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# ANKER LIVING WAGE REFERENCE VALUE

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**URBAN  
TANZANIA  
2020**

**LIVING WAGE**

**TZS 425,608  
PER MONTH  
(US\$169)**

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 Value<sup>1</sup>

## Urban Tanzania 2020

### 1. Anker Living Wage Reference Value for Urban Tanzania in 2020

The Anker Living Wage Reference Value for 2020 for urban Tanzania is TZS 425,608 per month (USD 169)<sup>2</sup> with a 95% confidence interval around it from TZS 388,038 to TZS 471,092. This is the wage required for workers to be able to afford a basic but decent living standard in a typical urban area of Tanzania. The Reference Value is comprised of a net living wage (i.e. take-home pay) of TZS 361,338 (USD 158) per month plus TZS 64,270 (USD 28) which would need to be paid by law in social security and income tax on the living wage.<sup>3</sup>

*“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 (or urban) areas of low-income and middle-income countries. Since they are based on a statistical analysis, they have a margin of error for typical rural (or 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 (or 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.

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<sup>1</sup> Prepared by: Sally Smith, Ian Prates, Martha Anker, and Richard Anker.

<sup>2</sup> 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.

<sup>3</sup> There is a mandatory payroll deduction by law of 10% for social security and an income tax of 9% on income between TZS 170,001-360,000 and 20% on income between TZS 360,001-540,000.

### 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 age 25). One-third of the population was living in an urban area in 2018, up from one-quarter in 2005.

#### *Economy*

Tanzania is now a lower-middle income country having graduated to lower-middle income status on July 2020 according to the World Bank. Its gross national income per capita was \$2,700 in international dollars (PPP) and \$1,080 in USD in 2019 (Atlas method). 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.<sup>4</sup>

Poverty rates are considerably lower in urban areas (15.8%) than in rural areas (31.3%) with the poverty rate especially low in Dar e Salam (8.0%). There are also large differences in poverty

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

rates across geographic regions. Poverty rates are 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 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 (51% in urban areas). Living conditions are better in urban areas of Tanzania than in rural areas, with 64% of urban households having access to electricity (compared to 10% of rural households) and only 12% lacking access to clean drinking water (compared to 34% of rural households), but 41% of urban households do not use improved sanitation facilities. Moreover, living conditions for poor households in urban areas are considerably worse than for better off households.

