Deterrents to Human Capital Development in Nigeria: A Case Study of Lagos State Civil Service, Nigeria

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Abstract
The inevitable roles of sufficient and effective manpower in the process of sustainable economic development have received a lot of attention in the literature. This is premised on the experience of success recorded by organizations and countries that invested heavily in their human resources. With Nigeria in search of the best approach to address its pervasive economic challenges, there is an urgent need for a holistic and cautious choice of economic policies and programmes. This research was motivated by the urgent need to focus on the country's human resources management, which has suffered from years of neglect as a result of the oil boom in Nigeria, and consequently resulted in the persistent level of poverty in the country despite its resource abundance. Hence, the study examines the factors which inhibit the human capital development from exerting the expected influence on the developmental state and economic diversification in Nigeria taking inferences from Lagos State. The descriptive survey research design was used in carrying out the study. It adopts a discrete analysis to harness the link between human capital development, economic development and diversification using both Binary Logistic Regression (BLR) and Chi-Square (X^2) at 0.05 level of significance. One research question and two hypotheses were answered and tested respectively in this study. The findings reveal that human capital development is statistically significant to diversification of the Nigerian economy and that government intervention in the growth process of the country is not only necessary but urgently needed to arrest the state of the economy, which is not only devastating but also a threat to the future of the nation and its unborn generations. Prominent among the policy recommendations is the need for a strong institutional framework and implementation of the UNESCO recommendation of 26% budgetary allocation to education in developing countries for the country to surmount its current economic challenges.

Keywords: Developmental State, Economic Diversification, Human Capital Development, Economic Growth, Binary Logistic Regression, Lagos State

Introduction

For its inestimable contributions to the development process, manpower/human capital development is regaining the attention of governments and policymakers across the globe in recent times. This is premised on the fact that the fundamental source of wealth of any nation resides in its human resources. It is a resource which coordinates and organizes other resources in the development plans and implementation processes. Human beings are the brains behind the formulation of the institutional framework that guides the process of economic developments. More so, in harnessing the relevant capital and natural resources towards achieving the goals of economic growth, the roles of human resource are inevitable. Capital and natural resources depend heavily on human resource for their activeness and effectiveness in the growth process. Aligning to this view, Jaiyeoba (2015) posits that 'capital and natural resources are passive factors of production while human resources are active factors of production". Physical capital in terms of tools, machinery, and equipment will remain redundant in the absence of human resource. Thus, it is startling clear that what determines growth in its actual sense is neither the level of capital accumulation nor the abundance of natural resources but the quality of the human resources on which other factors depend. In effect, the development of human resource becomes binding on and a pre-condition for every nation that desires progress and development of its economy.

Despite the preponderance of evidence asserting the positive impact of manpower development (Sankay, Ismail and Shaari, 2010; Dauda, 2010; Amassoma and Nwosa, 2011; Isola and Alani, 2012; Eigbiremolen and Anaduaka, 201), it is disquieting to note that most developing countries like Nigeria are yet to fully exploit the productive capacities that reside in their human resources. Worthy of note is that while the developed countries exert more energy on the development of their human resource and less on natural resources, most developing nations like Nigeria do otherwise. Hence, human resource management according to Uzonwanne (2015) has suffered from years of neglect as a result of the oil boom in Nigeria. This perhaps explains one of the reasons that a larger percentage of the population continues to live in abject poverty despite the numerous resource endowments. Several efforts to improve the productive capacity of human resource in Nigeria have been hindered by many factors such as; lack of funding, low level of education and training, brain drain, dilapidating social infrastructural facilities, lack of adequate manpower planning, unreliable data and inadequate information of the stock of human resources in Nigeria.

The problem of human capital development and financial challenge eroding the nation's economy amidst the falling global oil prices has increased the clamour for diversification of the economy, thus making the role of manpower development inescapable. This became obvious following the decline in oil prices since June 2014 coupled with America's reduction in the number of barrels it imports from nations. Therefore, for Nigeria to reverse its current economic crises, the option of diversification becomes optimal.

