

Impact of Human Capital Development on Sustainable Development in Ethiopia

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Abstract

Development is a word that is frequently used in homes, societies, institutions, states and nations. Though very evasive in definition, the Dictionary of Contemporary English refers to development as “the process of gradually becoming bigger, better, stronger, or more advanced”. It is indeed a process that embodies all attempts to improve the conditions of human existence in all ramifications.. It is however, important for any individual, community, society or nation to be able to sustain its level of development. Sustainable development, here, is regarded as Development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. On the other hand Human capital is recognized as the most critical in development. It has been directly linked to the ability of nations to transform from underdeveloped to developed economies. Indeed, the quality of a country’s human capital is central to promoting and sustaining innovation as well as the adoption of appropriate technology for accelerated sustainable development. That human capital was largely accountable for the transformation of resource-poor countries like Ethiopia. Accordingly, sustainable development requires high quality and appropriate Human capital to successfully implement. It is against the backdrop of the foregoing that this paper proceeds to examine the impact of human capital development on sustainable development in Ethiopia. Base on The data collected from secondary sources.

Keywords: human capital, sustainable development

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1. Introduction

Sustainable development encompasses a broad spectrum of economic, ecological, political, technological and social issues, including energy, water, mineral resources, climate, urban congestion, population, pollution, industrialization, technological development, public policy, health, education, and employment (Pidlisnyuk, 2010).

Broadly, the concept of human capital is semantically the mixture of human and capital. In the economic perspective, the capital refers to ‘factors of production used to create goods or services that are not themselves significantly consumed in the production process’ (Boldizzoni, 2008). Along with the meaning of capital in the economic perspective, the human is the subject to take charge of all economic activities such as production, consumption, and transaction.

In economic circle, education is considered as an investment community. Virtually, every economist interpreted education as skills training or as input into the process of producing other goods and services, so that the human capital created is essentially an accumulation of skills of varying types, quantities and qualities (Edame, 2005).

Over the years Ethiopia has funded it’s education sector only to see them contributing to the growth of developed countries. Being stripped of skilled human capital, leaving it ill prepared to face globalization and survive in the new global economic order, it was concluded that Ethiopia will be unable to achieve its economic growth and transformation plan without skilled and qualified human capital. Given the outcome of the analysis, it was proposed that to ensure a long-term sustainable macroeconomic growth pattern, the Ethiopian Government must establish a well-developed infrastructure base and have a reserve of highly talented human capital, in order to grow in global knowledge

In sum, development is important and human capital is the key behind development. As Ethiopia needs development so as to achieve development goals, it is very important to know what determines development and come up with policies that sustain it. This paper, by examining the link between sustainable development and human capital give same points to improves the knowledge over the issue.

2. Over view of human capital development in Ethiopia

Development can be seen as the process by which a type of (social) change is introduced into a system in order to produce a better production method and improved social arrangement. It involves a structural transformation of the economy, society, polity and culture of a country. The level and rate of development of any particular society is influenced by so many variables such as the political culture, leadership and corruption. Although there are different perspectives to development, there is a general consensus that development will lead to a good change manifested in increased capacity of people to have control over material assets, intellectual resources and ideology, and obtain physical necessities of life like food, clothing, shelter, employment, etc. This is why some people have

argued that the purpose of development is to improve people's lives by expanding their choices, freedom and dignity (Igbuzor, 2005).

Recent challenges such as globalization, a knowledge-based economy, and technological evolution, have promoted many countries and organizations to seek new ways to maintain their development. In response, the prevailing sense is that the success depends in large part on the people with higher levels of individual competence. In the end, the people are becoming valuable assets and can be recognized within a framework of human capital.

Ethiopia the poorest country in the world and remains underdeveloped due to limitations in natural, human, social and built capital. However, recently the picture in this country is very complex because the country has record fast economic growth without enough developed and qualified human capital.

In Ethiopia, the rate of illiteracy is very high. Most of the workers are unskilled and they make use of out molded capital, equipment and methods of production. By implication, their marginal productivity is extremely low and this leads to low real income low savings, low investment and consequently low rate of capital formation. Overtime, the following issues relating to the concept have remained unresolved: Uneven distribution of skilled manpower, Misemployment of human capital in the country and Poor reward system hold back the acquisition and development of human capital.

