

Human Capital Formation as Catalyst for National Development:

Nigeria in Perspective

Emmanuel S. I. Ejere¹

Abstract: It is a fact that the difference in socio-economic development across independent states is due not so much to natural resources endowment and the stock of physical capital but to the quality and quantity of human resources. This paper therefore highlights the importance of human capital formation in the development process with particular reference to Nigeria. The paper noted that the human capital question is especially pertinent now that the country is aspiring to be among the top 20 economies of the world by the year 2020. This is because Nigeria (and by extension Nigerians) need to become competitive in the 21st century globalize economy which is skill and knowledge based.

Key words: Development; Education; Economic Growth; Human Capital; Human Capital Formation; Human Capital Development; Human Resources; Training

1. INTRODUCTION

In the past, heavily emphasis had been placed on the accumulation of physical or material capital to the detriment of human capital in Nigeria's quest for rapid socio-economic progress. However, previous development strategies which virtually ignored the social or human aspects of development did little to accelerate the pace of development in the country. But since 1990, when the United Nations Development Programme (UNDP) started publishing the Human Development Report year after year, the human development pathway to development has gained currency in many developing countries including Nigeria.

The human development paradigm focuses on the development of human capabilities through such means as enhanced knowledge and skills as well as improved health. It is also concerned with the use people make of their acquired capabilities in the production process. The approach further ensures that the needs of people are not only the opportunities to form capabilities, but also the opportunities to utilize them. This is due to the realization that human potential will be wasted where the efforts of human development fail to balance the formation and use of human capabilities. In a nutshell, the human development strategy entails that the fruits of economic growth and development must be translated into improvement and expanded choices in the lives of people, increasing both their capabilities and opportunities (UNDP, 2001).

The UNDP human development report on Nigeria for the year 1999 highlighted the overarching problem of pervasive poverty in the country. The report noted that no meaningful policies or programmes for the alleviation of poverty can be successfully developed in the country outside the framework of a holistic sustainable human development paradigm (UNDP, 1999). The federal government of Nigeria, perhaps in

¹ Department of Political Science and Public Administration, University of Uyo, Uyo, Akwa Ibom State, Nigeria
E-mail: iriemi_ejere@yahoo.com

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response to the 1999 UNDP report on the country, seems to have now embraced the philosophy of human development strategy as evidenced in its declared guiding principle in the 1999-2003 economic policy document: “the economy exists for and belongs to the people, and at all times the general well being of all people shall be the over riding objectives of the government and the proper measure of her performance” (Nigeria, 1999).

In this same regard, the National Economic Empowerment and Development Strategy (NEEDS) (2004-2007) document stated that “NEEDS is about the Nigerian people. Their welfare, health, employment, education, political power, physical security and empowerment are of paramount importance in realizing the vision of the future (Nigeria, 2004, p.11). Also, Nigeria along with other 191 member countries of the United Nations Organization (UNO) subscribed to the attainment of the Millennium Development Goals (MDGs) by the year 2015. These MDGs are salient to human capital development as they are geared towards reducing poverty, ill-health, and educational deprivation.

Developing Nigeria’s human capital is critical especially now that the country is aspiring to be among the 20 leading economies in the world by the year 2020. But this aspiration will be a venture in futility so long as human capital formation is not accorded high priority. Human capital formation is a prerequisite for Nigeria and Nigerians to become competitive in the 21st century globalize economy which is skill and knowledge based. A country’s competitiveness in the New International Economic Order (NIEO) is strongly connected to the quality of her human capital. Hence human capital formation is undoubtedly the pivot for any meaningful programme of socio-economic development of Nigeria; and indeed of any country.

2. CONCEPTS OF HUMAN CAPITAL AND HUMAN CAPITAL FORMATION

F. Harbison and C. Meyer referred to human resources development as the process of increasing the knowledge, skills and the capacities of all the people in a society. In economic terms, according to them, it is the accumulation of human capital (Harbison & Meyer, 1964; Harbison, 1964) Gary Becker states that human capital is so called because people cannot be alienated from their knowledge, skills, or values in a way they can be separated from their financial and physical assets (Becker, 2010). Human capital can be defined as the sum total of the knowledge, skills, abilities, and aptitude of the people inhabiting a given society (Onymunwa & Achime, 2000). Jacob Mincer and Gary Becker have contended that human capital is similar to physical means of production such as factories and machines. They further opined that one’s output depend partly on the rate of return on the human capital one owns. Human capital, according to these scholars, is therefore a means of production into which additional investment yields additional output. They however observed that human capital is substitutable but not transferable like other factors of production (Becker, 1993; Mincer & Becker, 1964).

