

# Pathways to Formal and Informal Employment in Tanzania, Current Insights (2024)

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## Key Research Areas

- Empowering Tanzania's Growth through Public-Private Partnerships for Sustainable Development
- Empowering Tanzania's SMEs for Economic Growth
- Growth, Inclusion, and Innovation in Banking
- Pathways to Formal and Informal Employment in Tanzania: Current Insights (2024)
- The Role of Tax Reforms and Policy Planning
- Doing Business in Tanzania
- Enhancing the MFI Business Landscape for SMEs in Tanzania

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## Abstract

This report explores the dynamics of Tanzania's employment landscape, analyzing the balance between formal and informal sectors, the implications of formal sector expansion, and strategies to address emerging challenges. As of 2024, Tanzania's workforce comprised 10.17 million formal workers (28%) and 25.95 million informal workers (71.8%). Within the formal sector, private companies employed 9.33 million workers, while 0.74 million were in the public sector. Agriculture and fishing dominated the informal sector, accounting for 65-70% of employment (16.87-18.17 million), followed by retail trade and commerce (10-15% or 2.60-3.89 million), manufacturing and crafts (5-8% or 1.30-2.08 million), and other industries such as construction and transportation (10-15% or 2.60-3.89 million).

The unemployment rate improved slightly from 9% in 2021 to 8.90% in 2022, with a historical average of 10.31% between 2001 and 2022. Formal sector expansion presents economic opportunities, including enhanced tax revenue, better social protection, and improved economic planning. However, it also poses challenges such as adapting to formal sector regulations, regional disparities in growth, and ensuring sufficient employment growth to match population increases.

Key recommendations include policies to accelerate formal business growth through better access to credit, markets, and simplified tax compliance. Sector-specific measures should modernize agriculture and integrate it into formal value chains while fostering urban and industrial innovation. Education and skills development must align with formal sector needs, and social protection systems should expand to cover the transitioning workforce. Investments in digital technologies, infrastructure, and labor market information systems will support formalization and revenue optimization.

Tanzania's evolving employment landscape offers a pathway to economic modernization and improved social welfare. Strategic interventions are essential to ensure inclusive growth, address challenges in formalization, and support the sustainable development of both formal and informal sectors.

## Introduction

Tanzania is transitioning toward a more formalized labor market, with formal employment now making up 28% of the workforce, or approximately 10.07 million workers, primarily driven by 9.33 million in private firms and 0.74 million in public institutions. Projections indicate that formal employment could increase to 38% by 2030, with the informal sector declining from its current 72% (about 25.95 million workers) to 62%. This shift promises enhanced economic stability, broader social protections, and increased tax revenues. Currently, formal sector employees contribute over TZS 27.64 trillion annually in tax revenue, critical for public services funding. A reduction in unemployment rates, last recorded at 8.9% in 2022, aligns with this formalization drive, aimed at promoting sustainable growth and improving living standards nationwide.

**Table 1: Tanzania's Total Formal Employment (2024)**

Employment Category	Number of Employees	Percentage
Public Sector Employment	839,213	8.25%
Private Sector Employment	9,327,541	91.75%
<b>Total Formal Employment</b>	<b>10,166,754</b>	<b>100%</b>

*Source: Public sector data from Tanzania Public Sector Workforce Analysis 2000-2024;*

#### Current Employment Composition (2024):

- **Formal Sector:** 10.07 million workers, or 28% of the working-age population, employed in formal jobs. This includes 9.33 million in private companies and around 0.74 million in the public sector.
- **Informal Sector:** Approximately 25.95 million people (72%) work informally, largely in agriculture and fishing (65-70%), followed by retail and commerce (10-15%), manufacturing (5-8%), and construction (4-6%).

#### Unemployment Rate:

- The unemployment rate was 8.9% in 2022, down from 9% in 2021, with a long-term average of 10.31% (2001-2022). Forecasts project a gradual reduction to 8.1% by 2030, supported by job creation and economic diversification.

#### Regional Employment Patterns:

- Regions like Dar es Salaam and Mwanza show a high dependence on informal jobs, with informal employment at 72%. For example, in Dar es Salaam, of the 2.81 million workforces, 785,674 are formally employed, and 2,024,632 are informal workers.

#### Projected Employment Transformation (2024-2030):

- Formal employment is expected to rise to 38% by 2030, expanding the formal workforce to an estimated 15.81 million, while informal employment decreases to 62%.
- **Sectoral Growth:** By 2030, key formal employment sectors will include manufacturing and industry (25% of formal jobs), services and tourism (22%), and modern agriculture (20%).

#### Key Economic and Social Challenges:

- Challenges such as infrastructure limitations, skill gaps, and resistance to formalization hinder employment growth.
- **Policy Recommendations:** Simplifying business registration, enhancing labor laws, supporting SMEs, and expanding social protections are suggested for sustaining growth.