Conventionally, economic diversification has been used to denote policy options for transforming a mono-product economy to multiple products extended across primary, secondary and tertiary sectors. The objective according to Nourse (1968) has always been to improve economic performance for achieving sustainable growth; for example, building resilience against fluctuations in extra-regional economic activity, reducing vulnerability to income loss due to the volatility of product price on the international market, creating job opportunities and alleviating poverty. Holding to its complexities, empirical studies are continuously being undertaken in the literature to establish linkages between human capital development and economic diversification.

Experiences have shown that the relationship between these two concepts - human capital and economic diversification - is fundamental and constitutes a key element of an economic structure. Articulating the link between the two concepts, Parketa & Tamberi (2008) opine that "human capital facilitates production diversification and hence increases the rate of new activities in an economy, notably due to product innovation." In essence, investing in the human resource of a nation through education, training, and development has an essential role to play in human resource's productivity and its spillover effects will no doubt enhance diversification of the economy.

It is worthy of note that while copious empirical studies have explored the fundamental roles of diversification in economic development (Al-Marhubi, 2000; Funke & Ruhwedel, 2005; Herzer & Nowak-Lehnmann, 2006; Hausmann et al., 2007; Hess, 2008; Jarreau & Poncet, 2012), little attention has been given to human capital, especially in the context of developing countries like Nigeria. Thus, the need for a study of this nature.

Leveraging the foregoing, the objective of this research paper is to examine the vital roles of manpower development on economic diversification in Nigeria taking inferences from Lagos State. The following research questions will be answered;

i. What are the factors militating against the growth of human resource/capital development in Nigeria?
ii. Is human resource/capital development positively related to economic diversification?
iii. Is there a significant relationship between developmental state and economic growth?

The Study Hypotheses

i. Human resource/capital development is not positively related to economic diversification.
ii. There is no significant relationship between developmental state and economic growth.

Review of Related Literature

Human Resource/capital Development and Economic Growth

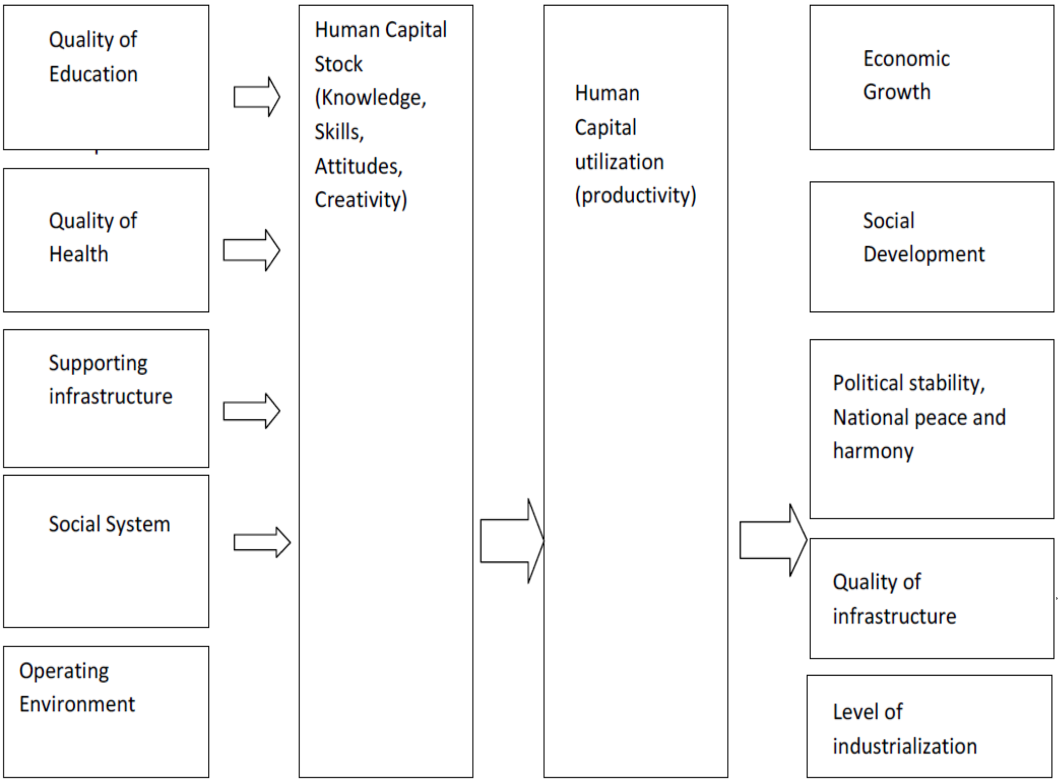
The interlock between human capital development and economic growth has been well advanced in the literature. Several studies have empirically investigated the relevance of human capital development in the attainment of economic growth. However, in spite of the varying perspectives to the roles of human resource in the development of emerging and developing economies, the preponderance of academic interest on the subject matter indicate that the development of human resource stimulates economic growth.

