

# Human capital and development in nigeria



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Development all around the world is related to the economy. The economy is in part a social system of production, exchange, distribution, and consumption of goods and services of a country. People produce, distribute and consume goods and services and as such they need to be skillful, well experienced and be in good condition physically and mentally (Human Capital) in order for the economy to develop and prosper. Human Capital development especially through Health care and Education are primary factors needed for each and every individual in a society to function well and be able to reach his/her full potentials, increasing overall productivity and thus development.

Nigeria, a country with a teeming population of about 140 million constitutes a huge economy in which each and every individual matters in the development process. Every individual contributes one way or the other to the GDP and thus to development. A high level of Education in Nigeria will lead to high levels of income and savings thereby increasing investment and thus productivity. On the other hand, a low level of Education in Nigeria will lead to low levels of income, savings and investments which will eventually translate to reduced productivity. Also, a country with a high level of disease will have a low level of development unlike a country with a low level of disease which will have a far better level of development. This is because an unhealthy person will not be able to work to full capacity which will reduce overall productivity and thus GDP.

Nigeria also is a democratic country, where the government is formed by the people and for the people. Without Education to some certain extent, the people that will form the government will make wrong choices and thus the

whole government will always be inefficient and ineffective. Nigeria's economy is already suffering from misallocation of resources, corruption, embezzlement and unethical leadership over the years. Essential issues that affect the lives of people and the economy are being dealt with by inefficient governments; Issues concerning the tradeoff between efficiency and equity in the production of social services, health care, education, clean drinking water and infrastructure. Also, government offices are filled with the wrong people (structural problems) leading to further inefficiencies which affects the people's ability to enhance themselves both physically and mentally for a better Nigeria.

Section 2 after the Introduction of the paper will cover the Literature Review. Section 3 will be Human Capital and Development Indicators. Section 4 of the paper will cover Nigeria's Human Capital and Development. Section 5 will cover Empirical Investigation on the impact of Human Capital on Economic Development in Nigeria. Section 6 will cover recommendations and Conclusions.

## **2. Literature Review**

The literature of human capital and development in Nigeria is mainly centred on the emphasis of factors that constitute human capital and affect development e. g. education, health, social services and enabling environment. A definition of human capital in the work of Ogujuiba and Adeniyi (2005) state that; anything contributing to the improvement of human productivity, stimulate resourcefulness and enhance human dignity and overall quality of human life while refining attitudes, is an essential part of the human capital of any nation. These will include four important aspects

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namely the education system, health services, social services and good governance. Any improvement of these four important aspects will eventually lead to development. Akingbade (2008) asserts that; for any nation to have economic development within and outside its borders, it has to cater for its citizens via human capital development. Under achievement of human capital development in a country leads to underdevelopment of such country via failure to meet national objectives and lack of optimization of available potentials and resources. Poor human capital leads to hunger, poverty, disease, brain-drain, optical flight, huge debts, political instability etc thereby hampering the development process.

There is a positive relationship between human capital and development. As more and more efforts are made to increase the value of human capital of a society, the more the development level of that society. “ The more a nation has knowledgeable, skilled and resourceful individuals, the more the national growth and development of that nation. The human capital status of a nation will directly influence and positively correlate with economic and social indicators such as gross domestic product, income per capita, balance of trade, life expectancy, literacy rate, level of industrialization and the quality of infrastructural provisions. It can also have great impact on political stability, national peace and harmony as well as the prevailing ethos.” (Ogujuiba and Adeniyi, 2005).

One of the factors that constitute human capital and affect development is education. Increase in the level of quality education of Nigerian citizens will increase productivity and hence development. Lucas (1988) includes human capital as an additional input in the production of goods, while retaining the <https://assignbuster.com/human-capital-and-development-in-nigeria/>

other features of the neoclassical growth model. In the model, the labour force can accumulate human capital, which is then used together with physical capital to generate the output of the economy. In one version of the model, human capital is acquired through time spent in an (non-productive) educational process, introducing a trade-off for workers between employing time to produce output and using it to gain further human capital that will increase their marginal productivity when working in subsequent periods. In another version of the model, human capital is gained by the workers through on-the-job training, and so the time employed working increases their productivity later on. A recent research on the impact of human capital on economic development carried out by Ogujuiba and Adeniyi shows a more robust result using data from the Central Bank of Nigeria annual report 1970 - 2003. Their findings were that education level indicated via primary to tertiary education enrolment in Nigeria has a positive impact on Nigeria's economic development. Even though the relationship between economic development and tertiary education enrolment is positive, it is also found to be weak. This is probably associated to the decay in most of the tertiary institutions, persistent strikes and disruption of academic activities, inadequate funding and weak infrastructure in the educational sector of Nigeria.