Human capital refers to the human factor in the production process; and consists of the combined knowledge, skills or competencies and abilities of the workforce. Of all factors of production, only human beings are capable of learning, adapting or changing, innovative and creative. Human capital formation, following Harbison (1973), can be seen as the deliberate and continuous process of acquiring requisite knowledge, skills and experiences that are applied to produce economic value for driving sustainable national development.

Investments in people in the form of education, training and health care or medical treatment are the means of human capital accumulation. Since it is the knowledge, skills and expertise of people that create value, it’s therefore vital to focus on the means of developing them. Schulz (1961) identified five ways of developing human capital as follows:

- (1) Investment in health facilities and services broadly conceived to include all expenditures that affect the life expectancy, strength and stamina, and the vigor and vitality of the people;
- (2) On-the-job training including old type apprenticeship organized by firms;
- (3) Formally organized education at the elementary, secondary and higher levels;
- (4) Study programme for adults that are not organized by firms, including extension programmes notable in agriculture;

(5) Migration of individuals and facilities to adjust to changing job opportunities.

3. THE MEANING OF DEVELOPMENT

Due mainly to changing perspectives, development is an elusive concept to give precise meaning to. In the past, it was conceived in a narrow economic sense to be no more than an increase in Gross Domestic Product (GDP) or per capita income. Nowadays, emphasis is being placed on the context of GDP as well as other indicators of the quality of life. It is now generally agreed that economic growth do not equate development. As Marder (1970) noted, while growth is about things, development is about people.

A simple definition of development as change or a transformation into a better state may perhaps be a helpful starting point. Development is a process concerned with people's capacity in a defined area over a defined period to induce and manage positive change- that is to predict, plan, understand, and monitor change, and reduce or eliminate unwanted or unwarranted change. Thus, the more people develop themselves, the more they would become instrument for further change (Obasanjo & Mabogunje, 1991). In other words, development entails:

- (1) Knowledge and understanding;
- (2) Information- statistical and non-statistical;
- (3) Technological creativity; and
- (4) The right kind of organization and skill.

It is the combination of these four factors that ensures the capacity of a people to achieve sustainable growth and development (Obasanjo & Mabogunje, 1991).

Hoogvelt (1977) presented a working definition of development as a process of induced economic growth and change in an internationally stratified world. This conception of development, according to her, contains three focal elements:

Development as process - that is an evolutionary process of growth and change of man's social and cultural organization (society).

Development as interaction-that is as a process of growth and change of societies under conditions of interaction with other societies; and Development as action- that is a consciously planned and monitored process of growth and change. Development as action is particular relevant to developing countries like Nigeria because it underscores pragmatic planning. In this regard, development is treated as strategy, that is, an interrelated set of socio-economic and political decisions, presumable taken or intended by national governments in order to achieve a sustained improvement in the living conditions of the masses of the population. Development as action has come to mean the deliberate engineering of both economic growth and social change.

Dudley seers raised three salient questions pertaining to development: what has been happening to poverty? What has been happening to unemployment; and what has been happening to inequality? According to him, if all three of these indices have declined from high levels then beyond doubt there has been a period of development for the country concerned. But if one or two of these central problems have been growing worse especially if all three have, it would be strange to call the result development even if per capita income had doubled (Seers, 1969). This implies that development is only meaningful if it translates to improvement in the living conditions of the people as reflected in reductions in poverty, inequality, and unemployment.

Development, according to Nkem-Onyekpe (2004), is a generic term which encompasses the transformation of the economy, state, and society through the achievement of greater capacity to deal with the challenges of:

- (1) Production and its expansion
- (2) Political administration and governance
- (3) Organizing the civil society as a community of people

However development may be conceptualized, the point should be driven home that the phenomenon is multidimensional involving changes in structures, capacity, and output.

