
ANKER LIVING INCOME REFERENCE VALUE

**RURAL
TANZANIA
2020**



LIVING INCOME

**TZS 458,092
PER MONTH
(US\$200)**

Anker 
Research
Network

GLOBAL 
LIVING WAGE
COALITION

The Anker Reference Values are endorsed by the Global Living Wage Coalition (Fairtrade International, Rainforest Alliance, Social Accountability International and ISEAL Alliance). Development of the methodology was initiated and supported by Fairtrade International and German Federal Ministry for Economic Cooperation and Development (BMZ). Further support was received from Rainforest Alliance, Social Accountability International and Clif Bar & Company.



Anker Living Income Reference Value¹

Rural Tanzania 2020

1. Anker Living Income Reference Value for Rural Tanzania in 2020

The Anker Living Income Reference Value for 2020 for rural Tanzania is TZS 458,092 per month (USD 200)² with a 95% confidence interval around it from TZS 409,019 to TZS 513,053. This is the estimated monthly cost of a basic but decent standard of living for a typical family in rural Tanzania in 2020.

“A living income is the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household. Elements of a decent standard of living include: food, water, housing, education, healthcare, transport, clothing, and other essential needs including provision for unexpected events” (Living Income Community of Practice).

2. Anker Reference Value Methodology

Anker Living Income Reference Values utilize a new methodology developed by Richard Anker, Martha Anker, and Ian Prates. This methodology is based on a statistical analysis of 40 internationally comparable, quality-assured Anker methodology studies spread across low-income and middle-income countries carried out primarily under the auspices of the Global Living Wage Coalition. Anker Reference Values are internationally comparable, consistent with results from existing Anker living wage and living income benchmark studies and easy to update every year, and so are especially valuable for countries where it has not yet been possible to organize and fund a full quality-assured Anker methodology living wage or living income study.

Anker Living Income Reference Values represent a living income for typical families in rural (urban) areas of low- and middle-income countries. Since they are based on a statistical analysis, they have a margin of error for typical rural (urban) areas of a country which is generally around +/- 10% using a 95% confidence interval. Since Reference Values are not location-specific within countries and represent the situation in typical rural (urban) locations, the margin of error is likely to be larger for unusual locations with atypical living costs within a country such as large cities with high living costs, or poorer (richer) areas with relatively low (high) living costs and norms.

3. Country context: Tanzania

Geography and demographics

Tanzania lies on the east coast of Africa between Kenya and Mozambique. It is bordered by three of the largest lakes in Africa: Lake Victoria in the north, Lake Tanganyika in the west, and Lake

¹ Prepared by: Sally Smith, Richard Anker, Martha Anker and Ian Prates.

² Exchange rate used to convert to US dollars is 2,292. This is the average exchange rate for the three-month period from November 2019 to January 2020 according to IMF data.

Nyasa in the southwest. It has a tropical climate in the coastal plains and a more temperate climate in the central plateau and in highland areas in the north and south.

Tanzania has a population of around 58 million and is the largest and most populous country in East Africa. The population is growing at nearly 3% annually due to a high fertility rate (an average of 5 births per woman) and a youthful population (nearly two thirds of people are under 25). One-third of the population was living in an urban area in 2018, up from one-quarter in 2005.

Economy

Tanzania is a low-income country with a gross national income per capita of \$3,160 in international dollars (PPP) and \$1,020 in USD in 2018. Since 2000 the economy has grown at an average of 6.5% per year (real GDP, IMF figures), thanks to its strategic location, vast natural resource wealth, and sociopolitical stability. The World Bank expects real GDP to continue growing at 5-6% per year in the medium term, subject to favorable weather conditions, prudent fiscal management, mitigation of financial sector vulnerabilities, and implementation of reforms to improve the business environment. Inflation averaged 4.6% from 2015-2019 and is projected by the IMF to stay at this level for the coming 5 years.

Tanzania has transitioned from a centrally planned economy to a market economy although the state remains involved in various sectors (e.g. telecommunications, banking, energy, and mining). Economic growth has largely been driven by mining and tourism but agriculture remains an important part of the economy, accounting for around 29% of GDP and 66% of employment.

Poverty

The proportion of the population below the national poverty line decreased from 34.4% in 2007 to 26.4% in 2018, with the extreme poverty rate falling from 12% to 8%. However, the absolute number of poor people actually increased during this period due to rapid population growth and the fact that the fastest growing sectors of the economy employ relatively few, more educated people (which has also resulted in increased inequality). Moreover, the rate of poverty reduction has slowed in recent years and vulnerability to poverty remains high: for every four Tanzanians who moved out of poverty between 2010 and 2015, three fell into it.³

In rural areas 31.3% of people are poor compared to 15.8% in urban areas. There are also large disparities in the distribution of poverty across geographic regions. Poverty is highest in the western and lake zones, and lowest in the eastern zones. Poverty is also more prevalent among women, particularly single and divorced women.

Standard of living

Tanzania is ranked 159 out of 189 countries in UNDP's Human Development Index. Government efforts to expand access to social services such as education, health, and water have been

³ Belghith et al. (2019), *Tanzania – Mainland Poverty Assessment 2019*; World Bank. <http://documents.worldbank.org/curated/en/431111575939381087/Executive-Summary>.

