Amiq et al., 2021).

The regulatory environment also shapes organizations' outsourcing decisions by determining the legal obligations associated with outsourced employment. Labour laws, employment regulations, and government policies influence organizational decisions by defining employer responsibilities, workers' rights, and compliance requirements (ILO, 2018; Dzakpasu, 2021). Countries with well-developed outsourcing regulations provide greater legal certainty for organizations, whereas weak or fragmented regulatory frameworks may expose outsourced employees to insecure employment, inadequate social protection, and limited enforcement of labour standards (Amiq et al., 2021; Kunarti et al., 2024; Wardah, 2024). In Kenya, labour outsourcing is regulated primarily through the Employment Act (2007) and the Labour Relations Act (2007), although no comprehensive legislation specifically governs outsourcing arrangements. Consequently, organizations must balance operational flexibility with legal compliance when adopting HRO.

Workforce scalability has become an increasingly important environmental motivator as organizations seek greater flexibility in responding to changing business conditions. Outsourcing enables organizations to adjust workforce size and capabilities in response to fluctuations in demand, technological change, and competitive pressures without the long-term commitments associated with permanent employment (Suleiman, 2015).

Outsourced employee retention presents a critical justification for examining Human Resource Outsourcing (HRO) in Kenya. Although HRO is widely adopted to achieve strategic benefits such as cost reduction, enhanced operational flexibility, access to specialised expertise, and improved organisational efficiency (Zwysen, 2024), evidence from Kenya reveals persistent concerns regarding the treatment of outsourced employees. Between 2014 and 2024, 493 documented labour cases highlighted issues including unfair labour practices, inadequate wages,

discrimination, restrictions on union membership, violations of workers' rights, and poor working conditions (Kenya Law, 2014–2024). These challenges suggest that while HRO may deliver organisational advantages whilst undermining employee retention and workforce stability. Despite these challenges, there is limited empirical evidence on how HRO drivers influence outsourced employee retention within Kenya's oil and gas context, justifying the need for this study to provide context-specific insights for policy and practice.

The existing methodological evidence on environmental outsourcing drivers includes surveys, cross-sectional studies, firm-level analyses, and systematic reviews. While these approaches provide useful insights into associations and broader trends, the literature is limited by context-specific studies and a predominant focus on outsourcing decisions rather than outsourced employee retention. The evidence is also concentrated in developed economies and sectors such as telecommunications, banking, and manufacturing, with limited research from developing countries, particularly Kenya's oil and gas sector.

This creates a significant research gap, given the distinctive characteristics of the oil and gas industry, including specialized skills, regulatory requirements, technological demands, project-based operations, and dependence on outsourced labour. Specifically, limited empirical evidence exists on how environmental outsourcing drivers, particularly labour-market conditions, regulatory requirements, and workforce scalability, influence the retention of outsourced employees in Kenya's oil and gas sector. This study addresses this gap by examining the relationship between environmental outsourcing drivers and outsourced employee retention, thereby extending HRO literature by linking external environmental conditions to an employee-level outcome within a developing-country and sector-specific context.

2. Statement of the Problem

Employee retention among outsourced workers in Kenya's oil and gas industry remains relatively underexplored, despite concerns that differences in employment terms, remuneration, benefits, career opportunities, and job security compared with directly employed staff may affect outsourced employees' retention. Evidence of these challenges is highlighted in 493 labour-related cases involving outsourced workers reported by Kenya Law between 2014 and 2024, involving allegations of unfair labour practices, discrimination, poor working conditions, and violations of workers' rights (Kenya Law, n.d.). *Mekubo v. Vivo Energy Kenya Limited (Cause No. 867 of 2017) [2025] KEELRC 683 (KLR)*, highlighted an outsourced worker unfair termination. *Kenya Petroleum Oil Workers Union v. Giefcon Limited & another (2015)*, outsourced workers challenged restrictions of union membership, recognition agreement and payment of trade union dues. The *Kenya Union of Commercial, Food and Allied Workers (KUCFAW) v. Amicum Outsourcing Limited, Artemis Outsourcing Limited & Tusker Mattresses Limited [2019] KEELRC 2046 (KLR)*, indicated 318 outsourced employees challenged restrictions on union membership and the denial of redundancy and severance benefits. Similarly, *Kenya Union of Sugar Plantation and Allied Workers v. West Kenya Sugar Company Limited*

[2025] KEELRC 460 highlighted concerns regarding the outsourcing of core unionisable jobs, unequal access to collective bargaining benefits, and wage discrimination, while *Karanja & 5 others v. Kenya Airport Parking Services Limited & another* [2025] KEELRC 3580 (KLR) involved claims by outsourced workers of misclassification and underpayment. Collectively, these cases demonstrate persistent concerns regarding the employment conditions and equitable treatment of outsourced workers; however, legal disputes provide limited empirical evidence on the organizational factors that influence their outsourced employee retention.

