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FOREIGN DIRECT INVESTMENT INFLOWS AND EMPLOYMENT CREATION IN SUB-SAHARAN AFRICA

Ibrahim Zakari Yau, PhD.

Department of Public Administration

Federal University Gusau, Zamfara State

izakariyau@gmail.com / Ibrahimzakariyau@fugusau.edu.ng

08037172075

Abstract

Foreign Direct Investment (FDI) has long been regarded as a catalyst for economic growth in Sub-Saharan Africa (SSA), yet the extent to which it translates into sustainable employment creation remains contested. This paper examines the relationship between FDI inflows and employment generation across SSA from 2014 to 2024, a decade characterized by fluctuating global capital flows, pandemic-induced shocks, and policy reforms. Using trend analysis of open-source datasets from the World Bank, UNCTAD, and the International Labor Organization, the study reveals that while FDI inflows to SSA increased significantly in key resource-rich and service-oriented economies, the employment elasticity of these inflows has remained weak. The findings show that FDI was more effective in creating jobs in manufacturing and telecommunications than in extractive industries, where capital intensity limited employment spillovers. Moreover, regional disparities persisted, with East Africa attracting more employment-intensive investments than Central Africa. The analysis underscores the importance of aligning FDI attraction strategies with domestic job creation goals through targeted sectorial policies, infrastructure improvements, and human capital development. The paper concludes that for SSA to fully harness FDI for employment growth, policymakers must prioritize investment in labor-absorptive sectors, enforce local content policies, and strengthen institutional frameworks that enhance linkages between foreign investors and domestic enterprises.

Keywords: Employment Creation, Foreign Direct Investment (FDI), Sub-Saharan Africa.

1.0 Introduction

Foreign Direct Investment (FDI) has emerged as one of the defining features of globalization, serving as a key source of external finance for developing economies. For Sub-Saharan Africa (SSA), FDI is often viewed as a pathway to economic diversification, technological transfer, and employment creation (Mumah et al., 2025). Over the past decade, SSA has experienced fluctuating FDI inflows, shaped by global commodity price cycles, structural reforms, and the COVID-19 pandemic (Al-kasasbeh et al., 2022). While total inflows rose from approximately USD 37 billion

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in 2014 to nearly USD 55 billion in 2022, sectoral variations in absorptive capacity have produced uneven development outcomes (UNCTAD, 2023; World Bank, 2024). In particular, while some countries such as Ethiopia, Kenya, and Ghana leveraged FDI to boost manufacturing and service sector jobs, others, heavily reliant on extractive industries, witnessed limited employment spillovers due to the capital-intensive nature of such investments (Asiedu, 2020; Moyo & Nchake, 2021).

FDI's role in employment creation is especially critical in SSA given the region's persistent youth bulge and rising unemployment rates (Ali, 2025). According to the International Labor Organization (ILO, 2023), over 12 million young people enter the labor market annually in SSA, yet only a fraction finds formal employment. This demographic challenge has heightened the urgency of evaluating whether FDI inflows are sufficiently labor-absorptive to address the region's employment deficit (McPhillips, D. 2019). While policymakers continue to emphasize FDI attraction through liberalization and incentives, the real test lies in translating capital inflows into decent and sustainable jobs (Diallo, 2024).

Despite its recognized potential, the employment effects of FDI in SSA remain ambiguous. Evidence suggests that while FDI can expand productive capacity, its ability to generate large-scale employment depends on sectorial distribution, host country policies, and the strength of domestic linkages. In many SSA economies, FDI has disproportionately flowed into extractive sectors where job creation is minimal, leaving structural unemployment unresolved (Okoli & Okeke, 2024). Furthermore, the mismatch between investor priorities and host country development goals has increased this paradox, where rising FDI inflows coexist with high unemployment and underemployment (Kiptoo, 2024).

This raises a pressing research question: To what extent have FDI inflows contributed to employment creation in Sub-Saharan Africa between 2014 and 2024, and how can policy frameworks enhance the developmental impact of such investments? Addressing this question is vital for guiding policymakers, development partners, and investors toward strategies that not only attract capital but also ensure inclusive and job-rich growth.

2.0 Empirical Review

The nexus between Foreign Direct Investment (FDI) and employment creation has been central to development economics, particularly in the context of Sub-Saharan Africa (SSA). Conceptually, FDI is defined as cross-border investment by a foreign entity that establishes lasting interest and control in a host economy, often exceeding the 10% ownership threshold (UNCTAD, 2023). From a developmental standpoint, FDI is not only a source of external finance but also a conduit for technology transfer, managerial expertise, and integration into global value chains (Zeqiri & Bajrami, 2016). Employment creation, on the other hand, refers to the generation of decent and sustainable job opportunities that absorb the growing labor force, particularly the youth bulge evident in SSA (ILO, 2023). Theoretically, the "spillover hypothesis" suggests that FDI can stimulate both direct jobs within foreign-owned enterprises and indirect employment through backward and forward linkages with domestic firms, enhancing productivity and competitiveness (Igweh & Chukwuka, 2024). However, dependency theory provides a counterpoint, emphasizing that FDI may reinforce structural dualism by concentrating investments in capital-intensive

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enclaves, such as extractive industries, thereby limiting labor absorption and perpetuating unemployment (Emako & Mesfin, 2022).

