

**MULTIPLIER EFFECT OF HUMAN CAPITAL FLIGHT
ON ECONOMIC GROWTH IN NIGERIA**

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ABSTRACT

This paper focused on human capital flight and its multiplier effects on economic growth of Nigeria. Human Capital flight or brain drain is concerned with the movement of trained, competent personnel and professionals Africans most especially Nigeria have been leaving in droves. The cross roads between better offers and opportunities in distant lands of the West, Canada and the United States of America amongst others and the inherent problems hampering the full utilization of the potentials of professionals are examined in this paper. The paper further examines salient literatures on the trends and movement patterns of human capital as well as the factors which promote migration which have made Africa to remain poor, less developed and isolated as witnessed during the slave trade. The study therefore recommends among others that government should adopt appropriate policies to discourage human capital flight in order to encourage professionals to stay back in their countries and work towards economic growth. Also, to formulate workable government policy on environmental sustainability and development that could promote conducive working environment that will bring about efficiency of labour as

well as high level of productivity. Finally the paper concludes that appropriate investment in education and human capital development which will in turn discourage human capital flight must be pursued by developing nations especially Nigeria.

INTRODUCTION

Many countries all over the world are searching for ways of achieving stable economic development. Economic development can mostly be achieved through adequate management of human and natural resources. In a bid to promote economic growth, many countries try as much as possible to develop their labour force in terms of improving educational and health conditions.

Education is a catalyst to economic growth but by itself, it will not generate growth. This can only be achieved at an optimal level when there is a greater investment in both human and physical capital in the economy with competitive market for goods and with appropriate factors of production. Such markets are the product of macro-economic stability, well-functioning labour markets and openness to international trade and new technology. The exposure of human capital specifically to knowledge facilitates culminating to the development of new sustaining growth. Education contributes immensely to economic growth through the increased individual productivity brought about by

the acquisition of skills, attitudes and accumulation of knowledge.

The economic prosperity and functioning of a nation depend on its physical and human capital stock. Whereon the former has traditionally been the focus of economic growth and research, factors affecting the enhancement of human skills and talent are increasingly finding in the research of social and behavioural sciences.

Higher education is a powerful vehicle of human development that helps engender economic, social and political stability in a country. However, due to growing public demands as well as resource constraints, developing and funding higher education institutions is a problematic issue for government across the world. In adapting to the growing pressures of the funding crisis in the higher education sector, institutions and government need to focus on methods that will improve the availability of resources for financing higher education institutions to be able to produce the whole range of services required to fulfill society's needs. (Moja, 2008).

There is increasing importance of knowledge as a driver of economic growth in the midst of information and

communication revolution and advent of a worldwide labour market and global socio-political transformation (World Bank, 2002 in Akinyemi, 2013).

Human capital, essentially, is the stock of knowledge, skills, competence, capabilities, innovative abilities and experiences of the individuals in a population. These virtues in the individuals enable them perform efficiently and produce commodities of economic value. Also, the virtues change from time to time and in varying magnitude hence human capital development is a dynamic and continuous process.

According to Akinyemi (2013 in Ikuenomone, 2019), human capital refers to the stock of productive skills and technical knowledge embodied in human beings (labour) through education and training. In other words, it is regarded as the knowledge expertise and productive capacities which a person acquired through educational training and which enables him/her function efficiently and effectively in the society.

Human capital refers to the abilities and skills of human resources while 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 the country (Adelakun, 2011 and Ikuenomone, 2019).

Human capital development presupposes investments, activities and processes that

produce vocational and technical education, knowledge, skills, health or values that are embodied in people. It implies building an appropriate balance and larger human resource base and providing an enabling environment for all individuals to be fully engaged and to contribute to the organizational or national goals. (Ojukwu, 2000). Any effort to increase human knowledge, to enhance skills, productivity and stimulate resourcefulness of individuals is an effort towards human capital development.

Human capital development as a process of increasing human knowledge through improving skills by vocational and technical education, aimed at enhancing trainees' productivity and stimulating their resourcefulness should be systematic, sustainable and strategic. According to Peretomode (2003) (in Amadi & Alotete, 2019), the process should be systematic to the extent that there should be a plan for which previous activities will provide support for upcoming activities while facilitating the attainment of set goals.

Human capital development has become a core element in the development efforts of developing countries, especially in the knowledge society of the 21st century. This basically became a comparative advantage among nations, derive less and less from national resources and cheap labour endowment and more on technical innovations and comparative use of knowledge (World Bank, 2002). In the

new economic environment, learning paradigm of remembering of facts and basic data has shifted to comparative education and lifelong learning which placed emphasis on process, analytical knowledge, skills and competences. Emphasis is now on learning to transform information into new knowledge and translate new knowledge into applications (Eshiobo (2011).

According to Eshiobo (2011), human capital development is aimed at increasing the value of labour in production and earning power. Akinyemi (2013) posits that a strategic investment and civilization of human capital can place any country in a position where it will start to export professional services and boost its foreign exchange earnings. Without this, the demand for foreign exchange will continue to grow exponentially and such growth is unsustainable unless there is an investment in human capital formation.