Separately, in the United States, turnover of specialized oil and gas employees can cost organizations more than 400% of an employee's annual compensation (Gerard, 2019). In the United Arab Emirates, 15% of employees intend to leave the sector, while Abu Dhabi National Oil Company (ADNOC) reports a turnover rate of 28% (Suwaidi & Akmal, 2022; Alshehhi et al., 2023). In Kenya, the National Oil Corporation has recorded turnover rates exceeding 10%, with most employees serving for less than five years. Similarly, industrial gas companies listed on the Nairobi Securities Exchange report notable turnover and low long-term retention levels (Maliku, 2014; BOC Kenya, 2023). Consequently, there remains a contextual, empirical and methodological gap regarding how human resource outsourcing drivers and vendor relationship management influence the retention of outsourced employees in Kenya's oil and gas companies.

3. Objectives of the Study

- i. Examine the influence of environmental outsourcing drivers on outsourced employee retention among oil and gas companies in Kenya.

4. Research Hypotheses

H0₁: There is no significant influence of environmental outsourcing drivers on outsourced employee retention among oil and gas companies in Kenya.

5. Theoretical Framework

Resource Dependency Theory

Resource Dependency Theory (RDT) originated from the work of Thompson (1967), who argued that no organisation is self-sufficient and must rely on external entities for critical resources. The theory was subsequently developed by Zald (1970), Hasenfeld (1972), Jacobs (1974), Benson (1975), and formalised by Pfeffer and Salancik (1978), who proposed that organisational survival depends on acquiring and controlling external resources while effectively managing relationships with stakeholders. The theory has evolved from emphasising resource acquisition and environmental dependence to recognising power, inter-organisational relationships, and strategic collaboration as mechanisms for reducing uncertainty and achieving organisational stability (Johnson, 1995; Casciaro & Piskorski, 2005; Hillman et al., 2009). Recent developments further extend RDT by highlighting dynamic capabilities, digital ecosystems, supply chain resilience, sustainability, and collaborative partnerships as strategic responses to resource dependence in

increasingly uncertain business environments (Ilhan, 2020; Drees & Heugens, 2021; Durand et al., 2022; Lee, 2025).

Resource Dependency Theory is highly relevant to this study because it explains why organisations adopt Human Resource Outsourcing (HRO) to access specialised expertise, improve operational flexibility, manage costs, and reduce uncertainty associated with scarce human resources. The theory provides relevance as outsourcing creates interdependence between oil and gas companies and service providers, requiring effective collaboration to balance power, minimise dependence, and improve employee retention (Hillman et al., 2009; Hansen & Rasmussen, 2013). Accordingly, RDT supports the proposition that effective vendor relationship management strengthens the relationship between HRO drivers and employee retention by facilitating access to strategic resources while mitigating outsourcing risks.

Despite its extensive application, RDT has limitations. The theory primarily emphasises external resource dependence and power relations while giving limited attention to internal organisational capabilities, leadership, organisational culture, institutional influences, and behavioural factors that also shape strategic decisions (Cobb, 2014). Furthermore, its assumption that organisations primarily seek to minimise dependence may not adequately explain collaborative partnerships characterised by trust, knowledge sharing, and mutual value creation.

6. Literature Review

Sheikh, (2010) examined payroll outsourcing agencies in Pakistan using qualitative data from 97 interviews across multiple industries. The study found that outsourcing enhances workforce flexibility, reduces employment costs, and transfers employment obligations to outsourcing agencies. However, it also highlighted negative consequences, including reduced job security, weakened labour rights, and lower employment quality. These findings align with Boccalatte (2019), who identified outsourcing as a strategy for reducing labour union influence and collective bargaining pressures. Together, the studies demonstrate that labour costs, employment regulations, and industrial relations are important environmental drivers for HRO. However, Sheikh (2010) emphasizes employee outcomes, while Boccalatte (2019) focuses on institutional labour market pressures influencing outsourcing decisions. Both studies were conducted outside Kenya and focused on outsourcing adoption rather than outsourced employee retention. Therefore, limited evidence exists on how labour market conditions influence outsourced employee retention, which the present study investigates within Kenya's oil and gas sector.