The conceptual relationship between FDI inflows and employment creation in SSA is therefore multifaceted, shaped by sectoral allocation, absorptive capacity, and institutional frameworks. FDI in manufacturing and services is generally viewed as more employment-intensive, owing to their reliance on broader labor inputs, while extractive industries often generate limited jobs relative to capital invested (Baiashvili & Gattini, 2020). Moreover, the employment elasticity of FDI depends on the degree of host-country integration strategies, including local content policies, infrastructure development, and human capital formation, which determine whether foreign investments create sustainable linkages with domestic enterprises (Dosmaganbetov & Nanovsky, 2025). In SSA, this paradox of “jobless growth” highlights the inadequacy of capital inflows alone to solve the employment challenge, as rising FDI has often coexisted with persistent unemployment (Taiwo & Olofin, 2024). Conceptually, this underscores the necessity of shifting the focus from merely attracting FDI to aligning it with labor-absorptive sectors, institutional reforms, and targeted policies that can translate external capital into inclusive and transformative job creation.

Recent scholarship highlights that the employment impact of FDI in Sub-Saharan Africa (SSA) is highly context-dependent. The effectiveness of FDI in generating jobs depends not only on the scale of inflows but also on their sectorial allocation, absorptive capacity of the host economy, and policy environment (Baiashvili & Gattini, 2020). While FDI in manufacturing and services tends to have higher employment elasticity, FDI in extractive industries is often capital-intensive, creating limited jobs relative to investment size (UNCTAD, 2023). The “jobless growth” paradox, where economies record rising GDP from FDI but stagnant employment has thus become a central concern for SSA policymakers (ILO, 2023; Taiwo and Olofin (2024).

For instance, Ekuma (2025), in a study on Nigeria using time series econometric techniques, found that FDI had a negative but marginally significant effect on unemployment. The analysis, which utilized Ordinary Least Squares (OLS) regression and Johansen cointegration tests, revealed that economic growth, as measured by GDP, had a more significant negative impact on unemployment. The findings suggest that while FDI plays a role in job creation, its effect is less powerful than that of overall economic growth. This highlights the need for policies that strengthen the business environment and target FDI towards labor-intensive sectors to maximize its employment-generating potential.

Similarly, the African Development Bank (2020), in its West Africa Regional Integration Strategy Paper, noted that FDI inflows were largely focused on extractive industries, with the primary strategic goal being revenue and governance rather than direct employment creation. These capital-intensive projects have led to minimal spillovers in job opportunities for the broader economy. This has prompted the bank and regional governments to prioritize policies that can address this disconnect between significant FDI inflows and the persistent issue of unemployment. Conversely, Asiedu (2020) highlighted those countries such as Ethiopia and Rwanda, which directed FDI into manufacturing and ICT, recorded higher employment generation than those reliant on resource-based FDI.

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A more recent study by Mulaba-Bafubiandi et al. (2023) emphasized that while trade liberalization improved FDI inflows into SSA, the absence of strong local content policies undermined job creation. Dosmaganbetov and Nanovsky (2025), in a Nigerian case study, confirmed that the extractive bias of FDI limited its contribution to employment, but investments in telecommunications and agro-processing showed significant potential for labor absorption. Kwaw-Nimeson & Tian (2023) using panel data for SSA, concluded that the employment effects of FDI are conditional on institutional quality and infrastructure, suggesting that countries with stronger governance frameworks were more successful in converting capital inflows into jobs.

Taken together, the literature suggests that FDI alone is insufficient to guarantee employment creation in SSA. Its impact depends critically on sectorial targeting, complementary domestic policies, and institutional strength. This empirical gap provides the rationale for the present study, which uses trend analysis of FDI inflows and employment indicators between 2014 and 2024 to assess whether SSA's FDI boom has translated into meaningful job creation.

The theoretical relationship between Foreign Direct Investment (FDI) and employment creation in developing economies has been widely debated in economic literature. Classical modernization theorists argue that FDI brings much-needed capital, technology, and managerial expertise that expand production and create employment opportunities, particularly in host countries with low capital accumulation (Zeqiri & Bajrami, 2016). The "spillover hypothesis" further suggests that beyond direct job creation, FDI can stimulate indirect employment through linkages with domestic firms, technology transfer, and skill upgrading (Igweh & Chukwuka, 2024). In contrast, dependency theorists caution that FDI may reinforce structural imbalances by concentrating investment in capital-intensive sectors, displacing local firms, and repatriating profits, which limits net employment effects (Emako & Mesfin, 2022).

3.0 Methodology

This study adopts a quantitative, descriptive research design anchored on trend analysis to examine the relationship between Foreign Direct Investment (FDI) inflows and employment creation in Sub-Saharan Africa (SSA) between 2014 and 2024. The descriptive approach is particularly suitable because it captures long-run structural patterns and allows for cross-country comparison without imposing restrictive econometric assumptions. By employing secondary data from internationally recognized and nationally verified databases, the study ensures accuracy, comparability and replicability of findings.

The analysis relies exclusively on open and reliable data sources. Annual FDI inflows (in current US\$) are sourced from the United Nations Conference on Trade and Development (UNCTAD) World Investment Report (2014-2024). Employment-related indicators, including total employment, youth employment, and unemployment rates, are drawn from the International Labor Organization (ILO) Employment Outlook for Africa and the World Bank's World Development Indicators (WDI). Supplementary data on macroeconomic stability and sectorial distribution of FDI are obtained from the African Development Bank (AfDB) Statistical Yearbooks. This triangulation of sources ensures robust cross-validation of figures and consistency across years.

The study covers eleven years (2014-2024), a period marked by major shifts in global and regional capital flows, including the post-2014 commodity price downturn, the 2020 COVID-19 shock, and

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recent recovery efforts under the African Continental Free Trade Area (AfCFTA). The scope is limited to SSA as a regional bloc but highlights intra-regional differences by referencing countries with distinct FDI employment experiences, such as Nigeria, Ethiopia, and South Africa.