The delicate lack of intellectual capital is a core problem in Ethiopia. Because in Ethiopia there is no enough human capital development activities as well as the government can't create conducive working environment for intellectual to bring change in the country. Such problems lead many Ethiopian individuals to migrate to neighbor as well as developed countries. To say between 1980 and 1991, Ethiopia lost about 74.6% of its human intellectual capital and Currently, Ethiopia ranks first in the continent in terms of the rate of loss of human capital, followed by Nigeria and Ghana.

2.1 Impact of human capital development on sustainable development

Ethiopia is a landlocked nation with the second most populous country in Africa after Nigeria with a total population of about more than 102.1 million in 2016. It is one of the poorest countries in the world ranking 174 out of 186 countries in the Human Development Index (HDI) and its human HDI is 0.44 in 2015. Ethiopia's per capita gross national income of US\$486.27 in 2015 is much lower than the corresponding average of Sub-Saharan Africa and for low-income countries as a whole. By the early 1970s, Ethiopia's economy not only had started to grow but also had begun to diversify into areas such as manufacturing and services. However, these changes failed to improve the lives of most Ethiopians. Ethiopia enjoyed an annual around 7.2 percent average growth rate in per capita gross domestic product (UNDP, 2016)

Many researchers made co integration analysis to investigate the impact of human capital development on economic growth Woubet (2006) has investigate the impact of human capital on total level of output over the period 1971-2005. He got an insignificant relationship between the two macroeconomic variables. On the other hand, using public spending on education and health sector as a proxy for investment in human capital development, Teshome (2006) found a positive impact of human capital development on economic growth in Ethiopia over the period 1960/61-2003/04. This finding is reinforced by Tofik (2012) who found a positive and significant relationship between capital spending on human capital and economic growth from year 1975 to year 2010. But all of them didn't show the separate impact of the health and education sector's spending on economic growth. In addition all of them fail to incorporate how it sustains the country development.

As human capital with the right skills, knowledge, competencies, frame of mind, attitude and motivation remains the most enduring strategy for the pursuit of sustainable development. This is the only way to provide people with the capacity, knowledge, skills, attitudes and motivation to reduce the harmful influence of society on the environment and to protect and preserve the globe for future generations therefore, in Ethiopia it is the only way and the main solution to undertaken sustainable development and creating a critical mass of requisite human capital is strengthening the role of education in a multidisciplinary approach and providing training to a diversified group of stakeholders including students and specialists, especially academicians.

2.2 Problems of human capital development in Ethiopia

Just like other list developing countries Ethiopia also face problems related with human capital development the first problem is related with critical aspect of the human capital development is the issue of child under nutrition. A study called the Cost of Hunger in Africa (COHA): Social and Economic Impact of Child Under nutrition in Egypt, Ethiopia, Swaziland and Uganda was launched in March 2014. This was a project led by the African Union Commission (AUC) and the NEPAD Planning and Coordinating Agency, and supported by the Economic Commission for Africa and the World Food Programme. COHA was planned as a twelve-country study aimed at estimating the economic and social impacts of child under nutrition in Africa. Those countries are: Botswana, Burkina Faso, Cameroon, Egypt, Ethiopia, Ghana, Kenya, Malawi, Mauritania, Rwanda, Swaziland and Uganda. The document referred to here is the report on the study of the four first-phase countries of Egypt, Ethiopia, Swaziland and Uganda.

The main problem is related with fast population growth because it affects the accumulation of human capital because fast growing population mismatch with human capital accumulation. Another problem of human capital is the Defective factor of investment in education in which the government gives priority to primary education to increase literacy rate but secondary education which provides critical skill needed for economic development remains neglect. Related with this problem related with investment in education in the public and private sector there is a mushroom growth of universities without trying to improve their standard.

On the other hand due to non-availability of reliable data there is little man power planning therefore there is mismatch between demand and supply of different types of skills. These result large numbers of skilled and highly qualified persons remain unemployed. This finally led to high brain drain from country and this is also high loss to the resource of the country. Finally in Ethiopia politicians and administrators lay more stress on the construction of building and provision of equipment than on the provision of qualified staff. Which led to large rate of unemployed person therefore increasing employment and reducing an employment proper investment in human capital management is required which is visibly lacking. Hence because of these failure and problems related with corruption, rent seeking, past poor performance, lack of awareness lead less human capital development as the same time less impact of human capital on sustainable development

2.3 Impact of education on sustainable development

Education enlarges the living standard of citizens and have a great contribution on the country output, on the other hand the human capital created through education which improves the productivity of labor. Specifically, the transmission of sustained functional skills in individual makes education a veritable tool for national development and advancement.