Jepkogei and Kiprotich, (2016) examined the effect of outsourcing HR activities, specifically recruitment and training, on employee engagement at Kenya's Rural Electrification Authority. The study found that outsourcing negatively affected employee retention, suggesting that externally managed HR processes may weaken organizational attachment and commitment. These findings align with studies linking outsourcing to reduced job security, limited career progression, and weaker employee identification (Amiq et al., 2021; Ul-Ain & Siddiqui, 2020), other studies show that outsourced employees may experience lower benefits, compensation

inequalities, and reduced employment protection (Amiq et al., 2021; Zwysen, 2024) but contrast with evidence that effective vendor management and employee-focused outsourcing practices can improve workforce outcomes (Iheriohanma & Austin-Egole, 2020; Yang et al., 2023). However, the study focused on the outcomes of outsourced HR activities rather than the drivers influencing HRO decisions. It therefore provides limited insight into how strategic, functional, environmental, and vendor relationship factors influence outsourced employee retention. Additionally, its public sector context limits applicability to Kenya's oil and gas sector, where outsourcing involves specialized labour. The present study addresses this gap by examining how HRO drivers influence outsourced employee retention in Kenya's oil and gas sector.

Boccalatte (2019) focuses on institutional labour market pressures influencing outsourcing decisions. Both studies were conducted outside Kenya and focused on outsourcing adoption rather than outsourced employee retention. These findings align with studies linking outsourcing to reduced job security, limited career progression, and weaker employee identification (Amiq et al., 2021; Ul-Ain & Siddiqui, 2020),

Mohamed, (2019) examined the relationship between perceptions of future outsourcing and pay satisfaction among 184 employees in Libya Oil Company's Oil Transportation Department. The study found that employees' perceptions of outsourcing significantly influenced compensation satisfaction, indicating that views regarding employment security and future career prospects shape evaluations of pay outcomes. Lee and Lee (2021), found that outsourcing was associated with lower job satisfaction among public employees, while research on offshoring reported negative associations with workers' subjective well-being. More recently, Hansen (2025) demonstrated that outsourcing was associated with lower employee engagement and higher burnout, although these effects varied according to job demands and employee resources.

Obi et al., (2021) examined outsourcing and employment relations at Shell Petroleum Development Company (SPDC) in Nigeria. The study found that outsourcing negatively affected worker performance, with outsourced employees reporting dissatisfaction, reduced commitment, and concerns regarding employment conditions. These findings support evidence linking outsourcing with weaker organizational attachment, limited career opportunities, and reduced employment security (Amiq et al., 2021; Ul-Ain & Siddiqui, 2020). However, they contrast with studies showing that effective vendor management, fair compensation, and employee development can improve outsourcing outcomes (Iheriohanma & Austin-Egole, 2020; Yang et al., 2023). While the study provides relevant oil and gas sector evidence, it focused on employment relations rather than the HRO drivers influencing retention. Limited evidence therefore exists on how cost management, employee expertise, core competency focus, environmental factors, and vendor relationship management affect outsourced employee retention, particularly within Kenya's oil and gas sector.

