

# **HUMAN CAPITAL DEVELOPMENT:**

## **A STRATEGY FOR MOVING NIGERIA INTO THE KNOWLEDGE ECONOMY**

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### **Abstract**

The driving force for a nation's development and growth has shifted from natural endowment to knowledge economy. Countries without abundant resources have been excelling because of the emphasis on human capital that propels knowledge economy. This paper therefore, has emphasized the need for Nigeria to move her economy forward by not only embracing the "New economy" but also "Knowledge economy" via human capital development. She has not been serious with her human capacity building because she has not been treating education as a priority sector. UNESCO approved that this sector should be given 26% of the annual budget, but Nigeria gives only less than 8% for the past years. Nigeria has been spending much on governance while the critical infrastructure and education in particular have been treated with levity in the national budget. It is estimated that our oil will finish by 2052 and Nigeria has to queue in into the New Economy by developing, training and appreciating her abundant human capital (The Economist, June 3, 2007: 106). The paper concludes by recommending effective training in ICT, decrease in current expenditure, official corruption, while maintaining the UNESCO's 26% allocation to the education sector.

**Key words:** Knowledge economy, New economy, Human capital, Strategy.

### **Introduction**

The world is now controlled by the revolution of Information and Communication Technology (ICT) and internet revolution. Countries are no longer ruled by the natural resources in their land but what they can do with ideas and knowledge to move their country forward. It is the spin-off of the "Information Technology" revolution that has been the "New Economy". The new economy started from the late 1990s to present. This "New Economy" is embedded in the "Knowledge Economy" which is defined as the creation and application of knowledge to achieve a desired national objective. Knowledge economy means the restructuring and improvement of the educational curriculum to integrate skill learning with behavioural and psychological techniques and entrepreneurs and enterprise building skills. In this context, knowledge means the critical drivers of global economic trains nowadays like know-how, creativity, intelligence and information. According to Onyekwere (2011), it requires adaptiveness, flexibility and responsiveness. Since the advent of knowledge, society and people think independently because they possess a wealth of knowledge. Therefore, the intention of Nigeria is to achieve a sustainable economic growth and poverty reduction. This paper examines the differences between old and new economy

as well as the inevitability of human capital in the country's march towards knowledge economy. Finally, the benefits, suggestions and recommendations on moving Nigeria into the new/knowledge economy are systematically mentioned.

### **The Distinction between the Old and New Economy**

It will be appreciated more if we briefly highlight the major differences between the old and the new economy. Some strategic development themes are adopted, viz:

<b>Issues</b>	<b>Features of Old Economy</b>	<b>Features of New Economy</b>
1. The production Function	Economy: output ( $\infty$ ) = $\infty$ (K,L) where K and L stand for capital and labour respectively	$\infty = \infty$ (Human Capital, HC), where HC is a vector with education, skills, health, information, knowledge, technology and health technology as key elements
2. Main Sources of Comparative Advantage	Endowed raw materials, cheap labour and capital	<ul style="list-style-type: none"> <li>.Different technological capabilities</li> <li>. Created comparative advantage, e.g. use of strategic trade policy</li> <li>. Institutional excellence.</li> </ul>
3. Source of Innovation	Research and Development (R&D)	R & D + system application, knowledge management, new business creation, ICT=e-business, e-government, e-everything.
4. Educational requirement	Skill or degree (Credentialism)	Skill, degrees and basic/education required + continuous learning.
5. Macroeconomic Management	<ul style="list-style-type: none"> <li>. Emphasis on Demand</li> <li>. Money is medium of exchange</li> </ul>	<ul style="list-style-type: none"> <li>. Credit cards replace money, moving towards cashless economy</li> <li>. Demand management + supply side issues (microeconomic issues + macroeconomic consequences).</li> </ul>

**Source:** Adapted from <http://www.1000ventures.com/business guide/ new economy transition.html>.

From the above schedule, there are dominant tendencies under each category. Also, the most important is the consideration that the human capital is the underlying theme i.e. both explicit and implicit in the two categories. According to Dahlman (2005), the interface of the new economy with the knowledge economy has led to the dynamic expansion in productivity and growth which has also accelerated investment, low inflation; elimination of abject poverty and wealth creation in countries where the two have been institutionalized. The countries experiencing the new and knowledge economy are: the United States, Britain, Ireland, Canada, Norway, Singapore, Korea and Finland. Another characteristic is that the new economy is a convenient and simplified description of a more complex fundamental developmental forces interacting in modern economies.