For the growth-oriented human capital development; Uwatt (2002) quoted in Adawo (2011) empirically examined the impact of human capital on economic growth. The study revealed that physical capital exerted a positive and significant statistical impact on economic growth. Ishola and Alani (2005), examined the contribution of different measures of human capital development to economic growth in Nigeria. The study found that though little commitment had been accorded health compare to education, an empirical analysis showed that both education and health components of human capital development are crucial to economic growth in Nigeria. Akingbade (2006), noted that skills development, and by extension skills formation systems, are important because of their contributions to national productivity. Sankay *et al.*, (2010), investigated the impact of human capital development on economic growth in Nigeria during the period 1970 to 2008. The study indicated that human capital development has a significant impact on Nigeria's economic growth. Lawanson (2009), examined the contributions of human capital to economic growth in Nigeria with focus on the health and education expenditures in her model. The study finds that a clear relationship exists between human capital development and economic growth.

Dauda (2010), examined the role of human capital in Nigeria’s economic development. Findings of the study shows that there is a feedback mechanism between human capital formation and economic growth in Nigeria. Oluwatobi and Ogunrinola (2011) examined the relationship between human capital development efforts of the Government and economic growth in Nigeria. The result shows that there exists a positive relationship between government recurrent expenditure on human capital development and the level of real output, while capital expenditure is negatively related to the level of real output. Omojimite (2011), examined issues dealing with the effectiveness of the Nigerian education sector in meeting the human capital needed for economic development in an era of reforms. The study revealed that education sector lags behind in all the indicators used to assess its effectiveness. The paper recommends major reforms in the sector including increased funding, the overhaul of school curricula and the introduction of a new incentive structure for school workers. Efanga and Olefero (2012), investigated the economic impact of Tertiary Education on manpower resource development in Nigeria. It concludes based on findings that for economic growth of any nation, adequate priority must be devoted to the human capital building because it is the one way through which life fulfillment could be achieved.

Eigbiremolen and Anaduaka (2014), employed the augmented Solow human-capital-growth model to investigate the impact of human capital development on national output, a proxy for economic growth, using quarterly time- series data from 1999-2012. Empirical results show that human capital development, in line with theory, exhibits significant positive impact on output level. Adeyeye (2015), examined the impact of human capital development proxy by enrolment in educational institutions on economic growth in Nigeria from 1970-2010. The study finds that expenditure on education and enrolment in educational institutions, particularly primary and tertiary institutions, have an impact on economic growth.

Figure1.Frameworks for Human Capital Formation and Utilization and Economic Growth



To develop capable and sustainable productive human capital requires adequate and successive investment in human capital. This becomes necessary because achieving economic diversification through human capital development involves a cost in the form of investments and benefits in the form of surplus and productive manpower that is needed for the development process. Sharing this view Esanov (2012) noted that investments in human capital have been a major factor in encouraging export-oriented industries. Availability of literate, skilled and low-

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cost labor was critical in developing high-tech industries in Indonesia and Malaysia, while the business skills and strong Chilean traditions of fishing and making wine enabled technological transfers from foreign firms in Chile. In general, human capital development increased productivity and enhanced competitiveness. In Kazakhstan, lack of high-skilled labor is considered as a factor that has inhibited the effectiveness of diversification policies.