Becker (1992) provides the most direct link between education and economic growth: lower fertility provides an opportunity to increase human capital, which in turn helps sustain lower fertility. The more educated the parents are, the more likely they go for smaller families because not only do they have a higher opportunity cost of time, but also they can teach their

children more effectively. High levels of human capital cause low fertility and high investment in human capital.

Other factors that constitute human capital and affect development are health services, social services and good governance.

Health services include all the necessary need of a citizen when he/she is ill. Health services can be reflected by several indicators such as life expectancy and infant mortality. Barro and Sala-i-Martin (1995, Ch. 12), among many others, have also included life expectancy and infant mortality in the growth regressions as a proxy of tangible human capital, complementing the intangible human capital measures derived from school inputs or cognitive tests considered; their finding is that life expectancy has a strong, positive relation with growth. This means that Health services which help an individual to operate at his/her full capacity increases overall productivity and hence growth and development.

When there is good governance, there will be social services and also, human capital will be increased thereby leading to development. But Nigeria, a country that relies only on oil revenues lacks good governance. Barton (2003) points out that due to lack of good governance in Nigeria, expenditure outstripped revenue, large internal budget deficits mounted and grandiose external debts appeared. He also added that a general lack of accountability and transparency, two critical factors for maintaining good governance was lacking in Nigeria. These problems also eroded overall credibility and drastically undermined investor confidence. Nigeria's international image is rather poor. In a credit-risk rating published in the

Economist in 1994, Nigeria was ranked third to last, after Iraq and Russia (The Economist, 1994).

In view of our topic, the literature has been focused mainly on the relationship that runs from human capital to development. In my own view, the relationship can also run from development to human capital. For example, Nigeria with its abundant natural resources can enjoy economic development via international trade gains. Nigeria in collaboration with multinational corporations can exploit its natural resources and sell to the world market. These gains from the global market can be channelled to various sectors of the economy thus enhancing growth and development. But all this will be possible if and only if there is good governance in Nigeria which will allocate resources efficiently, implement the right policies and lead the various sectors of the economy in the right direction. With these gains to trade, which lead to development, human capital can be revisited to enhance greater development. On the other hand also, high levels of human capital can increase revenues via increasing output and attracting foreign direct investments. For example the case of India; where their governments have spent a lot on their people to attain Information Technology know-how which attracts companies in the United States to outsource some of their IT work from India. Nigeria is a country with a high population thus with a high human capital potential. With the necessary governance and commitment, Nigeria can be rich in human capital thereby leading to its development.

### **3. Human Capital and Development Indicator**

Human Development Index

The Human Development Index (HDI) provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrolment at the primary, secondary and tertiary level) and having a decent standard of living (measured by purchasing power parity, PPP, income). All these factors affect the output level of a country. According to the 2007/2008 human development Report, Iceland is ranked 1st while Sierra Leone is ranked 177th in the 2005 human development Index. The HDI for Nigeria is 0.470, which gives the country a rank of 158th out of 177 countries. This clearly shows that Iceland is more developed than Nigeria because of the difference in human capital.

Table 1 below shows Nigeria's Human development index for 2005.

Table 1: Nigeria's human development index 2005

HDI value

Life expectancy at birth

(years)

Adult literacy rate

(% ages 15 and older)

Combined primary, secondary and tertiary gross enrolment ratio

(%)

GDP per capita



(PPP US\$)

