THE HUMAN CAPITAL DIMENSION OF ECONOMIC TRANSFORMATION

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1. **INTRODUCTION**

I am honoured to be invited as the guest lecturer on this occasion of the golden jubilee of the 1st graduates of our great university.

Let me begin by congratulating the Vice Chancellor, academic and non-academic staff, students and alumni of the institution for the stellar achievements of the university over the past five decades and its contribution to the socio-economic development of Nigeria. Since its inception in 1960, the university has continued to churn out products including distinguished personalities that have made and continue to make their mark in all walks of our national life.

As an alumnus of this great institution myself, it is with a great sense of pride and solidarity that I accepted the invitation to deliver today's lecture. I will speak on the role of education in economic development and the "The Human Capital Dimension of Economic Transformation".

The choice of this topic is deliberate and apposite, given the increasing recognition of Human Capital as the engine of economic growth and social mobility in the global information economy of the 21st century. A focus on human capital is also compatible with the basic mission of this great University.

The rest of this paper is structured into four parts. The second gives a contextual background highlighting Nigeria’s quest to become one of the top twenty economies in the world by the year 2020 and the on-going efforts of the Government to transform the country’s economy. The next reviews conceptual issues in human capital development and the nexus and intersection between education and economic development. Part four discusses and dimensions the state and problem of education in Nigeria while part five discusses the solutions and issues to be addressed in fixing the
education sector as a critical building block in Nigeria’s economic transformation. Part six concludes the paper.

2. **A CONTEXTUAL BACKGROUND**

Nigeria’s economic development plan is anchored on the Nigerian Vision 20:2020, a long-term economic transformation blue-print that envisions Nigeria as one of the top 20 economies in the world by the year 2020 with a large, strong, diversified, sustainable and competitive economy that effectively harnesses the talents and energies of its people and responsibly exploits its natural endowments to guarantee a high standard of living and quality of life to its citizens\(^1\). One of the strategies for achieving the vision is by Investing to transform the Nigerian people into catalysts for growth and national renewal, and a lasting source of competitive advantage.

8. With a population of 170 million people, Nigeria is generously endowed with human, physical and natural resources. The country is ranked the 6\(^{th}\) largest producer of crude oil and also has the 6\(^{th}\) largest gas reserves in the world. It also has very significant reserves of solid minerals which remain undeveloped. The country is richly endowed with about 34 different types of solid minerals in commercial quantities in about 450 locations across the country. The oil and gas sector is central to Nigeria’s economic profile and currently accounts for about 15.9 per cent of GDP, approximately 90.0 per cent of the total export receipts and 80.0 per cent of total federally-collected revenue. Nigeria is also richly endowed with huge agricultural potentials with large swathe of fertile agricultural land, rivers, streams, lakes, dams, forests and grassland, as well as large active farming population. Agriculture currently accounts for about 42 per cent of the country’s GDP.

9. However, Nigeria’s economy has not performed to its full potentials. Sixty per cent of the population lives below the international poverty level of

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$1.25 in income per day\textsuperscript{2}. Other emerging economies, in particular Malaysia, South Korea, China and India were behind or at the same economic pace with Nigeria in terms of growth in industrial production in the 1960s and 1970s. These countries have transformed their economies and are not only far ahead of Nigeria, but are major players in the world economy today. Between 2005 - 2010, the average growth in industrial production for China, India, Brazil and Malaysia was 16.0, 8.0, 3.6, and 2.5 per cent, respectively, while Nigeria recorded only 2.1 per cent.

These countries have also recorded remarkable accretions in external reserves. Nigeria’s current external reserves stood at $45.67 billion as at September 26, 2013\textsuperscript{3}. The external reserves of China, Brazil and Malaysia were $3.5 trillion as at end June 2013, $367 billion as at August 2013 and $144.34 billion as at July 2013 respectively\textsuperscript{4}.