Oasis and Simplice (2014) investigate the effect of intelligence on economic diversification. Using a battery of estimation techniques that are robust to endogeneity, they find that human capital has positive effects on export diversification, manufactured added value and export manufactures. In a similar view, Muhammad (2014) posits that human resources are important for boosting innovation in any economy, especially, for example, through Research and Development as well as management skills that lead to better products and economic processes. Keramat and Safdarie (2012) consider human capital as a pre-requisite for development because the rate of economic growth and development depends on the quality and quantity of labor force. With a view to achieving economic diversification sustained over time, the government and policymakers of the world especially in developing nations have placed human capital development at the top of its priorities in recent time. For example, the economic planning of Bahrain centers mainly on human capital development through its economic vision 2030. The purpose was to create an environment which is conducive to entrepreneurship and innovation, and which will create knowledge-based and high-value-adding companies and economic activities. Bahrain's economy will thus attain increasing levels of sophistication and innovation, enabling the country to claim an attractive position in the global value chain (Bahrain EDB 2008). Similarly, economic diversification in Oman was pursued through its Vision 2020 which aims at 'providing suitable conditions for economic take off', which implies diversification by increasing the non-oil production in the country (MONE, 1995). It aims to achieve substantial changes in the structure of the national economy by diversifying the production base, enhancing the role of the private sector in the economy and developing human resources (MONE 1995). On the home front, in South Africa, education is a key government priority, with a share of 20% of the national budget. This focus is important for addressing challenges such as illiteracy, which in 2008 stood at 12.2% OECD/United Nations (2011). Correspondingly, a recent study on 212 exporting firms classified the drivers as internal and external; internal drivers include export commitments and the experience level of staff and the structure of human resources; while external drivers include competitive intensity and distances between the export firms and markets (Navarro-García, 2016). To this end, the support of government and civil society can unlock the potential of human resources to contribute positively to economic diversification. This includes boosting tertiary education, supporting research and development in high-growth sectors and ensuring improved health services. Hence, for Nigeria to improve its human resources capacity, it must embark on successive investment in the health and education sectors.

Theoretical Framework and Methodology

The quest to proffer explanations to the link between human capital and growth has spurred the proposition of numerous models. Of these, a widely adopted and reliable model is the augmented Solow human-capital-growth model which is an improvement on the Solow growth model. In the Solow model, the contribution of human capital to growth was not explicitly stated leaving a loophole of improvements. The implication infers that the productive capacity which resides in the labor is not given due recognition. Hence, Mankiw, Romer, and Weil (1992) developed what is popularly known as the augmented Solow model. To justify the incorporation of human capital, they opined that within or across varying economies, labor possessed non-homogeneity traits which are observable due to their possession of diverse levels of education, skills, experiences, training and developments. By implication, the tendency and level of human contribution to the production process vary according to individual's inner capacity.

This adjustment enhances the suitability of the model most especially in the context of developing economy like Nigerian which is thus adopted by this research paper. In corollary, the fundamental assumptions adopted in this study are based on the facts that improvements in employees' values through increased education, skills, experiences, training and developments, increase output levels. This aligns with the human capital theory which proposes that education and healthcare of labors ensure greater productivity. An extension of this assumption is that improvements on the quality of the workforce will enhance production diversification and therefore, stimulate the level of new activities in an economy. This supports the submission of Parketa & Tamberi (2008).

Model Specification

This study is based on a survey that was designed and conducted in Lagos, Nigeria. The population of the study comprises all the employees of Lagos State

Ministries. For easy and more valid representation of the population, samples were drawn from five selected ministries viz; Ministry of Economic Planning and Budgeting, Ministry of Education, Ministry of Information and Strategy, Ministry of Works and Structures and Ministry of Establishments, Training and Pensions for the role they play in human capital formation and development. To ensure maximum representation, this study employs a Multi-stage sampling procedure. This is palpable considering the nature of the population which seems quite complex and might not be well represented by a straightforward sampling technique. This is in consonance with the view expressed by Babbie (1990) that social research requires the selection of samples from populations that cannot be easily listed; hence it is necessary to create and execute a more complex sample design. It is also a convenient method of finding the survey sample. A similar method had proven empirically substantial as adopted by Adeoye (2012).