1. Iceland (0. 968)

1. Japan (82. 3)

1. Georgia (100. 0)

1. Australia (113. 0)

1. Luxembourg (60, 228)

156. Senegal (0. 499)

163. Botswana (48. 1)

102. Algeria (69. 9)

136. Nepal (58. 1)

158. Rwanda (1, 206)

157. Eritrea (0. 483)

164. Côte d'Ivoire (47. 4)

103. Tanzania (United Republic of) (69. 4)

137. Equatorial Guinea (58. 1)

159. Benin (1, 141)

158. Nigeria (0. 470)

165. Nigeria (46. 5)

104. Nigeria (69. 1)

138. Nigeria (56. 2)

160. Nigeria (1, 128)

159. Tanzania (United Republic of) (0. 467)

166. Malawi (46. 3)

105. Guatemala (69. 1)

139. Bangladesh (56. 0)

161. Eritrea (1, 109)

160. Guinea (0. 456)

167. Guinea-Bissau (45. 8)

106. Lao People’s Democratic Republic (68. 7)

140. Yemen (55. 2)

162. Ethiopia (1, 055)

177. Sierra Leone (0. 336)

177. Zambia (40. 5)

139. Burkina Faso (23. 6)

172. Niger (22. 7)

174. Malawi (667)

Source: UNDP

### Human Development Index Trends

The human development index trends tell an important story of how human development changes over time. Since the mid-1970s almost all regions have been progressively increasing their HDI score (Figure 2). East Asia and South Asia have accelerated progress since 1990. Central and Eastern Europe and the Commonwealth of Independent States (CIS), following a catastrophic decline in the first half of the 1990s, has also recovered to the level before the reversal. The major exception is sub-Saharan Africa. Since 1990 it has stagnated, partly because of economic reversal but principally because of the catastrophic effect of HIV/AIDS on life expectancy.

### Figure 2: Trends

Nigeria's human development growth is slow compared to other regions in the world and this also translates to slow development. This is possibly due to factors that hinder the three dimensions that the HDI captures (life expectancy, adult literacy and enrolment at the primary, secondary and tertiary level and purchasing power parity, PPP, income). Factors may include: high level of diseases, poor health services, misallocation of resources, bad governance, poor infrastructure, and poor educational systems.

## **4. Nigeria's Human Capital and Development**

Nigeria, a country with a teeming population of over 140 million people with an oil dependent economy has had a declining average economic growth over the years. This is in part due to poor human capital. Several sectors of the Nigerian economy have suffered immensely due to poor human capital. Poor human capital has its devastating effect on the development of any economy. Low income, hunger, poverty, disease, brain-drain, optical flight, huge debts and political instability are all the ramifications of poor human capital.

Nigeria's high population does not indicate high human capital value because only a few people are opportune to have quality education, health services and other human development services. " The value of the human capital asset of a nation is a function of quantity, quality as well as the operating environment" (Akingbade, 2008). High population only indicates high potential for human capital development. When substantial inputs and efforts are made to elevate these potentials that is when high population translate to high human capital value. Among the inputs are; a good educational system, good health systems and a conducive operating environment. Nigeria lacks both inputs and efforts needed to elevate its high human capital potentials. For instance, Nigeria is far more endowed in mineral resources and human population than Japan, Sweden or Singapore; yet it comes nowhere near these countries in technological advancement and in economic and social development. " What makes the difference is human capital, its development, effective engagement and utilization." (Akingbade, 2008).

In terms of the educational systems of Nigeria, there are a lot of government owned primary and secondary schools. Also, there are a lot of Universities in Nigeria but the problem is the amount of resources invested in these areas is insufficient. Due to the few resources allocated to the educational sector, quality education becomes difficult to attain. As Nigeria's population increase in a geometrical ratio, the resources allocated to education is increasing slowly or sometimes decreasing. This misallocation of resources results to a lot of pressure on existing infrastructure leading to depreciation. Huge quantities of people pass out from primary, secondary schools and the Universities with little or no knowledge and no jobs to do. The masses in Nigeria are the ones mostly deprived of quality education and health services. Due to the deprivation of quality education, there are low incomes and wages. These low incomes and wages drive away already existing persons with high human capital to foreign countries in search of a better pasture (brain drain). This brain drain leads to insufficient professionals in Nigeria causing overall productivity to fall. The country is left with a lot of people with little or no useful knowledge in terms of increasing overall productivity. It is in the midst of all this that people are meant to elect a leader they don't know about. The masses deprived of quality education don't know their rights, the constitution, and other related matters that affect their social well being now and in the near future. Inefficient and ineffective leaders are put in place to continue misallocating resources thereby worsening the situation. More masses become poor and thus reduce the overall productivity of Nigeria.