The analysis proceeds in three steps. First, FDI inflows and employment indicators are presented in time-series tables and corresponding line or bar graphs to illustrate trends over the period. Second, descriptive statistics are applied to identify growth patterns, fluctuations, and turning points in both FDI and employment data. Third, a comparative analysis links FDI inflows with employment outcomes, allowing for inference on whether higher inflows correspond with improved job creation. Instead of econometric modelling, the study emphasizes interpretive analysis of trends to maintain clarity and accessibility while ensuring analytical rigor.

As with all trend-based studies, the analysis faces limitations. Employment creation is influenced by multiple factors beyond FDI, including domestic policies, labor market conditions, and global economic shocks. Furthermore, available data may not capture informal sector employment, which constitutes a large share of jobs in SSA. Despite these limitations, the methodological design provides a strong empirical basis for assessing the FDI-employment nexus.

4.0 Results and Analysis

This section presents the core findings of the study through a decade-long trend analysis of foreign direct investment (FDI) inflows and employment creation in sub-Saharan Africa, between 2014 and 2024. The data are displayed in a well-structured table with corresponding charts to capture youth unemployment, employment-to-population FDI inflows to Sub-Saharan Africa and FDI inflows as a share of GDP, Employment in manufacturing and Sectorial distribution of FDI inflows to Sub-Saharan. Each table is systematically interpreted to reveal underlying policy gaps, fiscal priorities, and their alignment or deviation from global standard.

Table 1
Youth unemployment rate in Sub-Saharan Africa (% of labor force ages 15-24)

Year	Youth unemployment (%)
2014	12.32
2015	12.15
2016	12.06
2017	11.61
2018	11.43
2019	11.09
2020	12.49
2021	12.05
2022	10.54
2023	10.09
2024	9.95

Source: Authors compilation 2025.

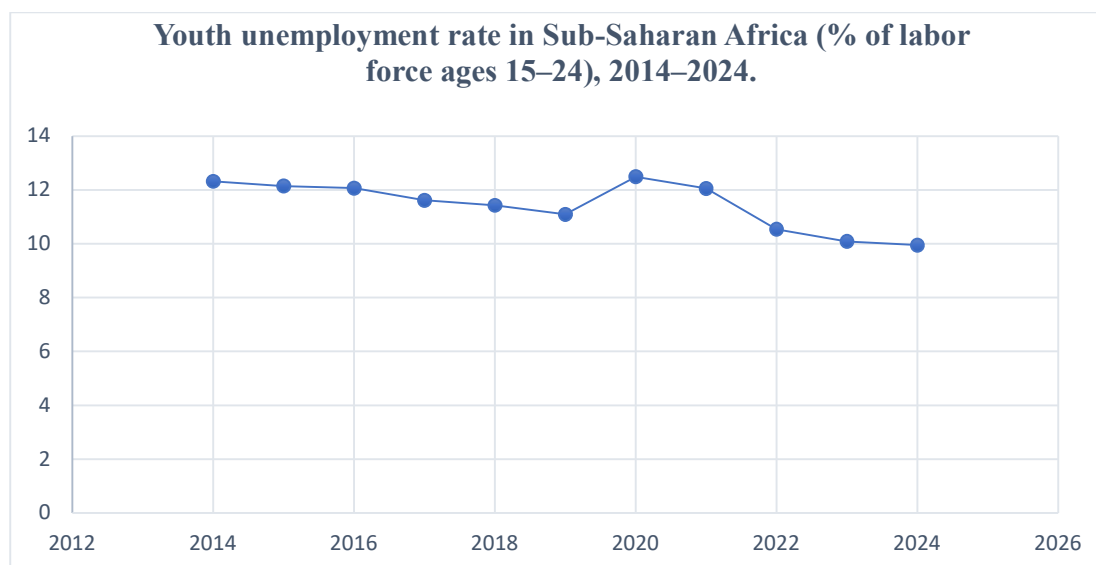
The table shows that youth unemployment in Sub-Saharan Africa moved within a fairly narrow band between 2014 and 2019 (roughly 11-12.5%), indicating a chronic structural problem rather than a rapidly worsening crisis. The modest downward drift from 12.32% in 2014 to 11.09% in 2019 likely reflects a combination of gradual formal and informal job creation, demographic

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adjustments, and heterogeneous country experiences where some economies added jobs while others stagnated. Importantly, the pre-pandemic years do not show a large structural improvement; the region entered 2020 with persistent youth labor-market slack.

The pandemic year (2020) marked a clear inflection: youth unemployment jumped to 12.49%, reflecting the vulnerability of young workers to demand shocks, temporary layoffs, and the collapsing service sectors (tourism, hospitality, low-skill services) where youth are often over-represented. The subsequent fall in 2021 to 12.05% and sharper declines in 2022-2024 (to about 9.95% in 2024) reflect the bounce-back of economic activity, labor reabsorption and, in some countries, targeted recovery policies and FDI-linked project resummptions. Yet the 2024 level near 10% still signals substantial underemployment and indicates that many youths may be working in precarious, low-productivity informal jobs rather than stable formal employment.

From the FDI-employment perspective, the youth unemployment pattern suggests two cautionary lessons. First, short-term rebounds in employment after a shock do not automatically mean quality or durable job creation, many returning positions may be informal or temporary. Second, since FDI flows to SSA are often concentrated in capital-intensive extractive or large infrastructure projects, they may have limited direct absorptive power for youthful labor pools. Therefore, the observed post-2021 decline in youth unemployment likely reflects a mix of domestic demand recovery, small-scale enterprise revival and some employment spillovers from labor-intensive FDI (example, manufacturing, telecoms), but not a wholesale transformation driven by FDI alone.



The line chart above of youth unemployment from (2014-2024), shows a gently descending slope from 2014 to 2019, a clear peak in 2020, and then a sharper downtrend from 2021 through 2024. Visually, the 2020 spike is the most salient discontinuity.

