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HUMAN CAPITAL DEVELOPMENT AS CORRELATE OF ECONOMIC GROWTH IN NIGERIA

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Abstract

Human capital and economic growth are intricately connected as a feature of every human society. Poor quality of human capital invariably leads to low standard of living, low personal income at individual level and it ultimately leads to low economic growth. However, if adequate attention is paid to human capital development in Nigeria, the ultimate result is improvement in standard of living, increased income level and subsequently, increased economic growth of the country. The descriptive survey research was adopted and multi-stage sampling technique was used to select a total of 200 respondents used for the study. An adopted questionnaire with 0.86 reliability index was used for data collection. Two research hypotheses were formulated and tested at 0.05 significant level. The findings showed that education has a predictive r -value of .76 on individual personal income and the nature of job (employment) is related to individual personal income ($r=0.64$). It, therefore, concluded that economic growth is a function of individual income level and suggested that government should develop appropriate educational policy to provide the human capital need of the society for economic growth.

Keywords: Human Capital, Human Capital Development, Economic Growth, Educational, Policy, Education, Employment

Introduction

The major index of economic growth in any country whether developed or developing is an increase in the level of production by the human capital available. Abramowitz (2003) confirms this when he concludes that human beings are the most important and promising source of growth for any production industry and economic growth. Invention of new equipment and technology is a product of human capital which is made productive for economic return by human capital. Also, the success of any productive programme in a country depends on innovative ideas and creativity of human capital.

However, given the Human Capital Development Index which measures the average achievement of a country in terms of the welfare and quality of life of people, Nigeria still lags far behind the economic and social progress required to impact the well-being of an average Nigerian despite these vast resources. For instance, the 2009 Human Development Index Report ranked Nigeria, South Africa and Cameroon at 158th, 129th and 153rd respectively out of 182 countries surveyed. Also, when compared to some other African Countries like Ghana and Cameroon with \$10,748 and \$10,758 per capita income respectively, Nigeria stands at \$2,748 with over half of the population living below poverty line (\$1 a day) and the economy has remained off track in achieving the Millennium Development Goals. These two countries are not among the most populous African nations as contained in Table 1.

As the global economy shifts from manufacturing-based to knowledge-based, skills and human capital development become central issues for educational planners, policy makers and practitioners who engage in economic development at the local, national and regional levels (UNDP, 2004). Yet the impact of human capital development to improve the economic growth in Nigeria deserves further scholarly investigation.

Nigeria is a country endowed with natural and human resources, and, therefore, has the potential to achieve rapid economic growth. In fact, Nigeria is recognised as one of the developing nations in the world. However, considering the average income and standard of living of an average Nigerian, human capital in Nigeria still lacks the resources to improve their income as well as their standard of living. Therefore, this study seeks to determine how development of human capital (measured with level of education and type of employment) is related to economic growth (measured with per capita income) in Nigeria.

Table 1: Most Populated African Nations

Rank	Countries	2013 Estimation	Average Relative Annual Growth(%)
1	Nigeria	177,096,000	3.24
2	Ethiopia	86,614,000	2.67
3	Egypt	84,605,000	2.29
4	Democratic Republic of the Congo	74,618,000	3.23
5	South Africa	52,982,000	1.35
6	Tanzania	45,950,000	2.69
7	Kenya	43,291,000	3.01
8	Algeria	38,295,000	2.11
9	Uganda	35,363,000	3.61
10	Morocco	32,950,000	1.08

Source: http://en.m.wikipedia.org/wiki/List_of_African_countries_by_population

Review of Concepts: Human Capital Development and Economic Growth

Since the introduction of human capital theory in the 1960s, a number of studies have attempted to address the concept and related issues. Today, the whole world is regarded as a global village which is divided into developed and developing nations. The developed nations are the few rich and industrialised nations with high productivity as a result of the available human capital, while the developing ones are the poor nations with low productivity as a result of human capital available. Romer (2009) posits that the difference between developed and developing nations is more pronounced in the human capital. Nigeria is categorised under the developing nations; however, the country is immensely endowed with natural and human resources needed for high productivity to be among the developed nations of the world. Adelakun (2011) is of the view that the pool of resources from one end to the other in Nigeria is unquantifiable to such an extent that, given dynamic leadership, economic prosperity would have been achieved in late 20th century. The primary focus of Nigeria has been looking for ways to accelerate the economic growth rate of national income and to engage in structural transformation of her subsistence and manufacturing-based economy to knowledge-based economy in order to break the cycle of low income, low standard of living and low economic growth.