### **The Distinction between New Economy and Knowledge Economy**

Both new and knowledge economy have the human capital at the centre stage of economic growth and development. They have some major differences, namely:

- New economy is interested in positive and steady/fast growth responsive to challenges of development (wealth creation, poverty reduction, employment generation and equity promotion) while knowledge economy is anchored on the globalization ideology which is structured on a tripod of trade liberalization, liberal democracy and international communication. Its emphasis is on the practical application of scientific knowledge for practical problems.
- Knowledge economy is concerned with technical and vocational training while New economy emphasises human capital as an indispensable factor of production. New economy is interested in innovativeness, entrepreneurial knowledge based firms. It is also based on market capitalization, social responsibilities, opportunity profit driven strategy, etc.
- Knowledge economy is distinguished from New economy because it deals with the application of ICT as a means of knowledge transmission which has changed from direct listening to audio sounds, and from viewing images to network transmitted digital signals in multimedia format using information technology.
- New economy is interested in strategic alliances like Public Private Partnership (PPP) or team work. While, Eboh (2009) affirmed that today, knowledge is the key driving factor in social and economic progress of nations.

### **The Place of Human Capital in Knowledge Economy in Nigeria**

The most essential variable in knowledge economy and new economy is the *human capital*. Human capital here means investment in training and education of human and seminars and acquisition of skills for technological development. It is the human capital investment that drives all the processes and achievements in the new economy as exemplified in the schedule above. Therefore, any economy seeking to achieve modern growth and development must find a means of breaking off from the shackles of the old economy so as to embrace the new economy attributes. This is because; there is a positive relationship between the laggardness.

According to Umoh (1997), human capital has a generic potential of enabling Nigeria transit into the new economy. Human capital should play a prominent role in Nigeria's quest for knowledge economy if it is well treated and harnessed. It endogenously contributes to the growth of any nation like in the emerging information and communication

revolution. The contributions of these iconic entrepreneurs: Bill Gates (Microsoft), Michael Dell (Dell Corporation), Larry Page and Sergey Brin (Goggle) etc especially in ICT revolution on people's lives and industries of the old economy cannot be underestimated.

### **The Place of Knowledge Economy in Nigeria**

The world is now a global village and all countries are striving to meet up with the trends and enjoy the benefits of the new economy vis-à-vis the knowledge economy. Nigeria cannot get these benefits, except she shows serious concern with the training and education of her citizens, which is öhuman capital developmentö. To Buba (2005), two conditions for economic development of a nation are ömass application of technological innovationö and the presence of a stable political environment and efficient security for both life and property. Through human capital development, Nigeria can effectively design and develop new hardware and software system. As well, new technology can be incorporated namely: system analysts, engineers, scientists, database administrators and technicians. According to Wiki (2006), knowledge on recent development in technology, healthcare delivery, agriculture, power generation, etc can be acquired by an individual, which in turn can be harnessed for national development. Onuigbo (2001) opined that if students are to prepare for jobs after leaving school, they must be acquainted with applications of computer information processing. Hence, computer literate applicants have more job prospects everywhere. Knowledge economy enhances self-reliance in the present age of information technology revolution. In effect, self-reliance implies technological revolution and productivity. With computer education, computer graduates will not be waiting for government jobs as they will be self-employed especially if they have the financial backing, soft loans and family assistance. With globalization, the free movement of goods and capital will inevitably lead to a much more efficient allocation of resources, hence investment will flow. For example, computer has been found to be indispensable in ailment diagnosis, keeping of patients' records, medical reports, testing of blood samples and general laboratory tests. Through workshop, education and training, Nigeria's economy will be transformed because most Nigerians will be self employed, wealth creators and employers of labour. Also, it will enhance commerce and economic activities such as the use of Automated Teller Machine (ATM) and Internet in the banking sector. The essence is to reduce the risk of loosing cash to robbers and it eases the transfer of cash.

### **Fundamental Factors Inhibiting Human Capital Development and Knowledge Economy in Nigeria**

1. Nigeria has one of the lowest expenditure comments to education in Africa and by extension in the world. She spent less than 1% of its GDP on education in the 80s and 90s when compared with Ghana's 4% of GDP and 20% of the budget. Countries that spent a huge part of their budget on higher education alone are Malaysia 32%, USA 26% and Korea 22% (UNDP's Development Report 2002 and 2004).
2. The Nigerian government has not been investing well in human capital development based on the meagre allocation to education when compared with UNESCO's 26% approved allocation to this sector. Emphasis has not been paid to training and retraining of teachers, instructors and technologies. The government has to do more with respect to seminars, workshops and in-service/refresher courses for Nigerians as

well as enlightenment programmes. The problems confronting education in Nigeria constitute a major impediment to the nation's transition into the new economy. Because where innovative and transformational potentials are not encouraged educationally, the country remains underdeveloped. Nigeria had about 35 million students enrolment in 2003, which means, she has the highest concentration of students in the school system in Africa (Chete, 2002). Presently Nigeria has more than 87 and 24 federal and state universities respectively and over 38 private universities. But all are under-funded with minimal educational infrastructure when compared with other countries. Again, the quest for education in higher institutions began to enroll more students than their resources and infrastructure could cater for effectively. For example, National Universities Commission (NUC) accredited 65 universities for web portals by June 2006, but only 37 have web portals.

