
ANKER LIVING WAGE REFERENCE VALUE

**RURAL
TANZANIA
2020**



LIVING WAGE

**TZS 317,779
PER MONTH
(US\$139)**

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 Wage Reference Value¹

Rural Tanzania 2020

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

The Anker Living Wage Reference Value for 2020 for rural Tanzania is TZS 317,779 per month (139 USD)² with a 95% confidence interval around it from TZS 282,615 to TZS 357,046. This is the wage required for workers to be able to afford a basic but decent living standard in a typical rural area of Tanzania. The Reference Value is comprised of a net living wage (i.e. take-home pay) of TZS 272,701 (USD 119) per month plus TZS 45,078 (USD 20) which would need to be paid by law in social security (TZS 31,778) and income tax (TZS 13,300) on the living wage.³

“A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.” (Global Living Wage Coalition).

2. Anker Reference Value Methodology

Anker Living Wage Reference Values are based on 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 Wage Reference Values represent a living wage 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.

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

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.

³ There is a mandatory payroll deduction of 10% for social security and an income tax of 9% on income between TZS 170,001-360,000 (with higher rates for income above TZS 360,000).

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 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.⁴

In rural areas, 31.3% of people are poor at the national poverty line compared to 15.8% in urban areas. There are also large differences in poverty rates across geographic regions. Poverty rates

⁴ Belghith et al. (2019), *Tanzania – Mainland Poverty Assessment 2019*; World Bank. <http://documents.worldbank.org/curated/en/431111575939381087/Executive-Summary>.

are highest in the western and lake zones, and lowest in the eastern zones. Poverty is 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 like education, health, and water have been 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.

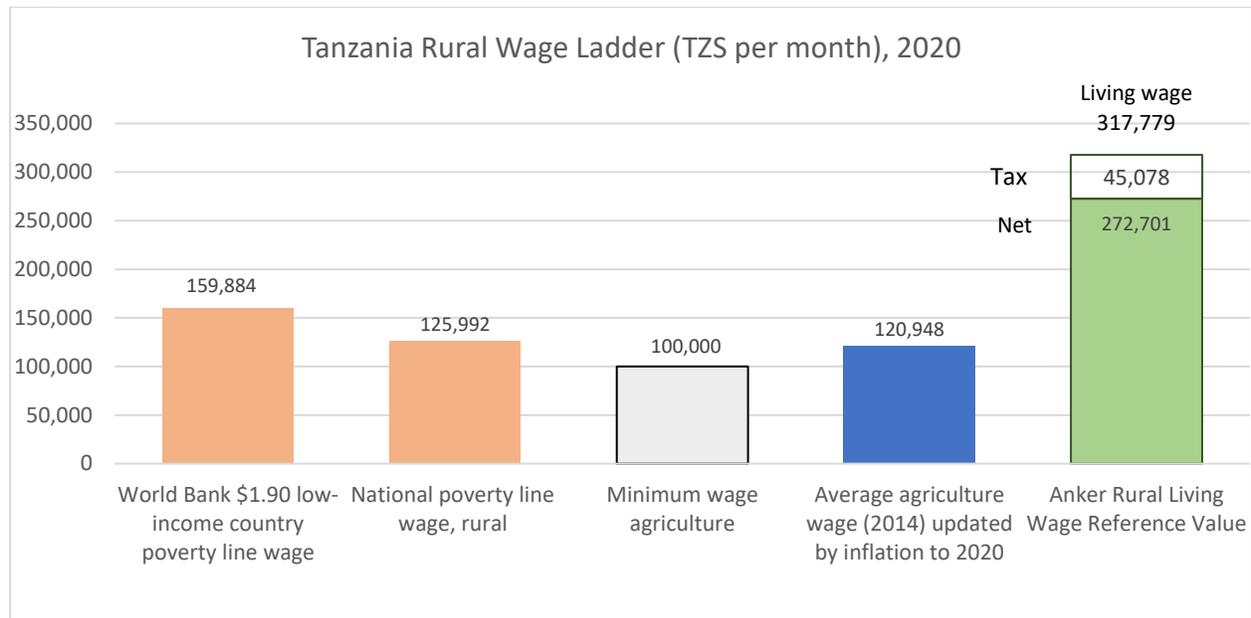
Labor market

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. Wage ladder and gaps to a living wage, rural Tanzania

Figure 1 below provides a wage ladder for rural Tanzania and so context on gaps to a living wage. It compares the Anker Living Wage Reference Value for rural Tanzania to four other wage indicators. The Anker Living Wage Reference Value is much higher than all four of these wage comparators. It is twice the World Bank \$1.90 poverty line wage and 2.5 times the national poverty line wage. The Reference Value is also over three times the agriculture minimum wage and 2.6 times the average agriculture wage for 2014 wage updated by inflation to 2020. These large differences indicate that actions are needed to close the gap to a living wage even if living wages 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 wage gaps within rural Tanzania, further analysis and quality-assured Anker methodology studies are needed.

Figure 1



Notes: ^a Tanzania’s national poverty line, which is expressed in adult equivalent consumption units, was converted into a per capita poverty line using the government’s adult equivalence scale. The national poverty line was set in 2018 based on data from the 2017-18 Household Budget Survey. According to IMF data, inflation has been around 7.6% since then and so the national poverty line wage in 2020 would be around TZS 135,500 if it were increased by inflation. ^b The World Bank low-income country \$1.90 (PPP 2011 series) poverty line wage was estimated using typical rural family size (see note c), typical rural number of full-time workers per family (see note d), and a formula suggested by the World Bank to update PPP which uses the 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 wage and the World Bank poverty line wage as this family size is in between: (i) average household size in rural Tanzania 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 areas of Tanzania (according to 2015-16 Demographic and Health Survey data) ^d Number of full-time equivalent workers per family used for expositional purposes to estimate the national poverty line wage and the World Bank poverty line wage of 1.73 is based on ILOSTAT modeled estimates drawn from the 2014 Tanzania Labor Force Survey for males and females ages 25+ for rural labor force participation rates, rural unemployment rates, and for national part-time employment rates. ^e The Anker Living Wage 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 studies). ^f Taxes on a living wage include income tax of 9% on income between TZS 170,000 and 360,000 and a 10% social security tax on the gross wage. ^g Minimum wage was last increased in 2013. There has been around 41.2% inflation since then; thus, agriculture minimum wage would be TZS 141,200 in 2020 if it had increased with inflation.