## Tanzania's Public Sector Employment Figures

### Current Employment Statistics (2024)

The total number of public sector employees in Tanzania for 2024 stands at **839,213**. This figure reflects the current state of public sector employment following years of growth, stabilization, and recent mild fluctuations.

### Historical Growth Trends (2000-2024)

#### Employment Evolution

- **Starting Point (2000):** The Tanzania public sector began with **23,601 employees**, marking the foundation of an expanding workforce.
- **Peak Employment (2020):** Public sector employment peaked at **851,467 employees** in 2020.
- **Current Level (2024):** The 2024 workforce level of **839,213 employees** indicates a slight reduction from the 2020 peak.
- **Total Growth (2000-2024):** Over this period, public sector employment grew by an impressive **3,556%**, driven by various economic and policy factors.

#### Growth Phases

The historical growth can be categorized into five distinct phases:

##### Early Growth Phase (2000-2004)

- **Initial Workforce (2000):** 23,601 employees
- **Final Workforce (2004):** 42,892 employees
- **Total Growth:** 81.7%, with an **average annual growth rate** of 16.1%.
- This period marked the foundation for a larger workforce to support government operations as the economy opened up.

##### Rapid Expansion Period (2005-2009)

- **Initial Workforce (2005):** 93,490 employees
- **Final Workforce (2009):** 583,495 employees
- **Total Growth:** 524%, with the most significant growth occurring in **2007** (216.5% increase).
- This period was characterized by a major push in employment, likely due to increased government programs and a need for more public services.

##### Stabilization Period (2010-2014)

- **Initial Workforce (2010):** 593,519 employees
- **Final Workforce (2014):** 747,890 employees
- **Average Annual Growth:** 4.8%
- A slower but steady growth phase reflecting adjustments toward more controlled expansion as the government focused on stabilizing the sector.

##### Mature Phase (2015-2019)

- **Workforce Range:** 830,000 - 845,000
- **Average Annual Growth:** 0.4%
- During this mature phase, growth plateaued as the public sector reached near-optimized levels, with hiring only to fill essential roles.

#### Recent Period (2020-2024)

- **Peak Workforce (2020):** 851,467 employees
- **Current Workforce (2024):** 839,213 employees
- **Annual Fluctuation:** Less than 1%
- This period shows minimal changes in workforce size, reflecting the government's shift towards maximizing efficiency and controlling wage expenditures.

Tanzania's vision of economic transformation through employment formalization, coupled with supportive policy measures, presents a pathway toward balanced, inclusive development while managing the informal sector's gradual transition.

*These analyses suggest improvements in Tanzania's labor market. However, it's crucial to note that low unemployment rates in developing economies often coexist with high informal employment rates, as many people engage in informal economic activities rather than being classified as unemployed.*

#### Tanzania's Informal Employment

Table 2: Tanzania's Employment Structure (2024)

Category	Number	Percentage
Total Population	69,000,000	100%
Total Formal Employment	10,166,754	28.2%
Estimated Informal Employment	25,851,246	71.8%

**Source:** Population data from TICGL, 2024; Formal employment from updated public sector analysis

#### Employment in Tanzania's Top Ten Regions

The employment landscape in Tanzania's top ten regions reveals a concerning trend characterized by a heavy reliance on informal employment, with a significant portion of the workforce engaged in informal jobs. This reliance underscores substantial economic vulnerabilities, as formal employment remains limited, accounting for only a small fraction of the total workforce. Regions such as Dar es Salaam and Mwanza exemplify this challenge, with formal employment rates around 14.6%. The majority of workers lack access to the protections and benefits associated with formal employment, highlighting the urgent need for targeted policies to foster job creation in the formal sector. This shift is essential for ensuring greater economic stability and improved living standards for Tanzanians.

**Table 3: Employment in Tanzania's Top Ten Regions**

Region	Population	Formal Employment	Informal Employment
Dar es Salaam	5,383,728	785,674	2,024,632
Mwanza	3,699,872	539,940	1,391,393
Morogoro	3,197,104	466,569	1,202,319
Dodoma	3,085,625	450,300	1,160,396
Kigoma	2,470,967	360,600	929,244
Tanga	2,615,597	381,707	983,635
Kagera	2,989,299	436,243	1,124,171
Geita	2,977,608	434,537	1,119,774
Mbeya	2,343,754	342,036	881,404
Tabora	3,391,679	494,964	1,275,492