A self-constructed structured questionnaire consisting of closed-ended multiple choice-questions were employed for the survey. Most of the items in the questionnaire were targeted at identifying factors militating against the growth of human development which has deterred economic diversification in Nigeria. Hence, the Likert-type scale is considered more appropriate and reliable (Alreck & Settle, 1995; Miller, 1991).

However, it is pertinent to note that, in analyzing research data, regression analysis is often the method used to study the relationship between dependent and independent variables which take values in some subset of real numbers. But this method is not suitable for discrete choice problems where the dependent variable takes binary values, such as yes-no and present-absent. Such problems are better analyzed within the framework of quantitative and limited dependent variable analysis (Maddala, 1989).

Hence, data collected were analyzed using frequency table, percentage and mean score analysis while the binary logit model was explored in estimating the effects of human capital development on economic diversification in Nigeria. Logistic regression analysis examines the influence of various factors on a dichotomous outcome by estimating the probability of the event's occurrence (Anderson, 1982). It does this by examining the relationship between one or more independent variables and the log odds of the dichotomous outcome by calculating changes in the log odds of the dependent variable as opposed to the value of the dependent variable itself Kalimeris and Bithas (2012). The advantage in using logistic regression according to Hair et al., (2006) lies in the fact the that the model does not require any strict adherence to the assumptions of normality, linearity, equal variance and covariance of error terms. The logistic model reclines mainly on the assumptions of the characteristics of the choice probabilities known as the independence from irrelevant alternatives (IIA) property.

Building on Green (2002), we adopt the following binary logit models in order to estimate the relationship between human capital development and economic diversification.

$$\Pr ob(Y_i = j) = \frac{\ell^{\beta_j X_i}}{\sum_{k=0}^{3} \ell^{\beta_k X_i}}$$

Where:
e is the exponential function;
Y_i denotes an observable latent variable for economic diversification
β denotes the coefficients' vector
X_i is a vector of human capital developments,

To allow for estimation, the variables were coded as thus:

Table 1: Coding methods

Variables	**Definition of variable**
Economic Diversification (ED)	Yes =1 1 if the economy is diversifying and No = 0 if not
Human Capital Development	Yes =1 1 if the government/private is investing in human capital and No = 0 if not
Developmental State (DS)	Yes =1 1 if the country is trending towards DS and No = 0 if not
Gender of civil servants	1 for male and 0 for female

Results Presentation and Analysis

Demographical Results

Table 1: Summary Statistics

Variable	Mean	Std. Dev.	Min	Max
qualificat~n	3.298	1.05043	1	5
Ecodevpt	.436	.4963837	0	1
Ecodivers	.436	.4963837	0	1
Humancapdpvt	.442	.497122	0	1
developmen~e	.434	.4961212	0	1
employment~y	2.486	1.459474	1	5
inadequate~g	17.914	4.979175	1	25
Sociopolit	9.684	3.413422	2	25
Environment	13.78	5.020559	3	21
Braindrain	10.334	4.069344	2	25
Lowedustand	12.346	5.474141	2	25
Edusector	13.952	5.160907	2	20

Source: Author's computation

Table 2: Qualification Distribution of Respondents

Qualification	Freq.	Percent
P.hD	40	8.00
Masters	51	10.20
B.Sc/B.Ed/B.A	181	36.20
HND	176	35.20
Others	52	10.40
Total	500	100.00

Source: Author's computation

Table 2 reveals that 40 (8.00%) of the respondents were P.hD holders; 51 (10.20%) were Masters holders; 181 (36.20%) were B/Sc/B.Ed/ B.A. holder; 176 (35.20%) were HND holders and 52 (10.40%) were holders of other levels of degrees. Hence, it can be inferred that majority of the educated manpower of the nation are 1st degree holders.