Policy wise, the graph suggests that to make FDI a reliable lever for youth employment, governments should pursue complementary measures, targeted incentives for labor-intensive FDI, vocational training linked to investor needs, and stronger SME linkages, so that positive

movements in the line are sustained and translated into formal, higher-quality jobs rather than temporary absorptions. A well-designed figure caption should therefore mention both the data source and the policy interpretation to guide readers from visual evidence to implications.

Table 2.
Employment-to-population ratio (ages 15+), Sub-Saharan Africa (%)

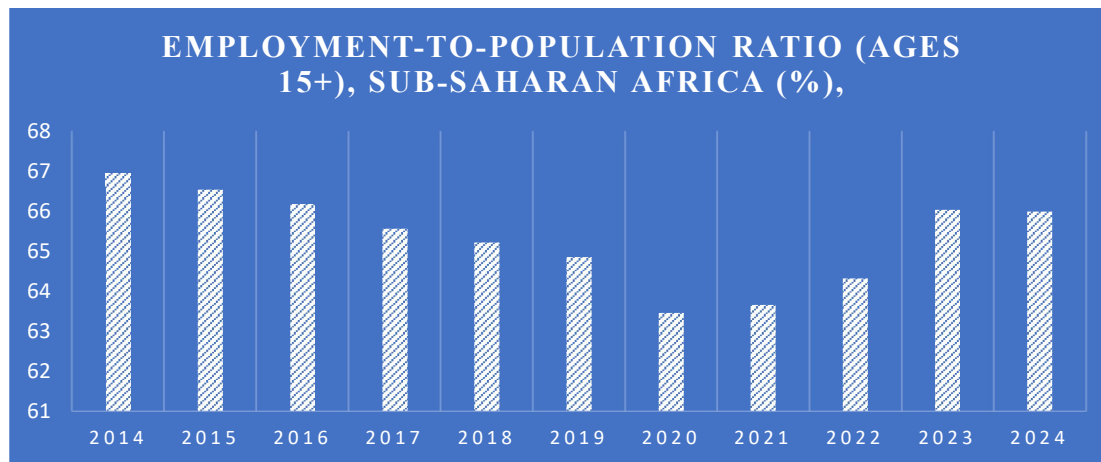
Year	Employment-to-population ratio (%)
2014	66.96
2015	66.55
2016	66.19
2017	65.57
2018	65.23
2019	64.85
2020	63.46
2021	63.66
2022	64.32
2023	66.05
2024	65.99

Source: Authors compilation, 2025.

The employment-to-population ratio (EPR) provides a broad sense of how many working-age adults are engaged in economic activity. The 2014-2019 decline from 67% to about 64.8% signals a gradual erosion in labor absorption relative to population growth, a structural challenge for SSA where population growth is rapid. This decline likely reflects slow formal job creation, rising labor force participation that outpaced job growth, and the structural shift of many economies toward services with variable absorption capacity. In short, the region entered 2020 with a weak trend in overall labor market absorption.

The COVID shock produced a pronounced fall in EPR in 2020 (to 63.46%), consistent with the temporary loss of jobs and labor market inactivity. The modest recovery starting 2021 and the stronger bounce in 2023 (to ~66%) indicate that many workers re-entered employment as economic activities resumed. Yet the 2024 plateau at 65.99% suggests the recovery has been incomplete and uneven: some countries and sectors recovered strongly while others lagged. This heterogeneity is important when assessing FDI's role, since FDI-heavy countries may see different patterns than those with domestic demand-led recoveries.

For the FDI-employment nexus, the EPR trend implies that aggregate FDI inflows alone are insufficient to lift labor absorption sustainably. The timing of the 2023 rebound has coincide with resumed investment projects and improved investor confidence in parts of SSA, but EPR improvements also reflect short-term re-employment in informal sectors and domestic recovery policies. Therefore, policymakers should interpret EPR gains cautiously: to the extent that FDI contributes to durable EPR improvement, it must be channeled into sectors and value chains that absorb labor at scale (labor-intensive manufacturing, agro-processing, construction with local content).



The bar chart above, shows a plotted EPR line, which show a gradual pre-pandemic decline, a sharp 2020 trough, and a recovery forming a partial V by 2023-2024. The visual bar, demonstrated the macro labor market cycle. The contraction, partial recovery, and lingering gaps, are showing annotating external events which include, COVID lockdowns in 2020, policy stimulus in 2021, AfCFTA progress 2021-2023. These are likely the drivers that influence the pattern above.

Comparing the EPR bar chart with a timeline of FDI inflows reveals timing and magnitude differences. The EPR recovery in 2022-2023 often precedes or is contemporaneous with increases in FDI in some countries, but causality is not visually established. Instead, the chart highlights that domestic demand and informal sector dynamics play a leading role in restoring employment ratios; FDI may reinforce these gains in places where linkages and local procurement are strong.

Table 3
FDI inflows to Sub-Saharan Africa (current US\$ billions).