Human capital flight is popularly referred to as “Brain Drain”. It is a bogus of professionals with special technical skills and knowledge moving to other nations (Okoro, Ometuzor and Bamidele, 2014). Schultz (1971, 1981), Hague and Kim (1995) and Okoro, Omeluzor and Bamidele, (2014) identified human capital as an important determinant of economic growth of a nation. Okoro, Omeluzor and Bamidele, (2014) strongly believes that brain drain reduces the growth rate and the effective

human capital that remains in the economy and hence, generates a permanent reduction of per capita income growth in the home country. Brain drain is common among developing nations and Nigeria is not exempted. To buttress this point, Okunnubi (2013) posits that the United States Diversity Immigrant Visa Lottery makes up to 55,000 diversity visas available annually to countries with low rates of immigration in the United States. Out of this figure, Nigeria has the highest number of entries yearly.

According to Akinyemi (2013), human capital flight can be referred to as the movement of professionals, known as brain drain, from developing countries to industrialized countries. Akinyemi (2013) reporting the extent of the flight of most educated Africans from the continent in 1993 emphasized that in the UK, there were 134,500 Africans (14,500 had bachelor's degree and 4,600 had advanced degrees) of all the ethnic minorities in the United Kingdom. Africans formed the largest percentage with recognized educational qualifications. Appleton and Ted (1998) in Akinyemi (2013) also pointed out that as of 1994, an estimated 100,000 skilled Africans worked in Europe and North America. These skilled Africans were typically doctors, research scientists and university teachers. The emigration of many highly educated Africans has posed serious problems to the economies of most African countries which lead to

scarcity of prime movers of economic development in these countries. Although government incurs the social cost of higher education, the emigration of graduates means that their countries do not benefit from the investments in education.

Wikipedia (2013) posits that brain drain is the departure of educated professionals from one country, economic sector or field to another usually for better being or living conditions. It is a sustained loss of skilled intellectuals, professionals and technical labour through emigration, where the donor nations (developing countries) are denied the services of these experts in various areas of knowledge.

Kinggundu and Oni (2004), asserts that human capital flight otherwise called brain drain represents the deflation of highly qualified professionals from a country to a recipient country as a result of strong attractions associated with differential living conditions, opportunities for professional advancement and the existence of an environment that is conducive for peace and security, among a host of other factors.

Ume, Oduneye and Ogwum (2016) postulate that human capital flight is the transfer of assets in foreign country with the motive of reducing loss of principal, loss of reform, or loss of control of one's financial wealth owing to government approved activities. Capital flight is considered to consist of international

capital flow that is aimed at avoiding government control or the results of government action. Emphasis was further made that people have the notion that capital flight is often because of the desire to avoid taxation, avoid confiscation, in search of better treatment, or a higher returns somewhere else.

Capital flight was further emphasized by Uma, Oduneye and Ogwum (2016) as the capital that run away which includes international assets redeployed or portfolio adjustment owing to significantly realized worsening risk return profiles that relates to assets existing in a particular economy. This runaway capital presupposes non-accounted capital movement from the society which might otherwise, be handled either by public or private officers.

Effects of Human Capital Flight on the Economy

This paper is of the opinion that capital flight negatively impacts significantly on economic growth and also that non-performance of domestic resources can trigger capital flight. Buoyant economic situation encourages capital inflow and the years with poor economic environment and poor policy is associated with capital outflow.

Human capital flight leads to sustained decrease in income growth rate of developing nations. Human capital flight can lead to permanent impact on the

growth process of emigration.

Conclusion

An appropriate investment in education and human capital development which will in turn discourage human capital flight must be pursued by developing nations, especially like ours. Capital flight in developing countries, including Nigeria, is exacerbating in spite of the public outcry against it. Nigeria is caught in the web through several surveys as billions of dollars are landlอร์ด out of the country through all kinds of illicit procedures, that is, embezzling of funds meant for infrastructural development and other social amenities meant for the wellbeing of the country by the top officials in the government. Human capital flight has a negative but significant effect on economic growth and development in Nigeria.

Recommendations

1. Government should adapt appropriate policy to discourage human capital flight in order to encourage professionals to stay back in their country to work towards economic growth.
2. Adequate fund should be made available by the government to all sectors of the economy to discourage human capital flight.
3. Improved conditions of service in the education sector should be ensured. This will help reduce the current brain drain in the education sector and in

turn will improve productivity of the sector and the national economy at large.

4. Government efforts should be directed at curbing the illegal outflow of capital in order to ensure that investible funds are available within the domestic economy.
5. Government should take concerted effort to improve security of life and properties since security lapse are a threat to investment and economic growth.
6. Proper management of foreign direct investment inflows is needed to avoid possible outflow or leakages of the same money as capital flight.
7. Attractive work conditions should be provided through a formal structure for distribution of rewards and sanctions to support compliance.

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