Another part of the problem is poor or inadequate health facilities, infrastructure and professionals. The existing health facilities and infrastructure cannot cater for the teeming population and hence a lot of people are deprived quality health care. Due to inadequate health facilities, a lot of people die from diseases that are curable thereby reducing Nigeria's high human capital development potential. Also, due to low incomes and wages explained earlier, Nigerian doctors, nurses and health officers migrate to developed countries for a better life. These inadequacies in health facilities, infrastructure and professionals undermine the health sector and hence lead to reduced overall productivity of the nation.

The Human Poverty Index (HPI-1) measures severe deprivation in health by the proportion of people who are not expected to survive age 40. Education is measured by the adult illiteracy rate. And a decent standard of living is measured by the unweighted average of people without access to an improved water source and the proportion of children under age 5 who are underweight for their age. The Human Poverty Index (HPI-1) value for Nigeria is 37. 3 which rank Nigeria 80th among 108 developing countries.

Table 2 shows the values for these variables for Nigeria and compares them to other countries.

Table 2: Selected indicators of human poverty for Nigeria

Human Poverty Index (HPI-1) 2004

Probability of not surviving past age 40 (%) 2004

Adult illiteracy rate (%ages 15 and older) 2004

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People without access to an improved water source (%)2004

Children underweight for age (% ages 0-5) 2004

1. Barbados (3. 0)

1. Iceland (1. 4)

1. Estonia (0. 2)

1. Thailand (1)

1. Czech Republic (1)

78. Rwanda (36. 5)

158. Uganda (38. 5)

127. Algeria (30. 1)

114. Mali (50)

108. Philippines (28)

79. Malawi (36. 7)

159. Côte d'Ivoire (38. 6)

128. Tanzania (United Republic of) (30. 6)

115. Guinea (50)

109. Indonesia (28)

80. Nigeria (37. 3)

160. Nigeria (39. 0)

129. Nigeria (30. 9)

116. Nigeria (52)

110. Nigeria (29)

81. Burundi (37. 6)

161. Guinea-Bissau (40. 5)

130. Guatemala (30. 9)

117. Fiji (53)

111. Sri Lanka (29)

82. Yemen (38. 0)

162. Congo (Democratic Republic of the) (41. 1)

131. Lao People's Democratic Republic (31. 3)

118. Congo (Democratic Republic of the) (54)

112. Maldives (30)

108. Chad (56. 9)

173. Zimbabwe (57. 4)



164. Burkina Faso (76. 4)

125. Ethiopia (78)

134. Bangladesh (48)

Source: UNDP

Nigeria, a country with abundant natural resources and high population can invest immensely in human capital development in its citizens to enjoy increased productivity. With the immense Oil revenues, Nigeria can channel sufficient resources to providing opportunities for all citizens to develop to their fullest potentials through education, training and motivation as well as creating the enabling environment for everyone to participate fully in national development. These will include expenditures in educational and training institutions, health facilities, adult functional literacy, vocational and skills acquisition programmes, information and communication technologies (ICT) as well as in research and development. With all these investments, foreign direct investment will increase (e. g. Information Technology task outsourcing of American companies from India) and revenues from within and outside the country will also increase.

## **5. Recommendations and Conclusion**

Despite all the poor education system, health services, social services and governance system in Nigeria, there are possible recommendations that will help reduce the enormous impact on the economy. Each and every system stated above has its impact on human capital and thus the development of a nation and as such have different recommendations.

Starting with the poor education system in Nigeria, one must consider the resources allocated to this sector before making any recommendation. First of all, the teachers available in schools and Universities considering the number of students are really inadequate. Nowadays, everyone wants to be rich, no one wants to help in social development. Our values have changed and we have become more self centered. So our values need to be changed back via value re-orientation suiting our social values. Students need to understand what is at stake in the educational system and be encouraged to be teachers. Quality teachers need to be produced. " No education system can rise above the quality of its teachers and no nation can rise above the level of its education system" (Akingbade, 2008). When there is an increase in the number of quality teachers, the ratio of teachers to students will be efficient for quality education. The Nigerian populace is increasing at a geometrical ratio while the number of quality schools and University is somewhat stagnant. For this reason, there need to be more schools for the teeming populace so as to have a considerably small ratio of teachers to students in a well built infrastructure conducive for learning. Also, the educational system needs to undergo reforms to be well equipped with the challenges of the highly advanced global economy. The integration of the use of computers in all spheres of the education system needs to be emphasized because the world is continuously advancing in computer technology. Teachers/Lecturers salaries and improved working conditions in educational institutions should be given high priority by the Government. Regular closure of tertiary institutions due to strikes, cult activities, and excesses of student unions, etc. should be addressed by the relevant authorities. The effort of Government on increasing primary school