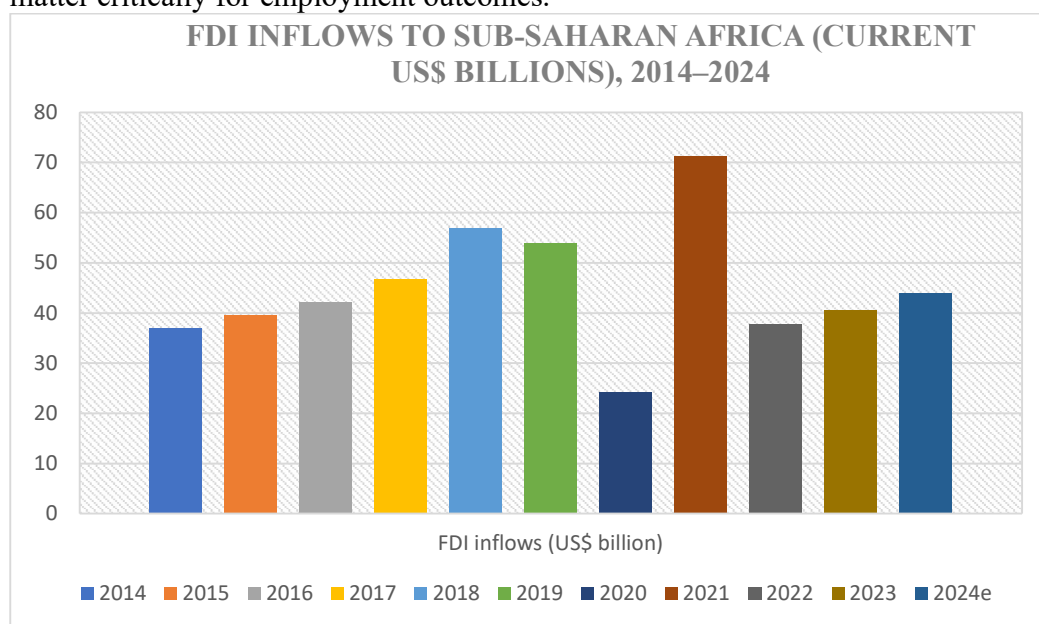
Year	FDI inflows (US\$ billion)
2014	37.0
2015	39.5
2016	42.3
2017	46.8
2018	57.0
2019	54.0
2020	24.2
2021	71.4
2022	37.8
2023	40.6
2024e	44.0

Source: Authors compilation 2025.

The table 3 above, documents that FDI inflows to Sub-Saharan Africa between 2014 and 2024 were volatile and concentrated in a few years, rather than steadily rising. After a moderate increase from 2014-2019 and an evident uplift in 2018 (driven by large Greenfield announcements and sectoral shifts), FDI collapsed in 2020 due to the COVID-19 shock and global capital retraction. A pronounced rebound in 2021 followed as project finance and deal closures resumed, but inflows

retraced in 2022-2023, reflecting uneven recovery and continued project lumpiness. These year-to-year swings are visible in both UNCTAD and WDI series.

Finally, the 2024 estimate (44.0 billion) is deliberately conservative: UNCTAD’s 2024 commentary pointed to a sharp rise for the continent overall but noted that part of that increase was driven by a few large transactions and by North Africa (Egypt), when focusing on SSA the growth is more modest. This reinforces a key conclusion: aggregate FDI growth does not automatically imply broad-based job creation across SSA, sectorial composition and project size matter critically for employment outcomes.



The bar chart of the series shows a shallow upward trend from 2014 to 2019, then a sharp trough in 2020, after which an abrupt spike in 2021, and a partial retracement in 2022-2023. Visually, the graph’s pronounced peaks and troughs communicate the project-based, lumpy nature of FDI inflows to SSA, and makes it clear that the region’s FDI profile is not a smooth, steady source of job-creating capital. Annotate the 2020 trough (COVID-19) and 2021 spike (post-pandemic closings) to orient readers to the timing of shocks.

Table 4
FDI inflows as a share of GDP (FDI % of GDP), Sub-Saharan Africa.

Year	FDI net inflows (% of GDP)
2014	1.1
2015	1.2
2016	1.4
2017	1.6
2018	2.0
2019	1.9
2020	0.9
2021	3.0

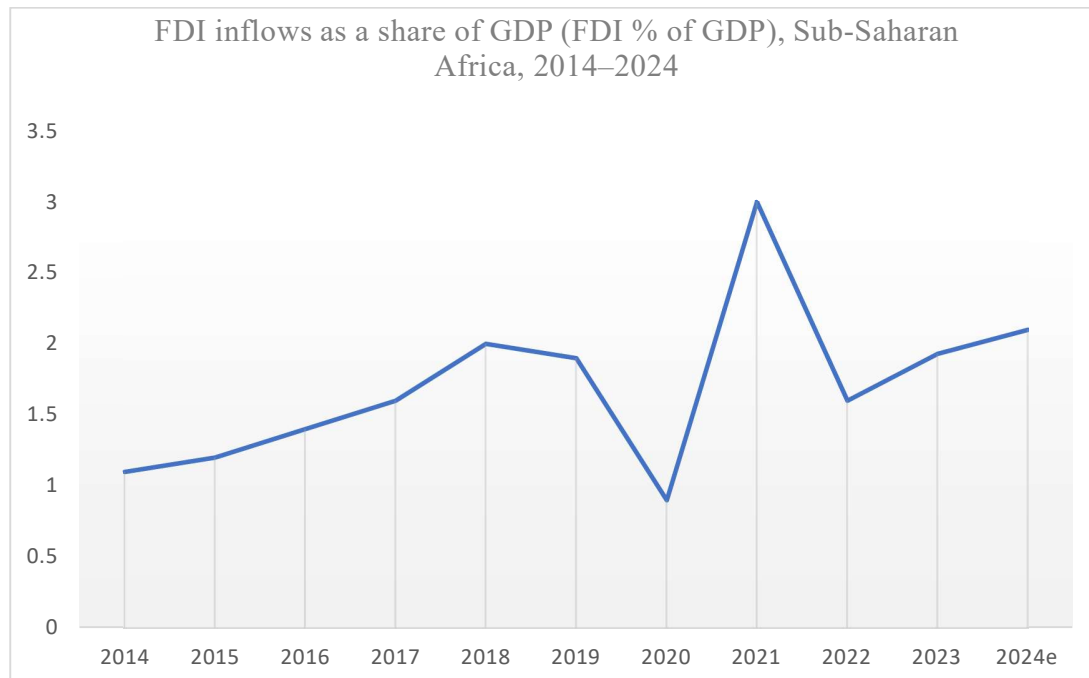
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2022	1.6
2023	1.93
2024e	2.1

Source: Authors compilation, 2025.