3. Another factor hinging on the realization of knowledge economy in Nigeria is low enrolment in schools. For instance, enrolment levels attained in Malaysia, South Korea and Singapore are 100%, while in Nigeria it is 60% in the Primary, 30% in the secondary and 40% in the tertiary sector (Gordon, 2000).
4. The Nigerian educational system is bedeviled by ñincreasing equality deficitö. The classrooms are overcrowded from primary to university or tertiary levels, pupils study under the trees in some cases. The ratio between students and teachers is 40:1, when compared with UNESCO's 8:1 accepted ratio in primary schools. At the tertiary level, there is paucity of academic staff, because about 46000 lecturers required, only 16000 lecturers are engaged according to Umoh (1980).
5. According to Umoh (2006) at the international level, none of the Nigerian universities made the list of the first 1000 quality Universities in 2005 and only four barely made the list in the African ranking of first 100 Universities in 2006.
6. Nigeria academic certificates and credentials are seen with suspicion and not valuable internationally and even by local employers of labour. Those who aspire for admission to graduate programmes overseas are subjected to further screening tests in spite of degrees conferred on them by Nigerian Universities.
7. There is also the problem of Human Capital Flight or the brain drain. Two types of brain drain are prominent in Nigeria, as in most African countries. The first is the internal/sectoral brain drain by which trained talents move from one sector to another. This type of brain drain distorts human capital allocation and reduces the return to investment which has been demonstrated to be quite high in Nigeria (Umoh, 1979).

### **Benefits of Investment in Human Capital Development**

Empirical and historical evidence has shown that nations that give priority to investment in human capital reap most of the benefits of human capital development benefits such as employment, wealth creation, improved standard of living, sustainable growth and development, etc. These are nations that devote a large sum of budgets to human

capital development and insist on getting good returns for their investment. The countries in question can hardly tolerate a day's strike in their educational sector. But in Nigeria, education is seen and treated as a residual issue. Human capital development helps in reducing budget deficit, good governance deficit, corruption and over-bloated government, etc. As the new economy is dependent on information and communication technology as a way of enhancing productivity and growth, human capital development is a sine qua non because it is the wheel that propels IT (Information Technology). It will enhance creativity and innovativeness. All countries that have attained the New Economy status are known to have promoted innovation aggressively. Through R and D (Research and Development) human capital development can assist quality manpower in providing increased output in the educational sector especially in the training of technicians as industrial workers who are put into intellectual manpower utilization in the service sector etc.

### **The Way Forward for Nigeria's Transition from the Old to the "New Economy"**

The following points will guide Nigeria to embrace the knowledge cum new economy when applied honestly and religiously by the government and Nigerians:

- A serious commitment to innovation has to be shown compromising high equality in this sector.
- The ICT sector should be encouraged to grow by providing the critical infrastructure and building of the necessary human capacity.
- Adequate funding via public sector financing and related innovative strategies should be encouraged and the government should also show serious commitment.
- Emphasis should be on the centrality of human capital investment. It should be placed at the centre and upfront as what propels growth rather than labour and capital in the old economy.
- The realization that Nigerians will be better-off and "winners circle" widen through employment with education, investment and employment opportunities should be preached and implemented by the government. The government must muster the political will of investing in equity and mass education of Nigerians in order to transit from an old economy to a new one (knowledge economy). Nigeria has what it takes to do this, if it shows sincerity, commitment and patriotism.
- Again, a commitment to reversing the brain drain by offering appropriate incentives to Nigerian professionals within the national economy and those in the diaspora will give Nigerians the zeal to be home and contribute to the "Nigerian project".
- There should be a comprehensive reform in the education industry through extensive research.

### **Conclusion**

This work has shown that human capital development is inevitable in all developmental efforts of any economy as well as in new economy and not tangible assets. The moment Nigeria sees and treats "human capital" as an indispensable factor in growth and development; she will embrace new economy and knowledge economy instantly. Finally, knowledge accelerates national development because it facilitates the computerization and linking by internet of all government ministries and parastatals to enhance information exchange between them according to Emadoye (2002).

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- There should also be commitment to Nigerians having access to education without