4. HUMAN CAPITAL AND DEVELOPMENT: THE NEXUS

To develop, a country must have high proportion of trained and educated citizens. The development of the human and non-human resources of a society constitutes the backbone for societal transformation. As machines and other physical capitals are on their own far from sufficient in producing economic growth and development, skilled people are therefore needed to harness and manage non-human or physical capital for optimal results (Curle, 1972). This view point was restated by Eboh and Uma (2010, p.179) thus: "The material resources cannot add value to themselves, instruments of production must be used by skilled, able, and competent people". As such, without the human factor all other natural and physical resources would be idle and remain unexploited.

The role of human capital as an important prerequisite and invaluable asset for accelerating development has been well documented by a number of scholars and development institutions. Harbison and Meyer (1964); Lucas (1986); Adedeji (1990); Odusola (1998); and World Bank (1993) have all demonstrated in their various studies that the development of human resources through education and training has contributed immensely to the economic growth and development of various countries. This feat was achieved through increased knowledge, skill and capabilities acquired through education and training by the populations living in the countries studied. In addition, Becker (1995) indicates that education and training contributes to growth in per capita incomes.

Todaro (1986; 2002) also reported that investment in human capital as typified by education and training has been found to be responsible for the growth of developed countries such as United Kingdom, United States of America, and Japan. It so happens, as Ofeimun (2004) noted, that the most technological advanced countries in the world have the highest literacy rate. This point was further re-emphasized by Adedeji and Bamidele (2002) when they observed that among the generally agreed casual factors responsible for the impressive performance of the economies of most developed nations is a strong commitment to human capital formation. Investment in education and training adds to human capital just as other investments add to physical capital. In his work, Weisbrod (1984) had established the rationale in treating investment in human resources in the same manner as investment in physical resource.

Human capital formation is a precondition for the success of any production endeavour. Human capital development tends to improve the quality and productivity of the workforce, which invariably leads to economic growth and development. As such, no country can hope to prosper without developing her human capital. Indeed, the differences in socio-economic development across nation-states is attributed not so much to natural resources endowment and the stock of physical capital but to the availability of high quality human resources. It is the quality of human capital which determines, to a significant extent, the capacity of nations to move up the development rung. Human resources are a critical variable in the development process as they are not only means but more importantly, the ends that must be served to achieve economic progress. It is thus a fact that socio-economic transformation cannot be achieved without human capital formation.

5. A SITUATIONAL ANALYSIS OF HUMAN CAPITAL OUTCOME IN NIGERIA

The 2007 National census puts Nigeria's population at 144.7 million people (Nigeria, 2007). The 2010 Human Development Index (HDI) value for Nigeria was 0.423 placing her in the 142 position among the 169 countries with comparative data. Whereas, Ghana ranked 130 with HDI value of 0.467 while South Africa placed 110 with HDI value of 0.597. In the three broad categories of high human development, medium human development, and low human development; Nigeria was grouped among the countries considered to have low human development (UNDP, 2010).

The HDI provides a composite measure of three dimensions of human development namely health, education, and income: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrolment at primary, secondary and tertiary levels), and having a decent standard of living (measured by purchasing power parity and income). Data obtained are combined into an

index on a scale of 0-1 with the following subdivisions: high human development (0.8-1.0); medium human development (0.5-0.79); and low human development (0.0-0.49) (UNDP, 2010).

Moreover, Nigeria's score on the 2010 Global Competitiveness Index (GCI) was 3.38 which gave her a rank of 127 out of the 139 countries surveyed. Comparatively, Ghana placed 114 with a GCI of 3.56 while South Africa ranked 54 with a GCI of 4.32. Furthermore, National Average per capita income, using Purchasing Power Parity (PPP) method, in Nigeria in 2010 was a mere US\$ 900 compared to US\$2, 190 in Ghana and US\$10, 270 in South Africa with the corresponding rank of 193, 157 and 74 for Nigeria, Ghana and South Africa respectively. In 2010, life expectancy in Nigeria was 48.4 years, below that of Ghana at 57.1 years and South Africa at 52 years.

The 2010 Global Hunger Index indicated that Nigeria was the 47th hungriest country in the world (CIA fact book, 2010; Global Competitiveness Index, 2010; Global Hunger Index, 2010; Per Capita Income, 2010; UNDP, 2010).