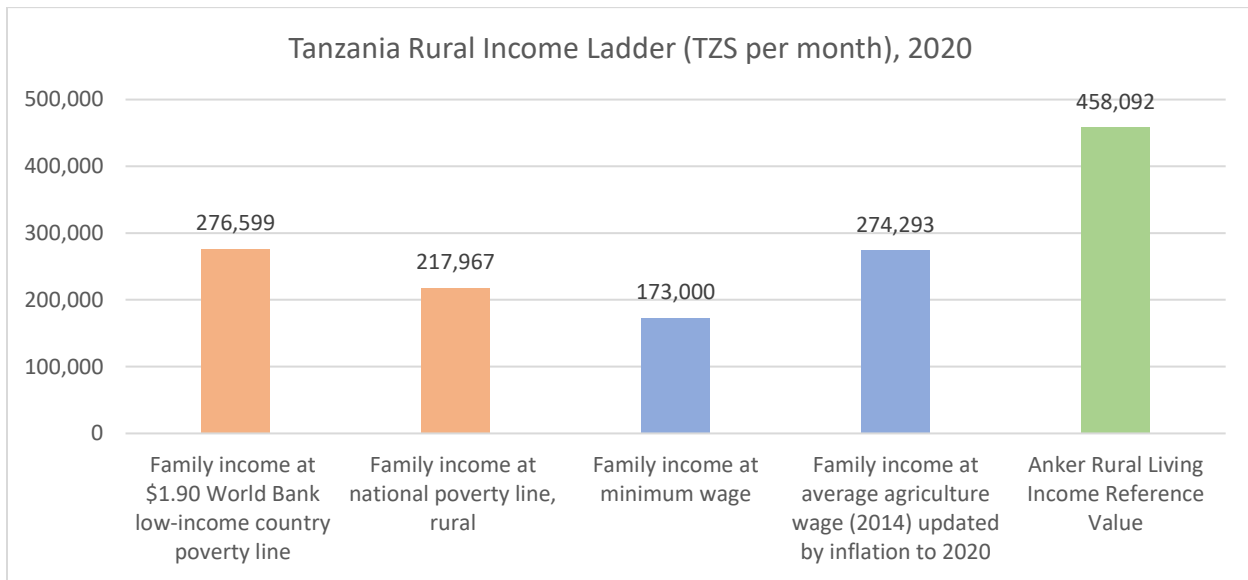
undermined by their declining quality as the population increases faster than the supply of the services. Although educational attainment at primary level has improved (e.g. net enrollment increased from 71% in 2011/12 to 85% in 2017/18), only 34% of children attend lower secondary school (26% in rural areas). Under nutrition is also still chronic in rural areas, where about 38% of children under 5 are stunted. Living conditions in rural areas of Tanzania also remain poor: only 10% of rural households have access to electricity; 34% lack access to clean drinking water; and 89% do not use improved sanitation facilities.

Labor market

According to ILOSTAT data drawn from the 2014 Tanzania Labor Force Survey, 94.6% of rural males ages 25+ and 87.3% of rural females ages 25+ are in the labor force. The reported rural unemployment rates for ages 25+ are low at 1.9% for males and 0.7% for females, but around 31% of males ages 25+ and 45% of females ages 25+ are reported to work less than 35 hours per week.

4. Family income ladder and gaps to a living income, rural Tanzania

Figure 1 below provides a family income ladder for rural Tanzania and so context on gaps to a living income. It compares the Anker Living Income Reference Value for a typical family in rural Tanzania to four other family income indicators. The Anker Living Income Reference Value is higher than all four of these income comparators. It is 70% higher than family income at the World Bank \$1.90 poverty line for low-income countries such as Tanzania, and 110% higher than family income at the national poverty line. It is around 2.6 times the income of a typical rural family (with 1.73 full-time equivalent workers) earning the agricultural minimum wage and around 70% higher than the income of a typical rural family whose members earn the average agricultural wage. These large differences indicate that there is a big gap to living income in rural Tanzania even if living incomes for specific locations in rural Tanzania vary somewhat along with differences in local costs, incomes, and poverty rates. To more fully understand and measure location-specific living income gaps in rural Tanzania, further analysis and quality-assured Anker methodology studies are needed.

Figure 1

Notes: ^a Tanzania's poverty line, which is expressed in adult equivalent consumption units, was converted into a family poverty line for a typical size rural family (see note c) using the government's adult equivalence scale. The national poverty line was set in 2018 based on the Household Budget Survey of 2017-2018. According to IMF data, inflation has been around 7.6% since then, and so national poverty line for a family would be around TZS 234,500 if it were increased by inflation. ^b The World Bank low-income country \$1.90 (PPP 2011) poverty line (which is per person) was converted into income for a family using a typical rural family size (see note c) and a formula suggested by the World Bank to update PPP which uses latest available PPP from the World Bank (2018) and inflation rates from the IMF for Tanzania and the United States since 2018. ^c Family size of 5.5 is used for expositional purposes to estimate national poverty line and World Bank poverty line as this reference family size is in between: (i) average household size of 4.7 when single-person households (that definitely do not have children) and especially large households with 10+ members (that probably have more than 2 potential workers) are excluded, especially considering that around 25% of Tanzania households are female-headed which biases observed average household size downward, and (ii) family size of 7.6 implied by the child mortality-adjusted total fertility rate of 5.6 in rural Tanzania (according to 2015-16 Demographic and Health Survey data). ^d Number of full-time equivalent workers per family used for expositional purposes used to estimate family income at the minimum wage and average agriculture wage of 1.73 is based on ILOSTAT modeled estimates for males and females ages 25+ for rural labor force participation rates and rural unemployment rates, and national part-time employment rates. ^e The Anker Living Income Reference Value is estimated directly based on statistical analysis and therefore does not have an explicit number of full-time workers per family or reference family size (although rural reference family size falls from 6 to 4 with development in Anker living wage benchmark studies). ^f Minimum wage was last increased in 2013. There has been around 41.2% inflation since then; thus, minimum wage would be around TZS 141,200 in 2020 if it had increased with inflation. ^h Average agricultural wage for 2014 (TZS 91,648) would be TZS 120,948 if it had increased with inflation since then.