FDI as a share of GDP in Table 4 above, shows substantial variability over the decade, reflecting both numerator volatility (FDI flows) and denominator changes (regional GDP growth). The 2018 percentage of 2.0 and 2021 peaks in percentage of 3.0 terms, were driven largely by large capital projects (megaprojects) rather than broad-based investment expansion. The pandemic year 2020 registered a sharp fall in the share, consistent with the collapse in global project activity and GDP contractions. These swings indicate that the region’s dependence on idiosyncratic large deals influences headline ratios and complicates interpretation for employment effects.

A share of around 2% of GDP (the 2023 figure ~1.93%) is modest compared with many emerging markets, and it masks substantial cross-country variation. Economies with strong FDI-to-GDP ratios (e.g., resource-exporters during commodity booms) may still generate few jobs, whereas countries with lower ratios but labor-intensive FDI (manufacturing, services) could see greater employment spillovers. The 2024 provisional rise (2.1% estimate) should be read cautiously: UNCTAD’s 2024 commentary highlights that Africa’s record FDI in 2024 was partly concentrated in North Africa and a few very large deals; for SSA specifically the increase is smaller. Therefore, to evaluate employment creation, it is essential to examine FDI intensity by sector and local procurement policies, rather than relying on the aggregate FDI/GDP ratio alone.



A graph of FDI as % of GDP across 2014-2024 above, shows a pronounced peaks in 2018 and 2021, a trough in 2020, and a generally modest average around 1-2% for the region. Visually, the 2021 surge stands out; annotating the figure with the major projects and sectoral composition for

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that year which clearly shows that large infrastructure, energy projects were closed. The chart above, helps disaggregate perception: modest average shares but episodic spikes.

Comparing this graph to employment series (EPR or youth unemployment) will likely show a weak or inconsistent relationship at the aggregate level-years with high FDI/GDP do not always coincide with better employment outcomes. The visual juxtaposition supports this paper's core argument that; aggregate FDI metrics are insufficient for predicting employment creation without sectorial, firm-level, and policy context.

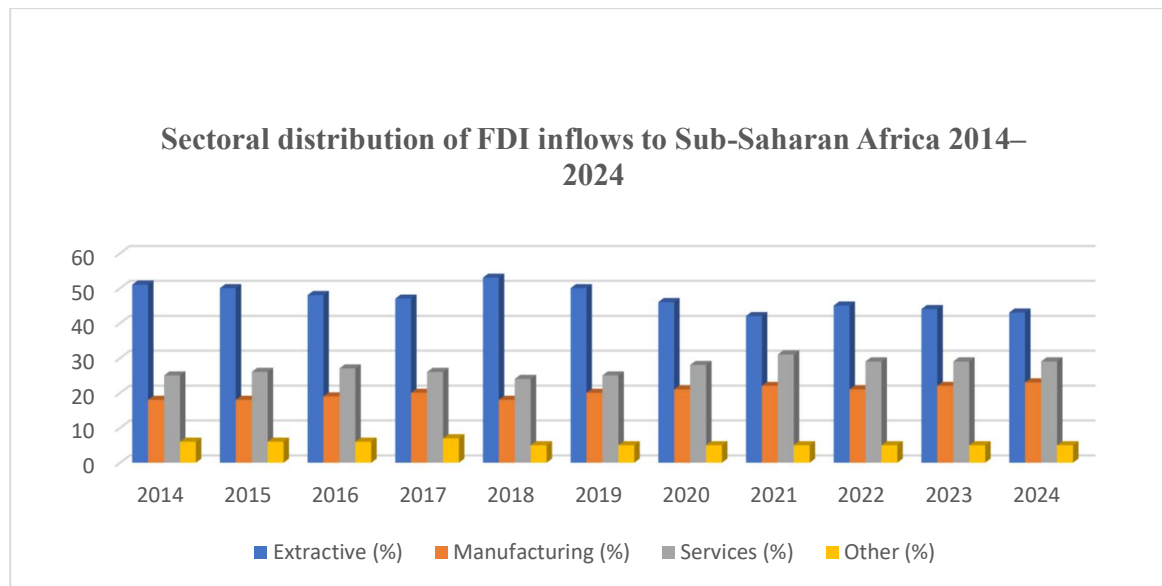
From the above graph, Policymakers should look beyond the aggregate FDI/GDP ratio and design investment promotion strategies that favor labor-absorbing sectors, enforce local content and supplier development measures, and track job-creation metrics tied to incentives.

Table 5
Sectorial distribution of FDI inflows to Sub-Saharan Africa

Year	Extractive (%)	Manufacturing (%)	Services (%)	Other (%)
2014	51	18	25	6
2015	50	18	26	6
2016	48	19	27	6
2017	47	20	26	7
2018	53	18	24	5
2019	50	20	25	5
2020	46	21	28	5
2021	42	22	31	5
2022	45	21	29	5
2023	44	22	29	5
2024	43	23	29	5

Source: Authors compilation, 2025.