Table 3: Perception of Respondents on Economic Diversification in Nigeria

EcoDivers	Freq.	Percent
Not-Diversifying	282	56.40
Diversifying	218	43.60
Total	500	100.00

Source: Author's computation

Table 3 indicates that 282 (56.40%) perceived that Nigeria is not diversifying its economic resources while 218 (43.60%) supposed the country is diversifying. Thus, the majority of the respondent believed the country is not diversifying its wealth of resources.

Table 4: Perception of Respondents on Human Capital Development in Nigeria

HumanCapDpvt	Freq.	Percent
Not-Investing	279	55.80
Investing	221	44.20
Total	500	100.00

Source: Author's computation

Table 4 indicates that 279 (55.80%) opined that both government and private sector are not investing in the development of human capital of the country while 221 (44.20%) opined otherwise. Hence, it can be concluded that the country is not investing much in its human capital.

Table 5: Perception of Respondents on Developmental State in Nigeria

Developmental State	Freq.	Percent
Not-trending	283	56.60
Trending	217	43.40
Total	500	100.00

Source: Author's computation

Table 5 reveals that 283(56.60%) perceived the country is not trending towards a developmental state while 217(43.40%) perceived the country is trending towards a developmental state. Thus, the majority of the respondents believed Nigeria is not heading towards a developmental state.

Empirical Result
Answers to Research Question

Table 6: Factors Militating Against the Growth of Human Resource/Capital Development in Nigeria: Logistic Regression

Logistic Regression
Number of obs = 500
LR chi2(5) = 33.33
Prob > chi2 = 0.0000
Log likelihood = -326.53805
Pseudo R2 = 0.0486

humancapdpvt	Odds Ratio	Std. Err.	P=1/1-e^-xb
inadequatefunding	1.046362	.0199088	0.017
sociopolit	1.055273	.0300919	0.059
environment	1.069529	.0213202	0.001
braindrain	1.079161	.025632	0.001
lowedustand	1.033343	.0184779	0.067
_cons	.0247653	.016483	0.000

Source: Author's computation

Table 6 above contains information on the discrete analysis, Binary Logistic Regression (BLR). The first thing to look at is the pseudo R^2 which measures the amount of variation accounted for by the logistic models. The value .0486 means that 48.6% of the variation in human capital development is accounted for by the logistic model. The Chi-Square value is 33.33 and is significant at .0000, which shows that the model is a good fit. This shows that the model is dependable in explaining variations in human capital development. The odds ratio with positive sign indicates an increase in the probability of the factors (inadequate funding, socio-political challenges, unconducive environments, brain drain and low standard of education) to further hinder the development of human capital. Hence, it can be inferred that inadequate funding, socio-political challenges, unconducive environments, brain drain and low standard of education are factors militating against the growth of human capital development in Nigeria.

Test of Hypotheses

Hypothesis One

Table 7: Economic Diversification and Human Capital Development

Ho: Human resource/capital development is not positively related to economic diversification/growth.

	HumanCapDpvt		
EcoDivers	**Not-Inves**	**Investing**	**Total**
Not-Diversifying	279 55.80	3 0.60	282 56.40
Diversifying	0 0.00	218 43.60	218 43.60
Total	279 55.	221 44.20	500 100.00
Pearson	**chi2(1) = 487.9657 Pr =0.000**		

Source: Author's computation

Table 7 shows that the Chi-Square (X^2) associated with this table has 1 degree of freedom and is 487.97. The observed differences are significant with the probability value of 0.0000 which is less than 0.05 level of significance. This implies the null hypothesis which states that "human resource/capital development is not positively related to economic diversification/growth" is rejected and the alternative hypothesis is accepted. Hence, it is concluded that there is a statistically significant relationship between human capital development and economic diversification in Nigeria. This implication of this outcome is that adequate stock and development of productive manpower will stimulate diversification of the economy.

(b) Hypothesis Two

Ho: There is no significant relationship between developmental state and economic growth/development.