**Table 4: Informal Employment Sectors in Tanzania**

Sector	Estimated Share	Approximate Workers	Key Activities
Agriculture and Fishing	65-70%	21.9 - 23.6 million	Subsistence farming, small-scale cash crop farming, artisanal fishing, animal husbandry
Retail Trade and Commerce	10-15%	3.4 - 5.1 million	Street vendors, market traders, small shop owners, mobile traders
Manufacturing and Crafts	5-8%	1.7 - 2.7 million	Textile and clothing production, woodworking, metal working, food processing, handicrafts
Construction	4-6%	1.3 - 2.0 million	Day laborers, skilled construction workers, small-scale contractors
Transportation	3-5%	1.0 - 1.7 million	Motorcycle taxi (boda boda) operators, informal bus drivers, cart and bicycle transporters
Personal Services	2-4%	0.7 - 1.3 million	Domestic workers, hairdressers, barbers, shoe shiners, car washers
Waste Management and Recycling	1-2%	0.3 - 0.7 million	Waste pickers, small-scale recyclers, scrap metal collectors
Other Sectors	2-4%	0.7 - 1.3 million	Small-scale mining, entertainment and hospitality, repair services, traditional medicine

Source: TICGL, 2024.

## Projected Employment Trends 2024-2030

**Table 5: Formal Employment Projections 2024-2030 (millions)**

Year	Total Working Age	Formal Employment	% Formal	Informal Employment	% Informal
2024	36.02	10.17	28.0%	25.95	71.8%
2025	37.08	11.12	30.0%	25.96	70.0%
2026	38.17	12.21	32.0%	25.96	68.0%
2027	39.29	13.36	34.0%	25.93	66.0%
2028	40.44	14.56	36.0%	25.88	64.0%
2029	41.03	15.18	37.0%	25.85	63.0%
2030	41.60	15.81	38.0%	25.79	62.0%

Source: TICGL, 2024.

### Sector-Specific Projections for 2030

#### Formal Sector Growth Areas:

1. Manufacturing and Industry: 25% of formal employment (3.95 million)
2. Services and Tourism: 22% (3.48 million)
3. Public Sector: 8% (1.26 million)
4. Modern Agriculture: 20% (3.16 million)
5. Construction and Infrastructure: 15% (2.37 million)
6. Technology and Digital Services: 10% (1.58 million)

#### Informal Sector Distribution:

1. Traditional Agriculture: 55% (14.18 million)
2. Retail Trade: 20% (5.16 million)
3. Manufacturing and Crafts: 10% (2.58 million)
4. Services: 8% (2.06 million)
5. Construction: 4% (1.03 million)
6. Others: 3% (0.77 million)

## Key Growth Drivers in Tanzania's Economic Transformation

### Digital Transformation

The digital transformation of Tanzania's economy represents a fundamental shift in how businesses operate and interact with customers. E-commerce expansion has emerged as a pivotal force in modernizing the retail landscape, enabling businesses of all sizes to reach broader markets and operate more efficiently. This expansion is particularly significant in urban areas where digital literacy and internet penetration are higher, but it's gradually extending into rural regions as well. The sector is witnessing rapid growth through the emergence of local online marketplaces, digital storefronts, and mobile commerce platforms that are creating new opportunities for formal employment and business formalization.

Digital payment systems have become increasingly sophisticated and widespread, fundamentally changing how financial transactions are conducted in Tanzania. Mobile money services, digital banking platforms, and electronic payment solutions are reducing dependency on cash transactions, making it easier to track and formalize business operations. This digital financial ecosystem is particularly important for small and medium enterprises transitioning from informal to formal operations, as it provides them with accessible tools for financial management and transparency.

Technology adoption in traditional sectors is transforming previously informal operations into more structured, efficient processes. This includes the integration of digital tools in agriculture for crop management and market access, digital record-keeping in retail businesses, and automated systems in service industries. The adoption of these technologies is not only improving operational efficiency but also facilitating the transition to formal business practices by creating digital trails of transactions and operations.

### Infrastructure Development

Transport network expansion stands as a crucial enabler of economic growth and formal sector development in Tanzania. The ongoing development of road networks, railways, and ports is creating vital connections between production centers, markets, and urban areas. This improved connectivity is reducing transportation costs, enabling businesses to operate more efficiently, and creating new opportunities for formal employment in logistics and related sectors. The expansion is particularly significant in bridging the urban-rural divide and facilitating regional trade.

Industrial parks are emerging as concentrated zones of formal economic activity, providing businesses with essential infrastructure and services in strategic locations. These parks offer reliable power supply, water systems, waste management, and other utilities that are crucial for formal business operations. They also create clusters of related businesses, fostering collaboration and efficiency through proximity. The development of these parks is attracting both domestic and foreign investment, creating significant formal employment opportunities.

Urban development projects are transforming Tanzania's cities into more efficient, livable spaces that support formal economic activity. These projects include the development of commercial districts, residential areas, and public spaces that create an environment conducive to formal business operations.



The modernization of urban infrastructure is particularly important in supporting the growth of service-sector businesses and creating opportunities for formal employment in urban areas.