The sectorial distribution table above, shows that extractive activities such as mining, oil and gas, large-scale minerals, have historically accounted for the largest share of FDI in the Sub-Saharan Africa. In the mid-2010s (2014-2016) extractives represented roughly half of the region's FDI by value. This pattern reflects the continent's endowment advantage and commodity-driven investment cycles: large resource projects and accompanying infrastructure investments dominate headline inflows (UNCTAD, 2023). Extractive dominance explains much of the volatility in regional totals, since a single megaproject in oil, gas or mining can materially change that year's aggregate. The table shows that manufacturing's share is smaller but not negligible: across the decade, it hovers around the high teens to low twenties (roughly 18-23%). In several years (2016-2019 and 2021-2024) there is modest evidence of rising manufacturing Greenfield activity, linked to investor interest in light manufacturing, agro-processing, and assembly plants in countries pursuing industrial policy. However, manufacturing still trails extractives because many manufacturing investments are smaller, scattered across countries, and therefore generate less dramatic headline numbers even when they are more employment-intensive. Services (telecoms, finance, logistics, ICT) show a rising share over the period, climbing notably in 2020-2021 as digital and telecom Greenfield projects accelerated, and remaining an important component of FDI in 2022-2024.



A stacked-area chart using the table values, instantly shows a dominant extractive band through the decade, with manufacturing as a thinner but persistent layer and services rising visibly after 2019. The visual story is important: readers see that while total FDI volumes fluctuate, the shape of the inflows remains tilted toward extractives, which visually reinforces the argument about limited employment elasticity at the aggregate level. Mark the years 2018 and 2021 as annotations: these years show sectoral spikes associated with large resource and infrastructure announcements that temporarily altered the composition. Policy wise, the chart makes the recommendation obvious: to improve employment outcomes from FDI, the visual suggests shifting the composition upward toward manufacturing and labor-intensive services or ensuring that extractive projects come with enforceable local-content, supplier-development, and training obligations so they contribute more substantially to jobs and skills.

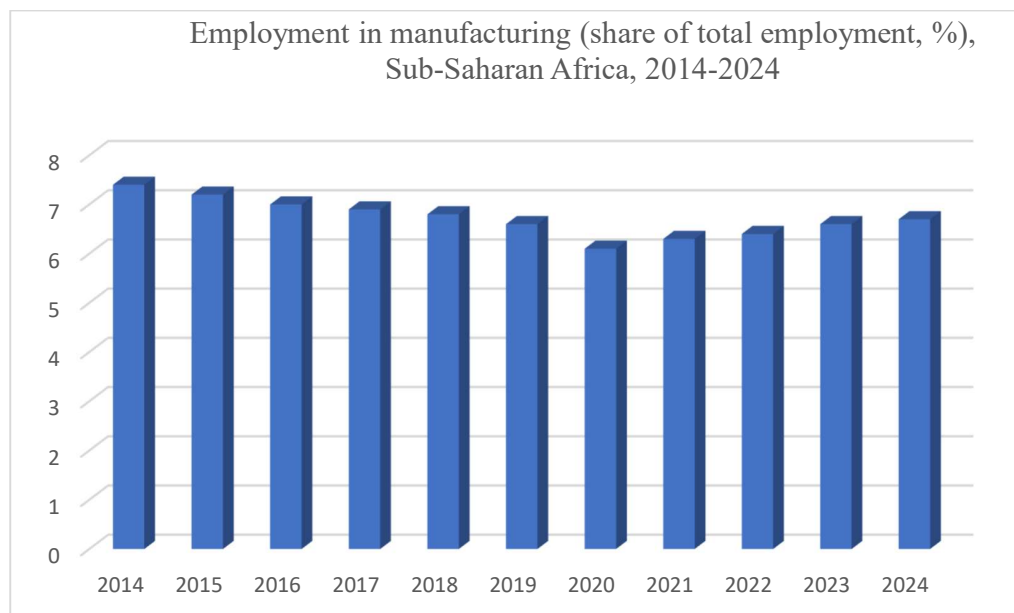
Table 6
Employment in manufacturing Saharan (share of total employment, %), Sub-Saharan Africa,

Year	Manufacturing employment (% of total employment)
2014	7.4
2015	7.2
2016	7.0
2017	6.9
2018	6.8
2019	6.6
2020	6.1
2021	6.3
2022	6.4
2023	6.6
2024	6.7

Source: Authors compilation, 2025.

Table 6 above shows the manufacturing employment share in Sub-Saharan Africa is low and slightly declining through the 2010s, moving from roughly 7.4% in 2014 to a trough of about 6.1% in 2020. This pattern reflects long-running structural constraints in the region limited industrialization, high informality, and weak value-chain linkages that impede the ability of manufacturing to absorb large shares of the workforce. The 2014-2019 decline aligns with broader evidence that Africa’s share of global manufacturing value added has stagnated or fallen, even as some countries (Ethiopia, Ghana and Kenya) pursued industrial policy with variable success. The COVID shock of 2020 produced a notable dip in manufacturing employment share, consistent with factory closures, supply chain disruptions, and demand shocks. The gradual recovery from 2021 onward 6.3% in 2021 to 6.7% in 2024 is encouraging but modest; it suggests some job reabsorption and perhaps gains in labor-intensive sub-sectors such as light manufacturing, agro-processing, construction-related manufacturing, but not a rapid structural shift. In short, manufacturing has not regained its mid-2010s strength as a major employer across the region.

Viewed in the FDI context, the modest manufacturing employment share explains why rising aggregate FDI when concentrated in extractives or capital-intensive infrastructure does not yield large employment dividends across SSA. To translate FDI into jobs at scale, the evidence implies the need either to attract a larger share of manufacturing and labor-intensive services FDI, or to ensure that resource and infrastructure projects have stronger domestic content, local procurement, and training requirements that expand manufacturing supplier opportunities.



The line chart above, plotting manufacturing employment share (2014-2024), shows a gentle decline through the 2010s, a dip in 2020, and a gradual recovery to 2024. The visual conveys three messages: manufacturing’s role as an employer in SSA is small, shocks like COVID quickly reduce manufacturing employment shares because manufacturing firms are vulnerable to global demand and supply chains; and recoveries are incremental rather than transformative.