Human capital can be interpreted in many ways. One of them could be looking at the person as an asset or resource that belongs to the organisation and from which we can demand all its capacity and commitment (Tohmatsu, 2014; Ajibola, 2012; UNDP, 2004). Martinez (2014) posits that a more sustainable definition about this term is that human capital is a treasure that a company, institution or country has available with respect to the qualifications of the personnel that work there. In an organisational context, Business Dictionary (2014) refers to human capital as the collective value of the organisation's intellectual capital (competencies, knowledge and skills). This capital is the organisation's constantly renewable source of creativity and innovativeness. It impacts on its ability to change but it is not reflected in its financial statements. Therefore, it could be summarised that human capital represents the value that each employee brings to the table, according to the type of education received, educational qualification, capabilities and skills.

Human capital development is a factor that must exist for national economy to grow. It teaches people how to utilise the power of diverse thinking styles (analytical and intuitive) to achieve holistic best practical solution to emerging issues. Enyekit, Amaehule & Teerah (2011) posit that human capital development and training and development are basically the same and can be used interchangeably. Chima (2014) reports that Salami (2013) describes human capital development as a fundamental challenge confronting Nigerian economic growth at the Red Merchant Banks Investors' conference in Lagos. He stresses the need to design education policies that would supply the education needs, competence and creativity in the country. Fara (2008) refers to human capital development as any effort to provide education which will increase human knowledge, enhance skills, productivity and stimulate resourcefulness of individuals. Thus, human capital development is about investing in human resource through training, coaching, internship and human capital management with a view to increasing human knowledge, enhance skills through education, training and experience for increased productivity.

Therefore, what really matters in Nigeria, according Erinoso (2010), is the need to empower people through education and commensurate employment opportunities towards the realisation of economic surplus. There is also the need for the Nigerian economy to eliminate or minimise those constraints militating against economic growth by providing human capital development programme needed by society so as to enhance rapid economic growth.

From the foregoing, it is clear that low human capital development in addition to non-conducive environment and political challenges constitute the problems confronting the Nigerian economy. Focusing on human capital development, the problem facing it can be traced to the type of education on offer, unaffordable cost of education to an average family, the replacement of human capital with technological equipment, lack of effective vocational Training/IT centres and research institutes, mismanagement of available funds in the education sector, among others. However, for the purpose of this study, human capital is measured with education and employment.

The term economic growth can be viewed from two different perspectives. Some view it as the total increase in the level of individuals' income within the country. This position holds in this paper as a measure of economic growth. Farah (2008) defines it as a potential growth in the income of each individual that forms the working group in a country as a result of their level and type of education. Also, Kathleen (2012) defines it as increase in the bargaining power of individuals to demand more goods and services produced within the economy over time. Coechy (2011) posits that economic growth is conventionally measured by the level of education and commensurate employment opportunity provided. Ghachukha (2009) views it as the percentage rate of increase in real income of individual over a period of time.

Others view economic growth from the gross domestic product or real GDP. Of more importance is the growth of the ratio of GDP to population (GDP per capita), which is also called per capita income. An increase in per capita income can be referred to as intensive growth. Some view economic growth as an area of study which is different from development economics. The former is primarily the study of how countries can advance their economies. The latter is the study of the economic aspects of the development process in low-income countries. In economics, Erinoso (2010) posits that economic growth typically refers to the growth of potential output, that is, production at full employment. Todaro (2013) views it as an increase in the amount of goods and services produced per head of the population over a period of time. So also, UNDP (2004) posits that it is the increase in market value of the goods and services produced by an economy over time which is conventionally measured by the percentage rate of increase in real gross domestic product or real GDP.