10. While a number of factors have accounted for Nigeria’s economic performance relative to these countries, the declining quality of education and inadequate stock of human capital constitute key challenges. So, the question is how does Nigeria turn its natural endowments from comparative advantage to competitive advantage by harnessing its human capital. Simply put, what is the human capital dimension to its economic transformation?

11. Education is a tool for empowerment and emancipation and national development. Indeed, studies over the years had shown that there is strong link between poverty and illiteracy. Education constitutes one of the critical foundations for any meaningful socio-economic transformation of any country.

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\textsuperscript{2} CIA World Factbook 2011  
\textsuperscript{3} Source: Central Bank of Nigeria  
\textsuperscript{4} Source: Trading Economics (www.tradingeconomics.com)
12. A study report by the Nigeria Next Generation Committee projected inter alia that with substantial investment in health and education and increased institutional quality, there could be almost 12.0 per cent additional per capita income by 2020 and as much as 29.0 per cent more per capita income by 2030, due to the demographic change and expected life expectancy increases. With such demographic dividend, Nigeria’s economy can be 3 times larger than today in 2030 and can lift about 5.8 million more people out of poverty by 2020 and about 31.8 million by 2030. Also, by increasing investment in human capital, Nigeria could increase GDP by nearly 50.0 per cent and sustain that gain indefinitely.\(^5\)

13. Nigeria’s reserve of resourceful, youthful population is an important growth reserve that could catalyze its growth process. More than 50.0 per cent of Nigeria’s population is under 18 years of age, and the annual growth rate is about 2.8 per cent. For Nigeria, its youthful population provides the potential for a sound bridge to the future. With the right kind of education for its citizens, the large and expanding youthful population could provide the continuing growth dynamite, and even export labor to the ageing Western world.

At Nigeria’s current state of economic development, it needs an educational system that will train more of its citizens in vocational skills, science and technology disciplines that form the basis for real sector growth in agriculture, manufacturing, information technology as well as skills in infrastructure construction and management and the service industries.

3. EDUCATION & HUMAN CAPITAL DEVELOPMENT – A CONCEPTUAL UNDERSTANDING

\(^5\) Nigeria: Next Generation Report 2010
Human capital refers to the abilities and skills of human resources and human capital development refers to the process of acquiring and increasing the number of persons who have the skills, education and experience which are critical for the economic growth of a country. Based on the significance of education, the concept of human capital has been brought to the forefront of many discourses in the field of economic growth and development. Studies have shown that improvements in education accelerate productivity and contribute to the development of technology, thus improving human capital. More than anything else, it has been the spectacular growth in East Asia that has given education and human capital their current popularity in the field of economic growth and development. Countries such as China, Korea, Singapore, and Taiwan have achieved unprecedented rates of economic growth while making large investments in education.

China experienced the most rapid growth of any large country in any part of the world during its period of economic reform. In less than two decades, it achieved what it took other countries centuries to accomplish. Its per capita income doubled between 1978 and 1987 and then doubled again between 1987 and 1996. Over 170 million of the 270 million Chinese living in absolute poverty in 1978 were raised above the poverty threshold. China went from lack-lustre growth of 3.9% before the reforms to 9.5% after the reforms. However, studies have shown that a significant share of China’s growth could be explained by the accumulation of human capital.

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7 Leroy Almendarez: Human Capital Theory: Implications for Educational Development; www.cavehill.uwi.edu
Human capital theory rests on the assumption that formal education is highly instrumental and necessary to improve the productive capacity of a population. In short, human capital theorists argue that an educated population is a productive population. The theory emphasizes how education increases the productivity and efficiency of workers by increasing the level of cognitive stock of economically productive human capability, which is a product of innate abilities and investment in human beings. The provision of formal education is seen as an investment in human capital, which proponents of the theory have considered as equally or even more worthwhile than that of physical capital.9

Many theories explicitly connect investment in human capital development to education, and the role of human capital in economic development, productivity growth, and innovation has frequently been cited as a justification for government subsidies for education and job skills training.10 In the new global economy, hard tangible assets may not be as important as investing in human capital.

