Abstract: *This paper examines the effect of foreign direct investment (FDI) on employment generation for a group of Latin American countries in the period 1980-2006. While current research on the effect of FDI on economic growth is usually performed through the analysis of the effect of FDI on real GDP per capita growth rates, a more relevant indicator - from the perspective of the developing countries - of the importance of FDI is its effect on employment generation. I examine the effect of FDI on the employment rate using a dynamic panel model that is estimated with the Arellano-Bover/Blundell-Bond system estimator, and I find that FDI has a positive and significant effect on the employment generation in host countries, which is driven by its effect on male labor force. This positive effect is particularly important for less developed economies, periods with low inflation, and for the later period of the sample, but suggests that only countries with high level of informality and those attracting low average inflows of FDI accrue this benefit.*

Keywords: Trade and Labor Market Interactions; Foreign Direct Investment; Employment; Latin America & Caribbean

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