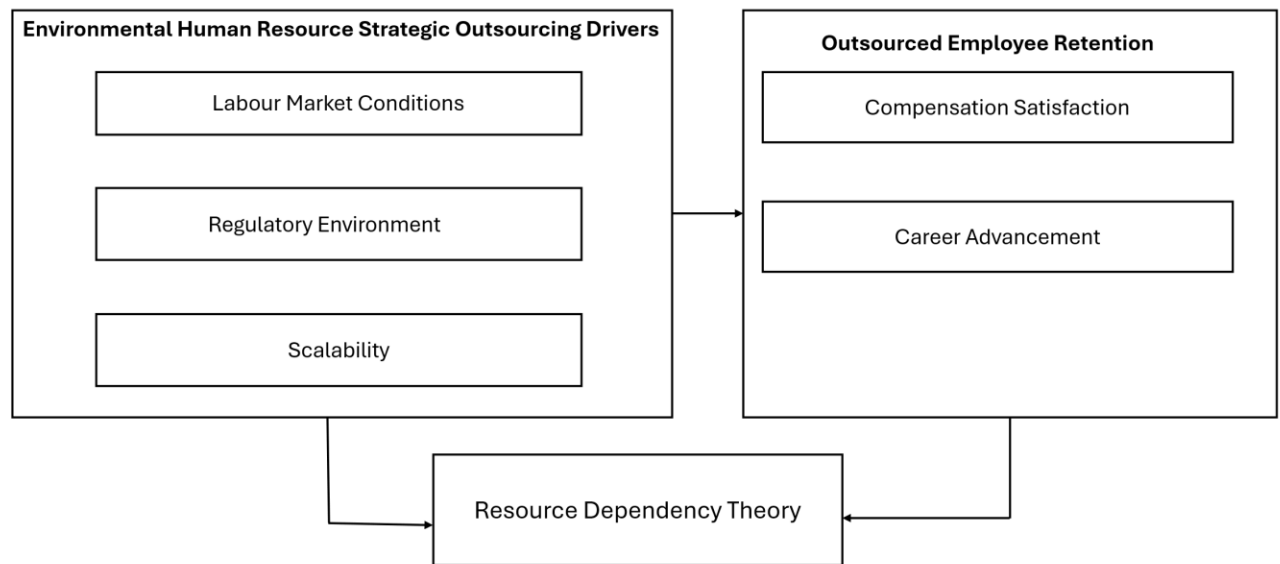
Yang et al., (2023) examined the effect of outsourced employment on perceived insider status and job performance among outsourced and permanent employees. The study found that

outsourced employees experienced lower perceived insider status, which negatively affected job performance, particularly in core organizational roles. These findings converge with Cicellin et al. (2022), using a large sample of agency workers, found that perceived organizational support from both the employment agency and the client organization was positively related to affective commitment. Menatta (2022) also demonstrated that temporary agency workers differ in their commitment profiles and that stronger dual commitment is associated with higher job satisfaction. Collectively, these studies converge in suggesting that the employment relationship, organizational support, inclusion, and psychological attachment are important dimensions of the outsourced employee experience. The principal empirical gap therefore concerns the limited integration of organizational-level HRO drivers with outsourced employee-level retention outcomes.

Overall, the literature converges in suggesting that labour-market pressures, regulatory conditions, and workforce flexibility are important environmental considerations in outsourcing decisions. However, it diverges regarding the direction and consequences of these relationships. Labour shortages and changing labour costs may encourage outsourcing, but outsourcing can also generate employment insecurity. Regulatory requirements may encourage organizations to use specialized providers for compliance purposes, while stringent regulation may simultaneously increase the cost of outsourcing. Workforce scalability may improve organizational flexibility, but excessive reliance on external labour may compromise longer-term workforce capability. These conflicting findings indicate that environmental drivers operate conditionally rather than uniformly across organizations and institutional settings.

7. Conceptual Framework

This section presents the conceptual framework guiding the study. Grounded in resource dependency theory, it illustrates how environmental HRO drivers are expected to influence outsourced employee retention.



(Amisi,2026)

8. Research Methodology

Research Philosophy

The research adopted post-positivism research philosophy and informed the study objective of the influence Environmental Human Resource Outsourcing (HRO) drivers on outsourced employee retention. This objective required quantitative evidence to establish the strength, direction, and significance of relationships between the independent and dependent variables. However, quantitative results alone may not explain why particular HRO drivers influence employees' decisions to remain with an organization. The qualitative component provides in depth explanations of how factors such as labour-market conditions, regulatory environment and scalability are viewed by managers. This combination reflects the post-positivism principle of using the method most appropriate for addressing the research problem (Phillips & Burbules, 2000; Creswell & Creswell, 2018).

Research Design

The study adopted a concurrently embedded mixed-methods research design, in which quantitative and qualitative data were collected concurrently, with the quantitative strand serving as the dominant component and the qualitative strand embedded to provide supplementary and contextual insights (Creswell & Plano Clark, 2011; Creswell et al., 2011). In this study, quantitative data constituted the primary strand and were collected through structured questionnaires to examine the influence of environmental HRO drivers on outsourced employee retention. Qualitative data were collected concurrently through open-ended responses and analysed thematically to provide contextual explanations and additional insights that could not be fully captured through the quantitative measures. The concurrent collection of both forms of data

enabled the qualitative findings to complement the quantitative results without requiring a separate sequential phase. The quantitative questions established the influence of relationships among the study variables. The qualitative strand provided contextual explanations of how HRO drivers influence employee retention.