Given this theoretical background, can the link between education and economic growth be established in Nigeria? The answer is yes. What is needed is the empowerment of people through the right education and the mobilization of economic surplus into productive investment channels. There is also the need to eliminate or minimize the constraints on human capital development so as to enhance rapid economic growth.

4. THE STATE OF EDUCATION IN NIGERIA

The educational system in Nigeria faces enormous challenges which need to be urgently addressed if the country must evolve into a knowledge economy.

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9 ibid
and attain its goals of economic transformation. The future economic success of the country depends on developing the population to be assets to national development through quality education.

In the same report of the Next Generation Nigeria Task Force, it was noted that Nigeria’s education system, while improving, is not fit for the demands of competitive global markets, as the system does not provide Nigerians with the skills they need to get jobs. The report further noted that the education that most Nigerians receive is of dubious quality, and illiteracy remains high, even among those who attend school. Only 45% of primary school children in urban areas and 19% in rural areas can read a simple sentence. Large numbers of children are regularly absent from school and must repeat years.11. In addition, facilities such as comfortable classrooms, good hostels, laboratories, standard libraries and sporting facilities for recreation and physical development are either in short supply, dilapidated or totally non-existent. Furthermore, many teachers lack the skills to do their jobs, while many still are frustrated due to poor working conditions or non-payment of salaries which in some instances are in arrears for months. Only recently, the media was awash with the startling story of a school teacher in Benin who could not read a book, to the shock of many Nigerians.

In my recent book Emerging Africa: How the Global Economy’s Last Frontier Can Prosper and Matter12 I articulated a number of problems bedeviling the education sector in Nigeria. The highlights of the issues raised in the book include:

- The problem of access reflected in the high occurrence of out-of-school children currently estimated at about 10 million. In India, the

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11 Nigeria: The Next Generation Report 2010
12 Kingsley Chiedu Moghalu: Emerging Africa – How the Global Economy’s ‘Last Frontier’ Can Prosper and Matter; (Bookcraft Ltd 2013) , pp 221 - 232
number of out-of-school children has shrunk from 30 million to 3 million over the past decade – as a result of an extensive Right to Education Act that obliges central and state governments to provide children aged 6 to 14 with eight years of free and compulsory education as a constitutional right.

- While a number of African countries have made progress in school enrolments over the past decade, Nigeria has regressed. The country’s net primary school enrolment rate dropped to 58 per cent in 2010 from 64 per cent in 1999. The primary school completion rate in Nigeria was approximately 75 per cent between 2003 and 2010, but in Ghana the rate improved markedly from 69.7 per cent to 88 per cent, while in Tanzania it rose from 55 per cent to 90 per cent over the same period.

- The low rate of secondary school enrolment which reflects the trend in Africa. Only 28 per cent of Africa’s youths are enrolled in secondary school, and while a child entering the education systems of an OECD\(^\text{13}\) country has an 80 per cent likelihood of going on to university or some other form of tertiary education, only 6 per cent in sub-Saharan Africa have similar chances.

- The progressive erosion of the culture of education over the past three decades, reflecting a collapse of value systems. A study by the education publishing firm Pearson found that Finland and South Korea topped the list of 40 developed countries with the best education systems because these countries had a strong culture in which education was highly valued and teachers enjoyed a high status in society.

\(^{13}\) Organization for Economic Cooperation and Development - an international economic organisation of 34 most industrialized countries founded in 1961 to stimulate economic progress and world trade.
• The prioritization of access over quality in the quest to meet the Millenium Development Goals – which includes a target of education for all by 2015 – as a measure of human development outcomes.

• Secondary school terminal examinations organised by the West African Examinations Council (WAEC) and the National Examinations Council (NECO) have witnessed mass failures for the past several years. Only 5.75 per cent of the 803,360 private candidates that sat the West African Senior Secondary School Certificate Examinations in 2010 received 5 Credits (Cs) and above with English Language included, and 10 per cent did so with Mathematics included.