Public spending on social services such as education and health care that are critical to human capital development is generally low in Nigeria. For instance, the average national budgetary allocation to education as percentage of total budget for the period 1999- 2010 was 8.86% (Federal Ministry of Finance, 2010).

The country's budgetary allocations to education is still a far cry from the United Nations Educational, Scientific and Cultural Organization (UNESCO) recommended 26% of national budget to be spent on education in member countries, of which Nigeria is one. The outcome of the low spending on education is the continued decline in educational opportunities and standards in the country. According to a survey carried out by the National Commission for Mass Literacy, Adult and Non-Formal Education (NCMLANE), over 47.50% of Nigeria's population or 60 million Nigerians are still illiterates in the 21st century (NCMLANE, 2010). Consequently, it is hardly surprising that the Nigerian Education System was placed a poor 94 position in the world in 2010 (UNDP, 2010).

The chairman of the senate committee on education, Senator Uche Chukwumerijie rightly observed that the long neglect of the education sector had placed the country among the least developed countries of the world because of the dearth of human capital (Vanguard, Wednesday February 9, 2011, p. 8).

The health sector in Nigeria is likewise in a state of parlous decay. Budgetary allocation to health as proportion of the national budget fluctuates between 2.70% and 7.00 from 1999 to 2010 (Federal Ministry of Finance, 2010). The country's health system was ranked 191 among 201 countries surveyed by the World Health Organization (WHO) in 2010 (Daily Independent, Wednesday April 21, 2011, p. 7). However, it is obvious that only a healthy population can be fully productive as healthcare is not only health producing but also wealth producing.

The foregoing is indicative that human capital in Nigeria is severely under-developed. The poor human capital outcome in the country was aptly captured in the editorial of a national newspaper thus: "... everyone is disturbed about the near collapse of the processes that ordinarily should have enhanced human capital development" (Daily Sun, August 25, 2008, p.5). It must be re-emphasised that human capital formation should be the vanguard for national development in Nigeria.

6. CONCLUSION

Though human capital is not the only factor that drives a nation's development but it is undoubtedly critical in the development process. It can hardly be overstated that the under development and under utilization of a country's human resources will retard her economic growth and development. This is because neglecting human capital means lowering the productive capacity of an economy.

A country like Nigeria that is purportedly in hurry to develop can only toy with the issue of human capital formation at her own peril. Indeed, the country's quest to become one of the top 20 economies in the world will remain a mirage unless the government seriously tackles or addresses the human capital question by showing a strong commitment to human capital formation.

In order to strength the country's human capital base the following suggestions are proposed:

The nation's educational system needs to be overhauled to ensure that it churns out appropriately skewed manpower to drive her economy. In this regard, institutions of learning should be repositioned to deliver knowledgeable, skilled, critical and flexible human resources for the country.

As a nation is said to be as developed as its standard of education, massive investment in education is needed to revamp the sector so that it can in turn produce the required human resources that will drive all sectors of the national economy. Government must therefore properly fund education at all levels- public spending on education should never be allowed to fall below the 26% of national budget recommended by the United Nations Education, Scientific, and Cultural Organization (UNESCO). Since education is a powerful instrument of public action, and can act as a catalyst for change; it is essential to provide people with the educational tools they need to make positive contributions to society and be active participants in the economic and political life of their country.

There is also the need to upgrade the quality of teachers at all levels of education and review the incentive (reward) system upward. This is with a view to motivate existing teaching staff as well as lure brilliant scholars into the education system.

Since training in all forms contributes to socio-economic empowerment that can promote significant social change, there should also be massive investment in formal and non-formal training with the aim of yielding higher economic and social returns. In addition, mentoring should be encouraged as a practical way of training people and developing human capital.

Improving the health and nutrition of the people remains crucial in developing human capital. As such, adequate budgetary provisions must be made to ensure proper funding of the health sector. Adequate funding is needed to bring about a positive turn around to the dismal healthcare situation in the country. In this regard, government should implement the 15% allocation of annual budget to health as stipulated by the African Union (AU). Health is one of the indices of human development that Nigeria cannot afford to neglect.

It is necessary for government to create the enabling environment for job creation particularly through the private sector. This entails the need to promote and be supportive of entrepreneurship.

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