Economic growth comprises sustained, concerted actions of communities and policy makers that improve the people's standard of living and economic health of every individual in the country at large. Todaro (2013) defines it as an increase in living conditions, improvement of the citizens' self-esteem needs and a free and just society. He suggests that the most accurate method of measuring economic growth is the Human Development Index which takes into account the literacy rates/level of education, employment and life expectancy and which in turn has an outright impact on income and could lead to economic growth.

Empirical Review: Human Capital Development and Economic Growth

A recent Human Capital Development Index report (2009) provides information on Algeria, Morocco, Libya, Tunisia and Egypt as being countries with low human capital development. The report also discusses that by increasing the level of education in those countries, it may help solve some of the country's current employment challenges. It further demonstrates that there is a strong correlation between human capital development, employment and income levels because there will be foreign direct investment in-flows, better business environments and greater competitiveness as a result of human capital readily available. Therefore, human capital development may be able to contribute to lowering the current high number of unemployment rates in the region. Currently, in Egypt, 98% of the job listed requires the human capital needed to possess above secondary education. Therefore, possessing higher qualification is a pre-requisite for higher income. In Algeria, Morocco and Tunisia, Coechy (2011) reports that the differential between the incomes of those with higher qualifications versus those with lower qualifications is seven to ten per cent.

In a study conducted by Martinez (2014) on human capital and economic growth in Libya, the view is expressed that economic growth is not only about increase in real gross domestic product or real GDP alone, increase in per capita income of individuals within a country as a result of differential in the level of education is also a concern. In addition, Kathleen (2012) also conducts a study on learning human capital in the open in Gaza and finds that the education attainment of Gaza citizens can be hard enough for economic growth and that is without the added component of additional educational qualification.

In Dana, the Conservative Southern Region of Jordan, Kerster & Omoregie (2007) conducted a study on hopes for women education and concluded that women from Jordan's most educationally disadvantaged community who acquired post-secondary education bargained for higher wage than those with secondary education and below. They noted that incentives were provided for women to continue their education above the secondary level due to the economic importance attached to post-secondary education. However, it was reported that many could not make use of the opportunity. Hence, they live below poverty line.

In summary, there seems to be a lot of correlation between human capital and economic development. This is because human capital development is a pre-requisite for economic growth and development. Human capital development will bring better opportunities to human capital to secure better-paid job in the country and the effects spill over to all sectors of the economy. The individual worker will earn more wages which will in turn be used to pay for their children's education, pay taxes and bills, improve access to health care and increase the general living standard of the family. If this effect is replicated in each household, the overall economic growth will be achieved.

Method

The population for this study comprises all staff from two federal universities in Nigeria: University of Lagos from the Southwest and the University of Abuja from the Northcentral. The two universities were chosen because they are located in the former capital of the country and the new capital respectively. Multi-stage sampling technique was adopted to select 100 respondents from each institution selected for the study. The universities were categorised according the geographical zones in Nigeria. Then, each was purposively chosen from the Southwest and Northcentral. Thereafter, simple random technique was used to select 100 respondents across the various cadres of workers in each of the universities selected for the study. A 25-item structured questionnaire tagged "Human Capital and Economic Growth Questionnaire" (HUCEG-Q) was used to elicit information from the respondents. For the purpose of reliability, the instrument was subjected to a pilot test using twenty-five members of staff in Obafemi Awolowo University, Ile-Ife. The pilot test, using the Crombach Alpha showed 0.86 reliability index. Data collected were analysed using the Pearson's Product Moment Correlation Coefficient.

Results

Hypothesis 1: There is no significant relationship between level of education and personal income of individual.