Integration occurred at the interpretation stage, where quantitative findings and qualitative themes were considered together to identify areas of convergence, complementarity, and divergence. The embedded qualitative component therefore enhanced the interpretation of the quantitative results by providing contextual understanding of the experiences and practices underlying the observed relationships. This design was appropriate because the primary purpose of the study was to statistically examine the hypothesized relationships while simultaneously obtaining qualitative insights that could enrich the interpretation of outsourced employee retention within Kenya's oil and gas sector.

Sample Size

A sample size is a proportion of a target population that sufficiently and accurately reflects the characteristics of the relevant population (Ayiro, 2024). The study used the Taro Yamane Sampling Technique to identify the sample population. The formulae builds in a finite-population adjustment based on the cautious premises of 95% confidence and $p = 0.5$ (the highest possible variability). As a result, it yields a statistically solid and cautious calculation of the smallest sample size required to achieve a specified level of precision (Yamane, 1967).

The Taro Yamane formulae

$$n = N / (1 + N(e)^2)$$

Where:

n = sample size

N = population under study

e -the margin error (0.05)

TP=Total Population substituting into the formula

$$n = 2 / (1 + 860 (0.05)^2)$$

$$n = 860 / (3.15)$$

$$n = 273$$

From the target population of 860 respondents from oil and gas companies, two respondents selected from each of the population of 430 oil and gas companies. The study sample size comprised of unit of 273 respondents. These respondents were drawn from the Heads of Human Resources, comprising HR Managers, HR Generalists, and HR Specialists, and Heads of Procurement, specifically Procurement Managers.

Table 1: Sample Size

EPRA Register	Population (Companies)	Target Population (Respondents)	Sample Population(Respondents)
Import, Export and Wholesale of LPG in Bulk (EPRA, 2024)	63	126	88
Import, Export and Wholesale of Petroleum Products (Except LPG) Register (EPRA, 2023)	143	286	78
Industrial Gas Companies	13	26	7
Storage and wholesale of LPG in Cylinder register (EPRA, 2024)	211	422	100
TOTAL	430	860	273

Source: EPRA (2024)

Descriptive Statistics

Environmental Outsourcing Drivers

This section handles the influence of environmental HRO drivers on outsourced employee retention. The analysis of environmental outsourcing drivers demonstrates varying levels of agreement regarding external factors that influence human resource outsourcing decisions. Table 2 presents the descriptive statistics for environmental drivers.

Table 2: Environmental Outsourcing Drivers

Statement	Mean	Std. Deviation
Scalability through HR outsourcing helps respond quickly to new markets	3.98	0.897
Our organization outsources HR to easily adjust staffing levels	3.82	1.073
Competitive labor market makes outsourcing more attractive	3.73	0.851
HR outsourcing helps us access broader and diverse talent pools	3.58	1.186
Our organization outsources HR to ensure compliance with labor laws	3.57	1.018
Volatile labor market conditions drive HR outsourcing decisions	3.53	0.992
Our organization outsources HR to manage skills scarcity	3.48	1.053
HR outsourcing enables conformity to new legislation	3.38	1.082
Outsourcing provides operational flexibility for fluctuating demands	3.38	1.505
HR outsourcing helps mitigate legal labor risks	3.34	1.221
Changing regulatory landscape motivates HR outsourcing	3.32	1.163
HR outsourcing allows rapid scaling of operations	3.00	1.291
Average	3.51	1.111

Key: M = Mean; SD = Standard Deviation

Source: Field Data (2025)

The results reveal that scalability considerations received the highest agreement ($M = 3.98$, $SD = 0.897$), indicating strong recognition that HR outsourcing facilitates rapid response to new market opportunities. The ability to easily adjust staffing levels also received substantial support ($M = 3.82$, $SD = 1.073$), reflecting the importance of workforce flexibility in the dynamic oil and gas sector. Findings indicate that environmental drivers primarily reflect the need for scalability and agility in dynamic markets. Many respondents acknowledged that outsourcing enhances organizational responsiveness to market fluctuations and facilitates access to specialized labor pools. This finding aligns with the reliance on outsourced labour thereby minimising disruptions caused by staff attrition and ensuring continuity of operations, consistent with Suleiman (2015).