• Nigerian secondary school students have become progressively weaker in the science subjects that lay the foundation for a knowledge economy based on science, technology and innovation. In the 2006 West African School Certificate Examinations, only 23 per cent of candidates made passing grades in science subjects, with the pass ratios in subsequent years dropping or hovering at 20 per cent in 2007, 26 per cent in 2009, 26 per cent in 2010, and 23 per cent in 2011.

• The tertiary education system is plagued by weak learning infrastructure and low-quality teachers – the two factors that affect learning outcomes.

• University education has existed in an advanced state of decay for over two decades. Even first generation Nigerian universities have seen their accreditations withdrawn or threatened as a result of poor educational infrastructure such as libraries, classroom facilities, and student housing.
• Several universities are producing graduates that lack the right skills needed to perform tasks required in their chosen fields, making it difficult for them to get employment.

• Nigerian universities have lost their place in the global rankings – No thanks to the myriad of problems, such as incessant strikes by university lecturers and students leading to prolonged closures. No single university in Nigeria was featured in the Times Higher Education 400 Universities in the World rankings for 2011-2012, yet there were representatives from South Africa and Egypt.

• In Africa, no Nigerian university is listed in the top 20 – yet there are universities in Ethiopia, Sudan, Ghana, Kenya and Uganda in this list.

• The lecturer-to-student ratios have worsened. The ratio of teaching staff to students is 1 – 122 at the University of Abuja and 1 – 144 at the Lagos State University; but the same ratio is 1 – 4 at Harvard University, 1 – 9 at the Massachusetts Institute of Technology (MIT), 1 – 3 at the University of Cambridge, and 1 – 10 at the National University of Singapore.

• There is a dearth of qualified teachers at all levels of education. The report of a presidential panel on the needs of public institutions indicates a manpower crisis in Nigerian universities. Only 43 per cent of academic staff in Nigerian public universities earned doctorate degrees. The remaining 57 per cent do not have such minimum qualifications for university teaching. Just seven universities had up to 60 per cent of their teaching staff with PhDs and Kano State University of Science and Technology, established in 2002, had one professor and
25 lecturers with doctorate degrees, while 74 per cent of teaching staff at the Plateau State University in Bokkos are visiting faculty.

Clearly then, the crisis of education in Nigeria is deep rooted and will require new and far-sighted strategies to address the challenge of access and quality that will ensure conducive learning environments, qualified and well-motivated teachers and administrators as well as good learning outcomes.

5. THE WAY FORWARD

With proper planning and the right policy choices, reforming and revamping the education sector is doable. This will be an important contribution and investment towards the development of the human capital needed to transform the economy and launch it on the path of sustainable growth and development. To achieve this outcome, a number of fundamental issues will need to be addressed.

The first fundamental issue to be addressed is that of the clarity of role of governments – federal, state and local – in education and the need for coordination and synergy between federal education policy and schools under states and local governments.

The private sector, faith-based organisations, and other non-profit organisations need to become more involved, as the government alone cannot solve the problem of education in a diverse country such as Nigeria. This approach appears to be working in Anambra State, where the state governor, Peter Obi has returned schools to churches that previously owned them before the government take-over of schools after the civil war. Early results are encouraging. Improved discipline and value systems are creating
better learning environments and the churches are fundraising for learning infrastructure facilities.

Another issue to address is that of funding for the education sector. The federal government’s annual budget for the sector was N400 billion in 2013, a 50 per cent increase from the previous year, but, at 8 per cent of the total budget, still inadequate and well below the United Nations Educational, Scientific and Cultural Organisation (UNESCO) recommended minimum education funding of 26 per cent of total national budgets. South Africa’s education budget was 21 per cent of the country’s 2011 budget while Ghana’s was 24.4 per cent in 2010\textsuperscript{14}.

