

Skill Gap, Brain Drain And Remittances; Revelation Of The Nigerian Saga

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ABSTRACT

Although remittances is attributed to educational attainment and skills, it is a fallacy to over emphasize education on remittances at the expense of household income level. This paper emphasizes income effect on remittances other than educational achievement by answering a question whether rising unemployment increases remittances that leads to economic growth in Nigeria. ARDL approach was used to analyse the data and result states the rate of brain drain will continue to be on the rise until public sector intervention is necessitated.

Keywords: Skill gap, brain drain and remittances.

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1. INTRODUCTION

There has been tremendous growth in the literature of remittances and brain drain and its overriding consequences for growth in Nigeria, yet empirical findings remain inconclusive. The two-fold empirical findings argued on whether the educated remit more or less. As mass poverty, mediocrity and visionless leadership crept into the Nigerian polity in the 1980s and became institutionalized over the years, it became apparent that striking a balance among the citizenry would translate to devising adjustment mechanisms, including emigration (Ezebunwa E. Nwokocho, 2016). This is the genesis of skill gap, brain drain and remittances in Nigeria. The big question is: Does rising unemployment increases remittances that leads to economic growth in Nigeria? Rising unemployment in its several manifestations engenders the decision to migrate based on some presumption that there are better opportunities at destination. Ordinarily, many Nigerians for reasons related to weather, acquaintance with local foods, immigration laws, observance of cultural beliefs and practices among other factors would rather prefer residing in Nigeria to relocating to other countries. To be sure, some potential migrants have had to shelve the idea of migrating to other locations by exhibiting resilience and adaptive capacity at origin. In more concrete terms, we conceive reverse-migration as a situation where even when the prevailing circumstances at origin are sufficient to constitute push factors for emigration, a potential migrant does not consider such movement as an option towards overcoming identified challenges.

This is the exact opposite of contemplating emigration at the slightest challenge at origin or an exhibition of a mentality of relocation to other countries for its sake; not necessarily for what such movement may portend for the individual and/or family. Such a posture may derive from a sense of patriotism, fear of the unknown and discouraging reports on some relatives, friends or neighbors who had migrated in the past and perceived as largely worse off in several respects upon return, among others.

Two of the most salient trends surrounding the issue of migration and development over the last two decades are the large rise in remittances, and an increased flow of skilled migration. (Albert Bollard, David McKenzie and Melanie Morten, 2010). Having noted this, it becomes imperative to investigate the real factor behind skill gap, brain drain and remittances with respect to economic growth in Nigeria. This study particularly fills the gap in the extant literature on migration experience in Nigeria with respect to economic growth by applying Pearson's serial correlation approach to testing for relationship using theory consistent variables such as remittances, emigration rate and labor force. Findings from this study will be useful to further strengthen the argument in favor or against skill gap and remittances relations in the country. Perhaps, after all the destiny of the country lies in its hand or per adventure in the hands of foreign remittances.

The remainder of this study is organized as follows: Section 2 reviews both theoretical and empirical literature. Section 3 spells out the methodology and model specification while section 4 presents and discusses the estimated results and in the last section, conclusion and recommendations.

2. LITERATURE REVIEW

2.1 The Conceptual Review of Skill Gap, Brain Drain and Remittances in Nigeria

The British Royal Society, views brain drain as the outflow of scientists to North America (Shin 2002). Brain drain is a social index. Thus, its effects could be very difficult to measure. Nevertheless, it could be seen as a devastating blow to the economy of Nigeria in term of physical cash. The United Nations Commission for Trade and Development estimated that each migrating African professional represents a loss of \$184, 000 to Africa (Haines 2002). Moreover, brain drain is a loss in term of money used to employed skilled manpower from developed societies to replaced migrated manpower from underdeveloped countries. In the light of a dwindling professional sector, African institutions are increasingly dependent on foreign expertise. 35% of total ODA to Africa is spent on expatriate professionals from the west (Goodman 2008). In Nigeria, the petroleum industry hired about 1,000 of such skilled expatriates. Also, the nation use to contract out its oil exploration at the staggeringly high price of 40% of its profits to foreign oil companies.

To make the matter sad for manpower at home, expatriates' are paid higher than them (Emeagwali 2009). Besides, brain drain serves as a loss to the country in term of tax earnings. Taxes of migrated human capital assets go to their resident countries (African New Service, 2000). In term of the remittance of money to Nigeria, developed nations economies are heavily benefited. For every \$300 per month a professional African sends home, that person contributes \$12,000 per month to the U.S. economy (Emeagwali 2009). Very similar to the above is the loss of investment of the country in education. Nigeria carries the burden of investing resources in education to produce skilled manpower needed in various sector of the economy but who instead end up benefiting the development of North America, Western Europe and other less developed nations of the world, who do not pay for the education (Mghanga 2008).

It takes \$150,000 to train a doctor and US\$15,000 for a university student in Africa (Ngatia in Wilson 2008). When they leave their country for developed countries after their education, Africa will lose not just the money spent on them but everything that goes with them. For instance, an African professional working in the United States contributes about \$150,000 per year to the U.S. economy and contributed nothing to the continent's advancement (Emeagwali 2009).