Table 8: Economic Development and Developmental State

developmentalState			
EcoDevpt	**Not-trend**	**trending**	**Total**
Not-Developing	274 54.80	8 1.60	282 56.40
Developing	9 1.80	209 41.80	218 43.60
Total	283 56.60	217 43.40	500 100.00
Pearson chi2(1)	**= 433.2307**	**Pr = 0.000**	

Source: Author's computation

The results in Table 8 above indicate that there is a statistically significant relationship between the attainment of economic development for a developmental state and a non-developmental state (X^2 with one degree of freedom = 433.23, p = 0.0000). Hence, the null hypothesis which states that "there is no significant relationship between developmental state and economic growth" is rejected and the alternative hypothesis is accepted. Consequently, it can be concluded that developmental state is positively and statistically related to the development of the Nigerian economy.

Discussion of Findings

This study investigated the vital roles of manpower/human capital development on the developmental state and economic diversification in Nigeria taking inferences from Lagos State. The descriptive survey design was adopted for the study. The paper explores a discrete analysis to harness the link between manpower/human capital development, economic developments and diversification using both Binary Logistic Regression (BLR) and Chi-Square (X^2) at 0.05 level of significance. One research question was answered through BLR and thus, it was concluded that inadequate funding, socio-political challenges, unconducive environments, brain drain and low standard of education are factors militating against the growth of human capital development in Nigeria. This is observable from the probability values of all the factors which were both positive and statistically significant (inadequate funding = 0.017; socio-political challenges = 0.059, unconducive environments = 0.001, brain drain = 0.001 and low standard of education = 0.067)

The first hypothesis which states that "human resource/capital development is not positively related to economic diversification/growth" was rejected on the basis of the fact that the calculated Chi-Square (X^2) value is less than the critical value. This by implication implies that human resource/capital development can positively enhance diversification of the Nigerian economy. This finding is in agreement with earlier studies by; Uwatt (2002), Ishola and Alani (2005), Sankay *et al.,* (2010) and Dauda (2010).

On the other hand, the second hypothesis tested in this research revealed that there is a significant relationship between developmental state and development of the Nigerian economy. This is in consonance with what is observable in the Four Asian Tigers (or Four Asian Dragons) of Hong Kong, Singapore, South Korea and Taiwan in reference to the highly free-market and developed economies of the nations. These countries and regions were prominent for sustaining remarkably high growth rates (in excess of 7% a year) and rapid industrialization between the early 1960s (mid-1950s for Hong Kong) and 1990s. By the 21st century, all the four had urbanized into advanced and high-income economies, concentrating in areas of competitive advantage. Supporting this view, Marwala (2006) posited that "it has generally been observed that successful developmental states are able to advance their economies much faster than regulatory states that use regulations to manage the economy. As an example, it took the USA approximately 50 years to double its economy while it took China, which is a developmental state, approximately 10 years to double its economy".

Conclusion and Policy Recommendations

In the event of shrinking economy that is further complicated by declining global oil prices, this study sought to proffer a way out for the nation considering the global trend and focus on developmental state and diversification. Using the logistic regression model, the study finds inadequate funding, socio-political challenges, brain drain, low standard of education and unconducive environment are major deterrents to human capital development in Lagos. Further, the study establishes a positive link between human resources/capital development and economic diversification. The developmental state as a key driving force is also supported. Arising from the foregoing, are a few policy messages: first, in order to explore the full potential of the abundant human resource of the country, there is the pertinent need for government intervention in the growth process of the country and also greater commitment in meeting the UNESCO recommendation of 26% budgetary allocation for education in developing countries. This will enhance adequate funding of the education system and consequently the development of capable and productive manpower. Second, socio-political challenges should be tackled forthwith as human capital tends grow and develop more easily in a relatively conducive environment. This can be achieved by ensuring adequate security measures are being put in place. Third, macroeconomic environment should be properly secured and promoted. This can be made possible by ensuring that relative price stability is constantly maintained across all the sectors in the economy. Last, the concept of brain gain should be promoted while that of brain drain should be discouraged. This can be done by keying into workable welfare programs which will induce more people into working group. In addition, infrastructural facilities should be provided at all levels of education as this will enable people giving their best in their various endeavours.

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