

**The impact of foreign direct investment on employment creation: the case study of
Tanzania**

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This study examines the impact of FDI on employment creation in Tanzania for the period 1977-2007. Tanzania like other developing countries opened its economy to FDI flows as it expected foreign capital to speed up the process of transformation and economic growth. However, one of the main challenges faces Tanzania, and other developing countries, is job-creation, and the effect of FDI on job creation is uncertain. The main objective of this study is to analyze the impact of FDI on employment creation in Tanzania. Specific objectives include identifying the link between domestic investment and employment creation and showing the policy implication related to the impact of FDI on employment creation. The study employed secondary data extracted from various government sources and an Error Correction Model was used to estimate these time series data. The empirical findings showed that FDI has insignificant effect on employment creation in the study period. Since agriculture is the government has to make more effort to attract FDI in the agriculture sector as it may help to create more employment compared to current low level of FDI inflow in this sector. To facilitate this government need to improve infrastructure such as roads, railways and utilities. Although the study confined itself on the impact of FDI on employment creation, extension to take into account the impact of FDI in poverty alleviation is highly recommended for further research.