Brain drain has worsened the already depleted health care resources in Africa and widens the gap in health inequalities worldwide (Haines 2002). The departure of health professionals from Africa has eroded the ability of medical and social services to deliver even basic health and social needs in the region. For instance, thirty-eight of the 47 sub-Saharan African countries, including Nigeria fall short of the minimum World Health Organization (WHO) standard of 20 physicians per 100,000 people (Tebeje 2005). Physicians migrating from Nigeria to developed nations have accelerated dramatically over the last 20 years.

2.1 Theoretical Review

Theoretically there are several reasons to believe that there will be differences between the remitting patterns of highly-skilled emigrants and less-skilled emigrants (Albert Bollard, David McKenzie and Melanie Morten, 2010). On one hand there are several factors which would tend to lead highly skilled migrants to be more likely to remit and/or send a larger amount of remittances. First, highly skilled individuals are likely to earn more as migrants, increasing the potential amount they can remit. Second, their education may have been funded by family members in the home country, with remittances providing a repayment of this family investment. Third, skilled migrants are less likely to be illegal migrants, and more likely to have bank accounts, lowering the financial transactions costs of remitting. However, on the other hand there are several factors which may lead highly skilled migrants to be less likely to remit or to remit less. First, highly skilled migrants may be more likely to migrate with their entire household, so not have to send remittances in order to share their earnings abroad with other household members. Second, they may come from richer households, who have less need for remittances to alleviate liquidity constraints. Third, they may have less intention of ever returning to their home country, reducing the role of remittances as a way of maintaining prestige and ties to the home community. A priori then, it is not clear which direction will dominate, and thus whether the highly skilled will remit more or less on average. The following theories therefore predict remittances behavior:

Rational Choice Theory: This theory sees individuals as capable of weighing the advantages and demerits of an intended action before taking such action which ought to be directed at ends or goals (Friedman and Hechter 1988). As such, actors have the capacity to make choices among alternatives within the context of prevailing conditions. However, such ability must be considered relative to a prospective actor's level of awareness about the efficacy of these alternatives in dealing with a particular condition. In the present analysis, an intending migrant is expected to assess his/her situation at origin relative to the perceived conditions at destination before arriving at migration decision. By extension, the rational choice theory presupposes that an actor should have sufficient information on events and circumstances in the two locations with regard to everyday life. Without such informed outlook and insight migration decisions would only be based on conjecture and intuition. An uninformed person or agency may perceive emigration, in itself, as the key to overcoming socio-economic deficiencies prevalent at place of origin without deeply analyzing the content and context of an intended action.

In some instances, migrants are unable to realize the goal for which they relocated to other destinations, yet the circumstances at home, which for the most part portend hopelessness and uncertainty, may justify such migration decisions (Nwokocha 2015). In what follows, we present a conceptual framework that represents a synthesis of structural functionalism and rational choice theory in explaining the dynamics of emigration and the central argument canvassed in the discourse.

Demand for Money Theory: JM Keynes purported three motives for holding money in liquid cash namely; transactional motive, precautionary motive and speculative motive. The latter is attributed to investment motive which declares situations of pareto-improving exchanges where remittances —buy various types of services such as taking care of the migrant’s assets (e.g., land, cattle) or relatives (children, elderly parents) at home. Such motivations are generally the sign of a temporary migration, and signal the migrants’ intention to return. In such exchanges, there is a participation constraint determined by each partner’s external options.

2.2 Empirical review

Albert Bollard, David McKenzie and Melanie Morten, 2010 revisited relationship between education and remitting behavior using microdata from surveys of immigrants in eleven major OECD destination countries. Findings revealed that there is a strong positive relationship between education and the amount remitted conditional on remitting and asserted that more educated remit more.

Adams Richard H. Jr, 2003 examines International Migration, Remittances, and the Brain Drain in a Study of 24 Labor-Exporting Countries by using data to address the key policy question: How pervasive is the brain drain from labor-exporting countries? Three basic findings emerge: With respect to legal migration, international migration involves the movement of the educated. The vast majority of migrants to both the United States and the OECD have a secondary (high school) education or higher.

Ezebunwa E. Nwokocha, 2016 Demystified The Fallacy Of Brain-Drain In Nigeria’s Development by arguing that although migration affects development in several ways, it is fallacious to locate underdevelopment of Nigeria in the ‘brain-drain syndrome’.

Elisabetta Lodigiani † Luca Marchiori ‡ I-Ling Shen § December 2013 provided insights on brain drain using general equilibrium world model. Findings revealed short- and long-run impacts of increased brain drain on GDP per capita, GNI per capita, and income inequality and results suggest that more studies be conducted to further examine how the brain drain influences human capital formation and technology spillovers.