Competitive labor market conditions were acknowledged as making outsourcing more attractive ($M = 3.73$, $SD = 0.851$), suggesting that market pressures influence outsourcing decisions. Moderate agreement was observed for accessing broader talent pools ($M = 3.58$, $SD = 1.186$) and ensuring labor law compliance ($M = 3.57$, $SD = 1.018$). The regulatory-related drivers received more modest support, with changing regulatory landscapes ($M = 3.32$, $SD = 1.163$) and

legal risk mitigation ($M = 3.34$, $SD = 1.221$) showing moderate agreement levels. The relatively high standard deviations for some items, particularly operational flexibility ($SD = 1.505$), suggest varying experiences and perceptions across different organizational contexts. Competitive labor markets and regulatory compliance were also recognized as key influences, illustrating that firms view outsourcing as a mechanism for managing talent scarcity and adapting to shifting labor regulations. The findings support Dzakpasu, (2021) view that outsourcing helps firms manage stringent government regulations and labor concerns more effectively.

The overall average mean score of 3.51 ($SD = 1.111$) indicates moderate agreement with environmental drivers as drivers for human resource outsourcing. However, opinions are diverged to the extent to which outsourcing enables rapid operational scaling, response to market pressures and labor law compliance suggesting that while these are valued conceptually, its practical realization may vary depending on vendor capacity and market conditions.

Outsourced Employee Retention

The descriptive analysis of employee retention variables reveals moderate agreement levels across compensation, career development, and retention strategies for outsourced staff. Table 3 presents the descriptive statistics for employee retention variables.

Table 3: Outsourced Employee Retention

Statement	Mean	Std. Dev
Outsourced staff compensation commensurate with skills	3.91	0.731
Outsourced staff receive competitive compensation vs internal staff	3.65	1.191
There are clear pathways for outsourced staff development	3.65	1.010
Career development programs available for outsourced staff	3.55	1.042
Long-term career planning discussed for outsourced employees	3.52	1.212
The overall compensation packages are fair and adequate	3.51	1.084
Compensation reviews conducted regularly and transparently	3.50	1.030
Outsourced staff have opportunities for advancement	3.48	1.011
Outsourced staff receive competitive base salaries vs market	3.15	1.244
Average	3.55	1.062

Key: M = Mean; SD = Standard Deviation

Source: Field Data (2025)

The results indicate strong agreement that outsourced staff compensation is commensurate with

their skills and contributions ($M = 3.91$, $SD = 0.731$), suggesting recognition of performance-based compensation practices. Moderate agreement was observed for competitive compensation compared to internal staff ($M = 3.65$, $SD = 1.191$) and the existence of clear development pathways ($M = 3.65$, $SD = 1.010$). Career development initiatives received moderate support, with availability of programs ($M = 3.55$, $SD = 1.042$) and long-term planning discussions ($M = 3.52$, $SD = 1.212$) showing similar agreement levels. However, the lower mean for competitive base salaries compared to external market ($M = 3.15$, $SD = 1.244$) and the relatively high standard deviation suggest concerns about compensation competitiveness. The moderate agreement levels across most retention variables indicate opportunities for improvement in outsourced staff retention strategies. The overall average mean score of 3.55 ($SD = 1.062$) indicates moderate agreement with current employee retention practices for outsourced staff.

The analysis of outsourced employee retention variables revealed moderate satisfaction with compensation fairness and career development opportunities for outsourced staff. Organizations appear to have achieved internal pay equity, aligning compensation with skill levels and job roles. However, competitiveness relative to market standards remains a concern, potentially undermining retention of outsourced employees. Matuga and Bula,(2021); Hassan, (2022); Musoka and Gathii, (2022) support the findings revealed that reward and compensation practices, compensation policies significantly influenced employee retention. Career development programs were generally available but inconsistently implemented, creating a mismatch between policy intent and practical outcomes. These patterns suggest that while companies acknowledge the importance of equitable and developmental practices, addressing external pay competitiveness and actual advancement opportunities remains critical to sustaining long-term retention of outsourced employees. Mwangi and Kombo,(2023), Matuga and Bula,(2021),Obi et al., (2021),Gerard, (2019); and (Kossivi et al., 2016) align with the findings that professional development opportunities, career advancement as crucial for employee retention.