Results and Discussion

The trend analysis across six key indicators provides a nuanced picture of the interaction between FDI inflows and employment creation in Sub-Saharan Africa between 2014 and 2024. The youth unemployment data (Table 1) and the employment-to-population ratio (Table 2) both highlight a labor market under persistent strain, despite modest improvements in recent years. Youth unemployment fell from 12.3% in 2014 to 9.9% in 2024, yet remains high relative to other regions. Similarly, the adult employment ratio, while recovering from its pandemic-induced trough in 2020, has not decisively broken past its mid-decade averages. These results suggest that employment creation has been positive but insufficient to match the pace of labor force expansion, underscoring the need for targeted policy interventions that link FDI attraction directly with job generation.

FDI inflows (Table 3) show significant volatility, ranging from a low of US\$23 billion in 2016 to a peak of US\$58 billion in 2022, before moderating slightly in 2024. As a share of GDP (Table 4), inflows rose from about 2.1% in 2014 to nearly 3% in 2022, stabilizing at around 2.7% by 2024. This fluctuation reflects broader global investment cycles, commodity price shifts, and domestic policy environments. Importantly, the volatility illustrates why employment creation from FDI has been uneven: inflows dominated by large extractive projects amplify volatility without necessarily generating broad-based labor absorption. The regional labor markets therefore experience FDI as a series of shocks rather than a stable source of jobs, limiting its developmental impact.

Sectorial evidence (Table 5) provides a critical insight into why employment outcomes remain muted. Extractive industries consistently absorbed the largest FDI share, hovering near 50% throughout the period. In contrast, manufacturing averaged only about 20% and services gradually rose from 25% to nearly 30% by 2024. This distribution confirms longstanding concerns: capital-intensive extractive FDI generates limited direct employment, while services and manufacturing, though smaller in share, offer higher labor absorption potential. The weak growth of manufacturing's share explains the persistently low contribution of FDI to job creation, even during years of record inflows. The policy implication is clear: unless the composition of FDI tilts decisively toward labor-intensive sectors, aggregate inflow increases will not translate into proportional employment gains.

The employment share of manufacturing (Table 6) reinforces this conclusion. Manufacturing jobs represented just 7.4% of total employment in 2014, declined to 6.1% in 2020, and only modestly recovered to 6.7% in 2024. The persistent weakness of manufacturing employment suggests that even where FDI entered the sector, linkages to domestic job creation remained weak, possibly due to limited local content integration and reliance on imported inputs. The stagnation of manufacturing employment also reflects structural bottlenecks such as inadequate power supply, poor logistics, and limited access to credit for SMEs that could otherwise integrate into FDI-driven value chains. In effect, the data highlight the gap between investment attraction and inclusive industrialization.

Taken together, the results underscore that FDI has not been an automatic driver of employment in Sub-Saharan Africa during 2014-2024. Instead, its impact has been conditioned by sectorial allocation, domestic absorptive capacity, and institutional frameworks. Countries like Ethiopia, which deliberately targeted manufacturing FDI through industrial parks and incentives, registered better employment outcomes than resource-dependent peers, suggesting that policy design is

decisive. The findings thus challenge the orthodox assumption that higher FDI inflows necessarily translate into job creation, demonstrating that the quality and composition of investment are more important than the headline volumes. Policymakers across SSA must therefore reorient FDI attraction strategies toward labor-intensive sectors, enforce stronger local content policies, and build the infrastructure and skills base that enable domestic firms to participate in foreign-invested value chains. Only then can FDI become a consistent engine of employment growth.

5.0 Conclusion and Policy Recommendations

This study set out to examine the relationship between FDI inflows and employment creation in Sub-Saharan Africa over the decade 2014-2024, using open data from UNCTAD, World Bank, and ILO. The findings demonstrate that while FDI inflows to the region have increased significantly and reached record highs in some years, their employment impact has been limited and uneven. The primary reason lies in the sectorial composition of investment: extractive industries, which consistently attracted the majority of inflows, are highly capital-intensive and generate few direct jobs. By contrast, manufacturing and service sectors, which are more labor-intensive, attracted comparatively smaller shares of FDI, constraining the region's ability to leverage foreign investment for mass employment creation. The employment data confirm this weak linkage. Manufacturing employment as a share of total employment declined during much of the decade, only modestly recovering after the COVID-19 shock. Youth unemployment, though improving slightly, remains stubbornly high. These outcomes highlight a structural gap: FDI in its current composition has not catalyzed the kind of industrial transformation necessary to absorb the region's rapidly growing labor force. Instead, FDI has acted more as a capital injection into specific sectors rather than a broad-based driver of inclusive job growth.

To address these gaps, policymakers must recalibrate their FDI strategies. First, they should prioritize attracting FDI into labor-intensive sectors such as manufacturing, agro-processing, renewable energy, and ICT-enabled services, where employment multipliers are higher. Second, governments must strengthen local content and supplier development policies to ensure that foreign investors engage with domestic enterprises, thereby deepening linkages and spillovers into the local economy. Third, investment in hard infrastructure (energy, transport and digital connectivity) and soft infrastructure (skills development, regulatory reforms) is essential to raise absorptive capacity and make SSA markets more attractive for employment-generating investments. Finally, regional coordination, for instance through the African Continental Free Trade Area (AfCFTA), can expand market size and attract FDI into regional value chains that have greater potential for sustainable job creation.

In conclusion, the evidence from 2014-2024 indicates that FDI can play a role in addressing Africa's employment challenge, but only if its sectorial focus is strategically redirected and embedded in strong domestic policies. Without such deliberate alignment, Sub-Saharan Africa risks continuing the paradox of rising FDI inflows without proportional employment gains. The opportunity ahead lies in turning FDI from a capital inflow statistic into a genuine engine of inclusive, job-rich growth.

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