3. METHODOLOGY

This study is designed to ascertain the relationship among skill gap, brain drain and remittances in the Nigerian context. We introduce key explanatory variable that is theory consistent in explaining variations in foreign factor economic growth in Nigeria. We employ the most recent and extensive panel data on developmental outcomes (GDP per capita) provided by the World Bank from 1986 through 2016. The source of data on gauging economic strength is also the World Bank, which, based on formal and objective evaluation criteria. The empirical model in this study mainly followed the work of (Martinez-Vazquez & McNab, 2003). Hence, the model for this study is specified as follows:

Hence, the model for this study is specified as follows:

$$GDP_{it} = f\{(Remm)_{it}, Unem_{it}, (POP/WELF)_{it}\}$$

$$GDP_{it} = f\{(Remm)_{it} + Unem_{it} + (POP/WELF)_{it}\}$$

In order to make the regression model be in an estimation form, the model is reformulated to include the stochastic error term ample enough to make it a white noise error term.

$$\text{Log}GDP_{it} = B_0 + B_1(Remm)_{it} + B_2Unem_{it} + B_3(POP/WELF)_{it} + U_t$$

Where GDP is Gross Domestic product, Remm is remittances and POP/WELF is welfare standard of the populace.

3.1 Estimation technique

The ARDL (Autoregressive Distributed Lag) approach is employed in estimating the specified model. This approach is favoured due to its many advantages. First as proved by Pearson et. Al (2001), the approach yields consistent estimates of long run co-efficient that are asymptotically normal irrespective whether the variable used are I(0) or I(1). Other prominent co-integration tests are suitable mostly to I(1).

Also, the approach is suitable for addressing potential endogeneity case in the model as it provides unbiased estimate of the long run model.

To implement this approach is a model given below:

$$\text{£Log}GDP_{it} = \text{£}B_0 + \text{£}B_1(Remm)_{it} + \text{£}B_2Unem_{it} + \text{£}B_3(POP/WELF)_{it} + U_t$$

First step of ARDL is to estimate OLS regression

Secondly, evidence of cointegration is tested.

4. ANALYSIS AND RESULTS

Table 1 . Unit root test with endogenous structural breaks

Variable	Coefficient	Critical value	t-Statistics
<i>Remm</i>	0.8487	-3.63934	-4.7015 *
<i>Unem</i>	0.0091	-2.95112	7.7772 *
<i>POP/WELF</i>	0.7143	-2.95134	-3.8279 *

Table 2. Autoregressive Distributed Lag (ARDL) long-run results with the error correction term.

Dependent Variable: <i>GDP</i>			
Long-Run Results			
Variable	Coefficient	Standard Error	t-Statistics
<i>Remm</i>	-0.6067	0.1290	-4.7015 *
<i>Unem</i>	0.0091	0.0011	7.7772 *
<i>POP/WELF</i>	-0.0905	0.0236	-3.8279 *
R^2	0.993	S.E of regression.	0.0585
Adj. R^2	0.992	Sum Squared resid	0.5726
<i>F</i> -Statistics	1738.62 *	DW	1.99

Note: * represents significance at the 1% level. DW represent Durbin Watson test statistics.

The long-run coefficient of the stock prices is also negative and statistically significant in the ARDL long-run equation (Table 1). The coefficient of *POP/WELF* is 6.87% and is statistically significant, even at 1%. This result reveals that the remittances converges on its long-run equilibrium by 6.87% with the speed adjustment via the channel of inflow and exchange rates.

The estimations are also examined via all diagnostic tests for the short- and long-runs, and the results are reported in Table 2. The diagnostic test results show that all the estimations pass all diagnostic tests and verify each of the basic assumptions of a classical linear regression model.

Causes of the escalation of brain drain with respect to professionalism in Nigeria are: poor leadership of the country, poor salaries of workers and conditions of service etc. effects of brain drain on the economy of the country are: underdevelopment of Nigeria in the comity of nations, shortage of manpower resources, loss of tax to the country etc. Solutions to the problem of brain drain are: good leadership, good salaries and condition of service for staff etc.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study concludes that there is a relationship between remittances and brain drain in Nigeria. Moreover, it discovers that traveller's willingness to travel to developed nations at the end of their study or visit. Causes of escalation are poor leadership of the country, poor salary and condition of service, mass unemployment, mass poverty etc. major effects of brain drain in Nigeria are, backwardness of the nation in the comity of nations, shortage of manpower to mount various institutions in the country, loss of tax of migrated manpower to developed countries, loss of tax of migrated manpower to foreign countries.

5.2 Recommendations

Considering the above, Solutions to the problem of brain drain are: good leadership, good salaries and condition of service for staff etc. It is an irony of life to realize that many custodians of knowledge, who could transform Nigeria are scattered all over the world due to the menace of brain drain. Thus, to create the future that Nigeria deserves, our elites need a huge shift in thinking, values, and action. Their shift in thinking from wrongs to rights is very crucial to the advancement of the nation.

Hence, Good leadership, Transparency in leadership is very important and it should be worked for seriously and maintained in underdeveloped countries. This will usher in good governance, which ensures merit system without favoritisms in various institutions in the country. Effective and efficient administration will make provision for equal distribution of resources.

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