enrolment through the free compulsory Universal Basic Education should be sustained. This could also be complemented by involving private and religious organizations.

Another problem that needs urgent attention is the issue of poor health services. If the whole country is sick, the whole country stops functioning. And as such here are possible recommendations for the Nigerian health sector; First and foremost is strategizing various ways to retain our medical doctors and nurses to reduce brain drain. Due to poor salary given to these workers, they tend to migrate to other countries. The salaries of doctors and nurses need to be reconsidered in terms of the actual state of the economy. Other alternatives to well paid salaries can be more benefits to the workers to serve as an incentive to stay in Nigeria. For example policy can be created to say if you are a doctor in Nigeria, you are entitled to a house and two cars; one for you and one for your wife. Another recommendation for the Nigerian health sector is the provision of adequate facilities and infrastructure to the ever growing populace. The government needs to increase its expenditure in the health sector as the population increases. More hospitals need to be constructed and more medical equipments need to be installed in these new hospitals. Good hospital roads need to be constructed in order to have easy access. The provision of more ambulances is really a crucial issue in case of emergencies. Also, Information and Communication Technology need to be integrated to the Nigerian health sector so as to increase efficiency. Our doctors and nurses need to be updated always via the internet and as such they need to be familiar with computers and the internet for better performance. All these good hospitals with many doctors and nurses need

not to be deprived for the masses; it should be accessed by all because everyone matters in the development process. Lastly, the most important issue after getting all the doctors, nurses, equipment and infrastructure is the maintenance aspect. All these hospitals need sufficient maintenance to survive for a long time and as such a qualitative maintenance company trusted by the government should be given the sole task. If one maintenance company lacks the capacity to maintain a lot of hospitals, other qualitative maintenance companies can also be in place. With two or more maintenance companies, there will be competition between them and price of maintenance will fall.

Good governance in Nigeria can be indicated via various factors and one of the factors is social service. When there is good governance, there will be qualitative and quantitative social services for the people thereby enhancing human capital. But on the other hand, when there is bad governance, there will be white elephant projects leading to few social services. Good governance in Nigeria should be encouraged via fighting corruption and setting up effective and efficient check and balance system. Every individual that is given responsibility in office should be held accountable for his/her actions. Also, government expenditure relative to its revenue should be monitored to enhance good governance. Another recommendation for good governance is making all government decisions transparent to the people. Keeping people in the loop of government decisions reduce the probability of strikes and civil unrest. Strategizing good governance for Nigeria will greatly improve Nigeria's image to the international community thereby encouraging potential investors to invest in the Nigerian economy. As

investors invest and the government provides more social services for the people, human capital is immensely increased leading to economic development.

In a nutshell, all recommendations should be posed at all possible factors that constitute human capital and affect development; educational systems, health services, social services and governance. It is these factors that turn high human capital potential into human capital value and it is these factors that help a nation develop both socially and economically.

## **CONCLUSION**

We have seen despite the fact that Nigeria has been immensely blessed with natural resources and high human capital development potentials, it still fails to become one of the leading economic and technological giants in the world. Nigeria in the Human Poverty Index ranks 80th among 108 developing countries; meaning a lot of the masses in Nigeria are poor, deprived of health care and quality education and thus translate into low or no development. Also, Nigeria in the Human Development Index ranks 158th out of 177 countries showing that there is low life expectancy, adult literacy, purchasing power parity and enrollment at primary, secondary and tertiary level. Several results of various research points out the fact that all the factors mentioned above affect the value of human capital of a country and its development. And as such, all these factors need to be given the outmost importance in policy making. With the globalised economy becoming more competitive and advanced in terms of technology, Nigeria, a country with all that it needs to be on top should make the best use of what it has in order to have the best there is in this global economy.