Qualitative Data Analysis**Table 4: Objective-by-Objective Joint Display**

Research Objective	Quantitative Finding	Qualitative Finding	Integration Inference
Objective Environmental drivers on retention	2: $\beta = 0.162$, $p = 0.032$; scalability highest rated ($M = 3.98$)	Business continuity and pandemic strongly elaborated; operational flexibility described as critical for seasonal petroleum demand management Regulatory compliance, pension liability avoidance, and union avoidance identified	Convergence: Scalability confirmed across both strands. Complementarity: Qualitative explains operational mechanisms of scalability through vendor talent pools and rapid deployment. Complementarity: Qualitative adds union avoidance and liability transfer as mechanisms not measured quantitatively.

Source: Field Data (2025)

The findings indicated that oil and gas sector organizations are increasingly adopting outsourced labor models as a deliberate strategy to circumvent the escalating complexity of labor legislation and its associated costs and risks. Primary motivations include the avoidance of long-term pension obligations, mitigation of statutory compliance burdens, and reduction of vulnerability to union-driven industrial action. This union-avoidance benefit was clearly demonstrated in 2025 when the Kenya Petroleum Oil Workers Union (KPOWU) issued a seven-day strike notice; firms with outsourced operational and technical roles maintained uninterrupted business continuity, as contingent workers remained unaffected by the strike call.

Simultaneously, outsourcing confers significant operational flexibility, enabling rapid workforce scaling in response to volatile global oil demand and price fluctuations. Specialized manpower vendors typically maintain pre-qualified, ready-to-deploy talent pools, facilitating immediate replacement of personnel during emergencies, absenteeism, or unforeseen resignations without compromising service delivery

The ability to provide flexible workforce arrangements tailored to different operational demands was recognized as a significant strategic advantage.

Triangulation

The findings demonstrated substantial convergence with Environmental drivers converged around scalability ($M = 3.98$), workforce flexibility ($M = 3.82$) and labour-market pressures. The analysis also identified important divergences. Regulatory compliance, union avoidance, risk transfer and business continuity were more strongly elaborated in the qualitative findings than in the descriptive statistics. Operational flexibility presented another divergence, with a moderate quantitative rating ($M = 3.38$) but strong qualitative accounts of the value of rapid workforce scaling and replacement.

Correlation Analysis

Table 5: Correlation Matrix - Employee Retention and Study Variables

		Employee Retention (r)	Institutional Drivers	Environmental Drivers	Strategic Drivers	Functional Drivers	Vendor Relationship Management
Environmental Drivers	Pearson Correlation	.542**	.792**	1.000			
	Sig. (2-tailed)	0.000	0.000				
	Sig. (2-tailed)	0.001	0.617	0.118	0.000	0.000	

** Correlation with $p < 0.05$ (2-tailed) are statistically significant

Source: Field Data (2025)

Environmental outsourcing drivers show a moderate positive and significant relationship with employee retention ($r = 0.542$, $p < 0.05$), suggesting that external factors such as labor market conditions, regulatory environment, and scalability needs contribute meaningfully to retention success.

Regression Coefficients

The regression coefficients analysis examines the environmental driver contribution to the prediction of employee retention. Table 6 presents detailed coefficient analysis.

Table 6: Coefficients

Model	Variable	Unstandardized Coefficients	Standardized Coefficients		t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.364	0.220		1.655	0.099
	Environmental	0.162	0.075	0.177	2.165	0.032

Dependent Variable: Employee Retention

Source: Field Data (2025)

Environmental drivers also reported a positives and significant influence on employee retention ($\beta = 0.162$, $t = 2.165$, $p = 0.032$). This indicates that favorable external factors including labor market dynamics, regulatory support, and scalability contribute positively to retention outcomes.

Hypothesis Testing

This section presents the testing of research hypotheses formulated to examine the relationships between human resource outsourcing drivers and employee retention among oil and gas companies in Kenya. The hypothesis testing employs the conventional significance level of 0.05, with statistical interpretations based on the multiple regression analysis results. The study tests the five null hypotheses as captured hereunder:

H_{02} : There is no significant influence of environmental outsourcing drivers on outsourced employee retention among oil and gas companies in Kenya.

Environmental outsourcing drivers exhibited a statistically significant influence on outsourced employee retention among oil and gas companies in Kenya ($\beta = 0.162$, $t = 2.165$, $p = 0.032$). Since the p-value of 0.032 is below the conventional significance level of 0.05, the null hypothesis (H_{02}), which stated that environmental outsourcing drivers have no significant influence on employee retention, was rejected. This confirms that environmental outsourcing drivers significantly influence the retention of employees in Kenya's oil and gas sector.