Table 1: Summary of Correlation between Education and Income

Variables	<i>df=198, p ≤ .05</i>				
	\bar{X}	Sd	N	r _{cal}	r _{tab}
Education	50.15	6.42	200	.76	.138
Income	46.22	5.21			

**Significant*

Table 1 shows that there was a significant relationship between level of education and personal income of individual ($r = .76$, $df = 198$, $p \leq .05$), thus hypothesis 1 was rejected. It can be concluded that individual level of education has a significant relationship with personal income. The implication of this finding is that level of education acquired translates into level of competence which further informs income level of respective workers. Therefore, possession of higher qualification is a pre-requisite for higher income.

Hypothesis 2: There is no significant relationship between the type of employment and personal income of individual.

Table 2: Summary of Correlation between Job and Income

Variables	<i>df=198, p ≤ .05</i>				
	\bar{X}	Sd	N	r _{cal}	r _{tab}
employment	43.63	6.21	200	.64	.138
Income	56.80	11.46			

**Significant*

Table 2 shows a significant relationship between the nature of job and personal income of individual ($r = .64$, $df = 198$, $p \leq .05$), thus hypothesis 2 was rejected. This implies that the type of job an individual is involved in dictates the level of income of such an individual.

Discussion

This study revealed that there was a significant relationship between level of education and personal income of individual. Contrary to this finding, Oliver (2002) reported that the level of education has no relationship with the income of their members. However, in the opinion of Fakunle (2007), the type of education has significant relationship with the income of employees. This is in line with Fara (2008) who posits that potential growth in the income of each individual in a country is as a result of level of education. Martinez (2014) also concludes that economic growth is not only about increase in real gross domestic product or real GDP alone, increase in per capita income of individual within a country as a result of differential in the level of education is also a concern. To support the above, Kerster and Omoregie (2007), Adekoya (2008), Omololu (2008) and UNESCO (2002) identify the type of education as a factor that predicts the level of income of workers. For anybody to be priced low or high by an employer of labour, the level of education must be taken into consideration. Badi and Badi (2006) argue that human capital necessarily entails having spent more years in school and having acquired much of the needed skills for maximum performance on the job. However, those with low level of education do not spend as much time as those with high level of education in school. Hence, they acquired little skills needed on the job. This accounts for differences in their placement and income. On this note, it is concluded that the level of education is significantly related to personal income of the individual.

On employment and personal income of individual, the study found that there is no significant relationship between the type of employment and personal income of individual. This finding is in consonance with UNDP (2004) which posits that the type of occupation engaged in is determined by the level of education which is an instrument to negotiate for the wages to be earned. The type of employment has also been found to have effect on income (Badi & Badi, 2006; Erinoso, 2010). In another study, Farah (2008) contradicts this finding where he reports that the type of job has no relationship with workers' take-home. However, Ajibola (2012) establishes that the type of job

in a given community determines the income of residents within that community. Kathleen (2012) also reports that there is a strong correlation between employment and income levels because there will be foreign investment inflows, better business environment and greater competitiveness as a result of human capital readily available.

Recommendations and Conclusion

Based on the findings herein, the study makes the following recommendations to improve the growth-enhancing tendencies of human capital development in Nigeria.

1. Government should facilitate an enabling learning environment that will encourage individuals to acquire higher education qualifications in order to secure the type of job that will enhance higher income.
2. Educational planners and policy makers should provide adequate information on all the courses available in Nigerian higher institutions with their likely job potential to guide candidates aspiring for higher education in making their choice of course.
3. Manpower planning approach should be recommended by education planners and policy makers to higher institutions in Nigeria in order to guide in designing courses to be offered in various higher institutions of learning.
4. As a result of role and importance of higher education to the nation, an improved funding should be facilitated toward quality higher education.

This paper empirically explores the correlation between human capital development and economic growth in Nigeria, using co-integration of education, employment and individual personal income. It reveals that investment in human capital in the form of education impacts on economic growth. In conclusion, Nigeria can only reposition herself as a potent force through quality education so as to develop her human capital relevance in the highly competitive and globalised economy through a structured and strategic planning of her educational system.

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