Given the absence of a clear empirical conclusion in the field, the outcome of the study is not surprising. Most studies undertaken in the developed countries show that education has a significant positive contribution to the level of output. This also holds the case for Ethiopia. But education still has poor contribution for the Ethiopian economy.

Sustained economic growth will be achieved by high human capital such us education and health, sufficient infrastructures leading to high marginal productivity of capital, high saving rates, and a stable population. Alemayehu and Befekadu(2002) had made some key conclusions on Ethiopian economy which include the following: Over quite a long period of time and despite very different policy regimes, the structure of the economy has changed relatively little. And Growth performance is still dependent on a fragile economic sector and on exogenous conditions. Not only this but also, over a long period of time the economy has performed below expectations, given initial conditions.

Even if education has poor contribution to Ethiopian economy it increased continuously from 18.89 percent in 1974/75 to 42.55 percent in 1982/83. it has showed above one percent rate and reached 7.6 percent in 2010/11. Still the majority of Ethiopia's economically active population did not attain even the primary level education. Especially the proportion of economically active population who attained Tertiary level has remained below one percent until the year 2000(Kidanemariam, 2014).

Generally even if there is positive relationship between human capital development and sustainable development there is no clear link between these two variables because of the above problems.

Therefore, to ensure a long-term sustainable economic development, the Ethiopian Government needs to establish a well-developed infrastructure base and have a reserve of highly talented human capital, so vital for growth in global knowledge. In addition, to be involved in an effective and innovative system, Ethiopia needs to form links with well known global universities, international consultants, and other friendly overseas organizations. If these types of friendly environmental factors are integrated systematically and harmoniously, with pertinent human rights policies, there is no doubt that Ethiopia can entice the Ethiopian Diaspora to return to their motherland, to minimize brain drain and make them to contribute to the country's development. The ability to harness the intellectual capital of the returnees with their contacts from the outside world would bring about very competitive ventures.

3. CONCLUSION AND RECOMMENDATION

3.1 Conclusion

This paper has examined the impact of human capital development on sustainable development based on education. The paper started by highlighting the imperatives of sustainable development. It submitted that the satisfaction of human needs and aspirations has always been the major objective of development and for several decades, economic growth and development had resulted in substantial improvements in education and the quality of life for many people. However, the path of growth and development pursued by the global community has largely been unsustainable.

The overarching objective of sustainable development is meeting the needs, now and in the future, for human, economic, and social development within the restraints of the life support systems of the planet. As a multi-

dimensional concept requiring the participation of diverse stakeholders and perspectives, the successful implementation of sustainable development is hinged on building requisite human capital, i.e. knowledge, skills and competencies embodied in individuals that facilitate the creation of personal, social and economic well-being. High level of human capital development holds the key to the nation's socioeconomic development as proved by this paper. Also, human capital development is one of the greatest catalysts of the improvement of the standard of living of the population. The primary, secondary and tertiary school enrolments, total government expenditure on education were significantly related to development in Ethiopia.

3.2 Recommendation

Human capital development is beneficial and remains an essential tool of development in Ethiopia. Hence policy makers and / or the government should strive to create institutional capacity that increase school enrolment and improve education service. That means, the policy makers and the government should center on securing more resources and structures that are essential and appropriate for better school enrolment and improved basic education service provision. Such measures should focus not only on creating new institutional capacity, but also on strengthening and changing the existing institutional setups of the education sectors of Ethiopia that produce quality manpower.

In addition, improving the leadership role in creating enabling environment that encourage better investment in education by the private sector is also important. Because, healthier participation of the private sector in the education sectors can speed up the creation of human capital in Ethiopia.

Government should provide the enabling environment by ensuring macroeconomic stability that will encourage increased investment in human capital by the private sector. To increase physical capital formation in the education sector, Government should increase spending on social and economic infrastructure in order to enhance the efficiency of the labor force and enhance productivity, and by implication, sustainable development.

There should be establishments of special agencies with the responsibility of improving the skills and capabilities of human capital and Identifying and establishing a pool of associates for the purpose of strengthening capacity at a reasonable cost.

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