Fourth, business corporations need to become more involved in the funding of education in Nigeria in a strategic and systematic manner beyond symbolic corporate citizenship. In this great University, much corporate and individual donor funding has been used to build academic and residential facilities in the university, with numerous modern buildings named after their donors. This is a model that should be developed by all Nigerian universities. Wealthy Nigerians and plutocrats seeking avenues to use their wealth for public and social service would be wise to consider investing in improving the quality of Nigerian education as an urgent priority. Another area in this context is endowments of teaching chairs to attract qualified Nigerian PhDs living and working abroad to teach in Nigerian tertiary institutions.

Fifth, a combination of more low-fee private schools and increasing fees in public secondary and tertiary institutions is essential for the resources required to make an impact in the learning infrastructure needs of many public universities.

\textsuperscript{14} United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics
Sixth, the real role government can play to good effect is to invest heavily in targeted, high quality teacher training at all levels. Here, it will be acceptable to receive aid in the form of technical assistance, educational equipment, and donor funding on an exceptional – and transitional – basis given the overwhelming strategic importance of human capital development.

There is need to also strengthen the regulatory regime in the education sector in Nigeria. In addition, an overhaul of the curriculum is needed. Civic subjects such as history, values such as ethics, patriotism and leadership need to become compulsory in primary and secondary schools to ensure that schools actually educate to the needs of the society and begin the long process of turning around the ethos of the Nigerian society and shaping the worldviews of the country’s youth. Science and technology, as well as entrepreneurial training, must become the strategic direction of education in Nigeria.

The Nigerian government is poised to unfold a strategic plan for education that will emphasize technical and vocational education and build a skilled workforce for the government’s transformation agenda. This plan will involve massive investments in technical and vocational institutions. The strategic human capital plan will require close collaboration between the public and private sectors. It must include a robust strategy and strategy execution framework to ensure effective measurements of progress and performance.

Eighth, a strategic approach to attract foreign direct investment in education and human capital development in Nigeria must become a government priority. The strategy should be to build high quality human capital and stem the capital flight of Nigerian youths seeking education in foreign countries, by attracting quality global education brand names to set up campuses in
Nigeria. Such a step would fit into the context of a rising trend of globalisation of education in which several American universities have global campuses in the Gulf countries, Europe, and Asia; and elite British private schools (called “public schools” in Britain) such as Marlborough are preparing to set up campuses in countries such as Malaysia.

Malaysia is building a completely new 240-hectare “Educity” in one of the states in that country from scratch and is seeking to attract Western educational institutions to establish there in order to reverse the brain drain and money that flows from Malaysia to foreign schools and universities. Attracting such “education investors” will serve Nigeria’s strategic interests. It will build human capital skilled enough to serve the country’s domestic STI needs and also provide the sort of technical skills foreign investors seek as a location factor. This strategy will increase the chances of foreign investments that will actually create jobs in Nigeria such as light and middle-level manufacturing, as investors look to diversify away from countries such as China with its increasingly high labour wages. For Nigerians, it offers the prospect of obtaining globally prestigious educational qualifications without having to sojourn abroad. And for the investors, it offers promising returns on investment. What’s more, Nigeria can offer the incentive of co-investing by financing the construction of such facilities as Malaysia has done.

Finally, Nigeria’s federal and state governments must agree on a fundamental revamp of the country’s education sector as an essential policy direction, and the re-invigoration of the country’s productive capacity within the worldview context. This will have to be backed up by effective communication with the Nigerian people that galvanizes their support and enthusiasm for such a strategy on a topic on which they are already so exercised – the education of their children and, by implication, their future.
6. CONCLUSION

Human Capital Development is strategic to the socio-economic development of a nation. Investing in human capital development is therefore critical as it is targeted at ensuring that the nation’s human resource endowment is knowledgeable, skilled, productive and healthy to enable the optimal exploitation and utilization of other resources to engender growth and development.

It is doubly important for Nigeria to begin to make massive investments in education and human capital. Otherwise, its lofty vision to be one of the top 20 economies in the world by the year 2020 may not be realized. This in essence, underlies the human capital dimension to its economic transformation.

I thank you for your attention.