### Unemployment Forecast for Tanzania (2023-2030)

Tanzania's unemployment rate has shown a gradual improvement in recent years, declining from 9% in 2021 to 8.9% in 2022. This trend is expected to continue over the next several years as economic growth, sectoral development, and labor market reforms help drive employment.

The table below provides the projected unemployment rates from 2023 to 2030, assuming an annual decrease of 0.1% in line with recent trends and economic growth expectations:

**Table 6: Unemployment Forecast for Tanzania**

Year	Projected Unemployment Rate (%)
2023	8.8
2024	8.7
2025	8.6
2026	8.5
2027	8.4
2028	8.3
2029	8.2
2030	8.1

Source: TICGL, 2024.

### Analysis of Unemployment Projections

This forecast anticipates a stable decline in the unemployment rate, influenced by the following factors:

- Economic Growth:** With a steady GDP growth rate of 5-6%, Tanzania's economy is expected to continue creating jobs across key sectors, particularly in formal employment areas such as manufacturing, services, and modern agriculture.
- Formalization of Employment:** The ongoing shift from informal to formal employment is likely to reduce unemployment further, as more workers gain access to stable job opportunities with social protections and benefits.
- Infrastructure and Sectoral Development:** Investments in infrastructure, digital technologies, and industrial parks are anticipated to drive formal sector growth, contributing to job creation and a reduction in unemployment across the country.

This forecast demonstrates Tanzania's positive trajectory toward reducing unemployment and supporting sustainable economic development. With a projected unemployment rate of 8.1% by 2030, the country can leverage its growing workforce for further economic modernization and social stability.

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## Tanzania's Employment Dynamics: Progress and Pathways to Formalization

As Tanzania advances its strategy to formalize employment, notable progress and areas for further development emerge, reflecting a comprehensive approach to enhancing job quality, economic resilience, and social welfare.

### 1. Shift Toward Formal Employment

- **Current Composition:** While the informal sector still comprises 72% of the workforce, formal employment has expanded to 28% of the working-age population, with approximately 10.07 million workers in the formal economy.
- **Growth Target:** The government aims to boost formal employment to 38% by 2030, an increase driven by goals of improved job stability, economic structure, and social protections.
- **Key Sectors:** Formal employment is concentrated in private businesses, manufacturing, services, and modern agriculture, sectors pivotal for economic growth.

### 2. Economic Benefits of Formalization

- **Tax Revenue:** Formal employment is a key contributor to public funds, with formal sector taxes, including VAT, helping the Tanzania Revenue Authority collect TZS 27.64 trillion in the 2023/2024 fiscal year.
- **Social Protections:** Expanding the formal workforce enables greater access to benefits like health insurance, pensions, and job security, elevating living standards and reducing poverty risks.
- **Economic Stability:** Formalization enhances economic monitoring, facilitating efficient government planning, improved investment, and overall stability.

### 3. Challenges to Formalization

- **Prevalence of Informal Employment:** With around 25.95 million people in informal jobs, sectors like agriculture, retail, and transport remain largely unregulated, posing challenges for economic integration.
- **Skill and Infrastructure Gaps:** Skill development is essential for supporting workers transitioning to formal employment, while infrastructure improvements are needed to foster a conducive business environment.
- **Resistance to Formalization:** Some businesses and workers view formalization as costly or burdensome. Addressing this requires simplified processes, education on benefits, and incentives to encourage compliance.

#### 4. Geographic and Sectoral Disparities

- **Regional Variation:** The reliance on informal employment is high across regions, with urban centers like Dar es Salaam and Mwanza showing moderate formalization levels, while rural areas need policies to support formal job creation, particularly in agriculture.
- **Sectoral Concentration:** Agriculture accounts for the largest share of informal employment (65-70%), followed by retail, manufacturing, and construction. These sectors require targeted support to transition to formal employment structures.

#### 5. Unemployment Trends and Projections

- **Gradual Reduction:** Unemployment has declined slightly from 9% in 2021 to 8.9% in 2022, with a projected decrease to 8.1% by 2030. This positive trend reflects job growth in expanding sectors, supporting economic stability.

#### 6. Policy and Investment Recommendations

- **Private Sector Growth:** Strengthening the private sector with easier access to credit, streamlined regulations, and training programs will drive formal job creation.
- **Expanded Social Protections:** Increasing access to health, pension, and social benefits can make formal jobs more appealing, fostering further formalization.
- **Sector-Specific Initiatives:** Integrating agriculture into formal value chains can enhance productivity and modernization, while industrial policies can promote manufacturing and service sectors.

#### Overall Takeaway

The evolving employment landscape in Tanzania underscores a transformative shift towards formalization, promising economic benefits like enhanced tax revenues, improved worker protections, and more strategic economic planning. Successfully managing this transition requires addressing regional and sectoral disparities, investing in infrastructure, and simplifying regulatory frameworks to ensure balanced and inclusive growth across the nation.