The analysis confirms that environmental outsourcing drivers significantly influence outsourced employee retention outcomes in Kenya's oil and gas sector. Each unit increase in environmental drivers results in a 0.162-unit increase in retention, controlling for other variables. This indicates that external environmental factors including labor market conditions, regulatory compliance requirements, and scalability needs meaningfully affect retention outcomes through their impact on outsourcing strategies and implementation quality. Although environmental outsourcing drivers exhibit the smallest coefficient among the predictors, their statistical significance confirms meaningful contribution to retention

Table 7 presents a summary of hypothesis testing results for the four human resource outsourcing

drivers.

Table 7: Summary of Hypothesis Testing Results

Hypothesis	Independent Variable	p-value	Decision	Conclusion
H ₀₂	Environmental Outsourcing Drivers	0.032	Reject H ₀₂	Significant influence

Significance level: $\alpha = 0.05$

Source: Field Data (2025)

The study evaluated the influence of environmental outsourcing drivers on employee retention. The regression results evidenced a positive and statistically significant influence ($\beta = 0.162$, $p = 0.032$), which means that responsiveness to labour market dynamics, regulatory requirements, and the need for operational flexibility improves retention of outsourced workers. The correlation analysis also revealed a moderate positive association, suggesting that when firms adapt to external pressures, they create work environments that are more predictable and attractive to employees. These results agree with König and Koskela (2013) and with Asatiani et al. (2019) who found that outsourcing choices are often triggered by external conditions and these choices influence HR outcomes.

In conclusion, Environmental outsourcing drivers were found to have a positive influence on outsourced employee retention, whereby companies that respond well to external conditions such as labor market shifts and regulatory demands through outsourcing enable employees to experience improved job continuity and predictability, which strengthens their intention to stay.

9. Conclusion

The study concludes that environmental factors are relevant to human resource outsourcing decisions and outsourced employee retention within the oil and gas industry. Labour-market conditions, regulatory requirements, technological developments, workforce scalability, and access to specialised skills constitute important contextual considerations in determining outsourcing arrangements. The findings suggest that outsourced employee retention should therefore be examined within the broader regulatory, technological, and labour-market environment rather than as an isolated organizational outcome. This perspective is consistent with the ILO (2023) emphasis on regulatory compliance and adaptability within changing employment environments.

10. Recommendations

Strengthening Policy Guidance on Outsourced Employee Welfare

The Ministry of Labour and Social Protection could consider strengthening the existing policy framework governing the welfare of outsourced employees. Such guidance could address key aspects of outsourced employment, including remuneration, employee benefits, occupational

health and safety, training, and skills development. Rather than prescribing uniform employment standards across sectors, policy guidance could provide a flexible regulatory framework within which industry, organizations and outsourcing providers may determine appropriate employment conditions, taking into account applicable labour legislation, sector-specific requirements, and contractual arrangements.

Development of Sector-Specific Human Resource Outsourcing Guidelines

The Ministry of Labour and Social Protection could also consider the development of sector-specific guidelines for human resource outsourcing. Such guidelines could provide contextualized frameworks for regulating and monitoring outsourced employment practices while taking into account the distinctive operational, workforce, and labour-market characteristics of different sectors. Sector-specific guidance could further clarify expectations regarding employee welfare, contractual arrangements, remuneration, skills development, occupational safety, and accountability among organizations and outsourcing providers.

Alignment of Outsourcing Practices with the Regulatory Environment

Organizations and relevant policy stakeholders could strengthen the alignment of human resource outsourcing practices with applicable labour legislation, sector-specific requirements, labour-market developments, and regulatory compliance obligations. Greater alignment could provide a more coherent framework for managing outsourced employment relationships and support more consistent employment practices. This recommendation is informed by the study's findings that environmental and institutional conditions are relevant to human resource outsourcing decisions and outsourced employee retention. Ensuring that outsourcing arrangements remain responsive to changes in the regulatory and labour-market environment may therefore contribute to more sustainable employment relationships and improved workforce stability.

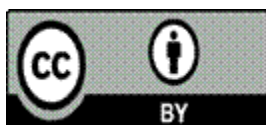
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