### *Labor market*

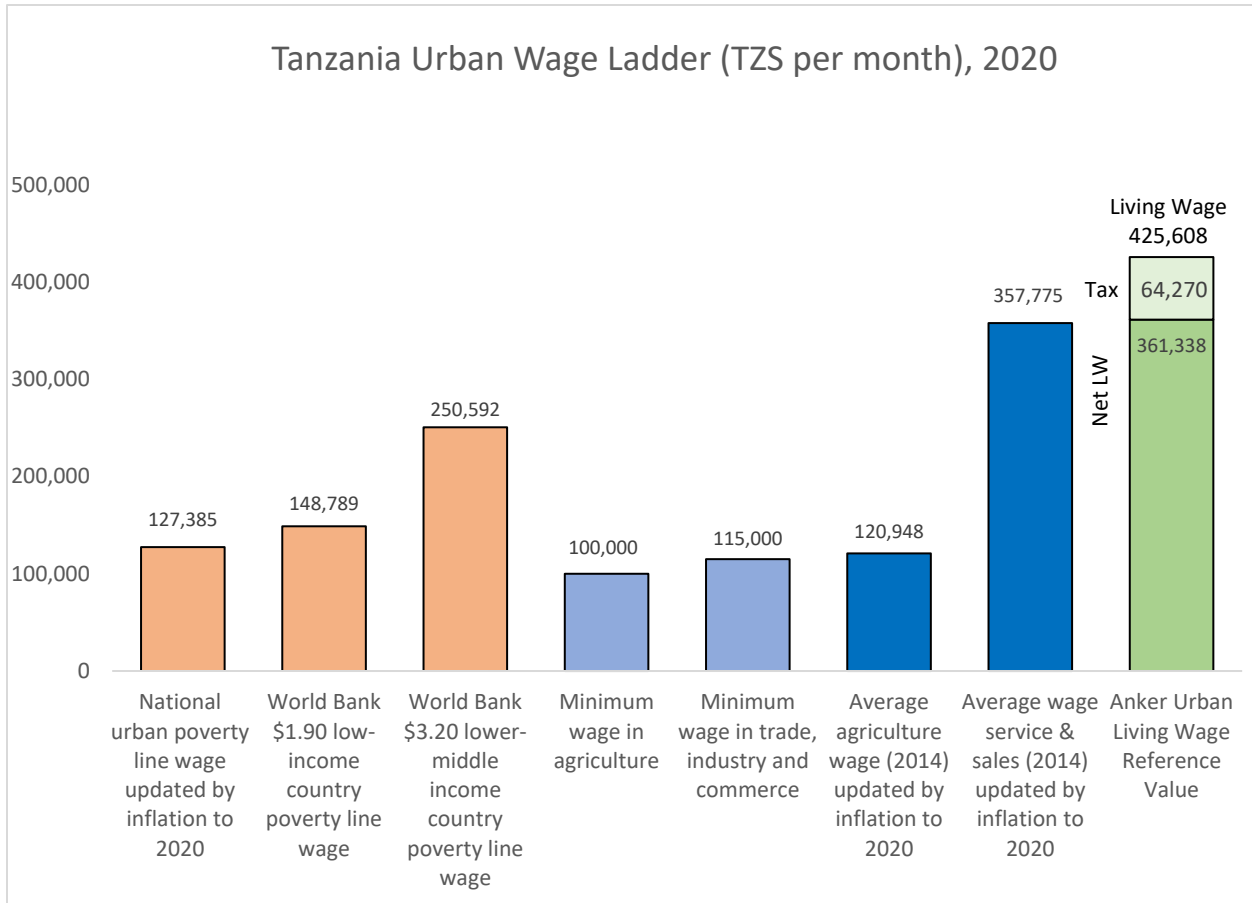
According to ILOSTAT data drawn from the 2014 Tanzania Labor Force Survey, 93.9% of urban males ages 25+ and 79.5% of urban females ages 25+ are in the labor force. The reported urban unemployment rates for ages 25+ are low at 0.5% for males and 4.4% for females, but around 31% of males ages 25+ and 45% of females ages 25+ are reported to work less than 35 hours per week.

## **4. Wage ladder and gaps to a living wage, urban Tanzania**

Figure 1 below provides a wage ladder for urban Tanzania and some context on gaps to a living wage. It compares the Anker Living Wage Reference Value for urban Tanzania to seven other wage indicators. The Anker Living Wage Reference Value is much higher than four of these wage comparators. The Reference Value is much higher than the three poverty line wage comparators in figure 1 (see note b to figure 1 for an explanation of why two World Bank poverty line wages are included in figure 1). It is 2.9 times the World Bank \$1.90 poverty line wage, 1.7 times the World Bank \$3.20 poverty line wage, and 3.3 times the national poverty line wage. The Reference Value is 4.3 times the agriculture minimum wage and 3.7 times the trade, industry and commerce minimum wage (which were last changed in 2013 despite around 41% inflation since then). The Reference Value is 3.5 times the average agricultural wage. However, the Anker Reference Value is only 19% higher than the average wage of sales and service workers. One reason for this large difference is the reasonably high tax burden for workers earning a living wage (around 15%) for mandatory social security payroll deduction and income tax which would be due. Note that given large variations in poverty rates and income levels across urban Tanzania, to better understand and measure location-specific living wage gaps within urban Tanzania, further analysis and quality-assured Anker methodology studies are required - although for the outskirts of Arusha

where Fairtrade-certified flower farms are located, the urban Reference Value lower confidence limit of TZS 388,038 or the semi-urban Reference Value for Tanzania of TZS 371,694 could be considered.

**Figure 1**



**Notes:**

<sup>a</sup> 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. We updated this to 2020 using inflation rate data from the IMF since then of around 7.6%.

<sup>b</sup> Since Tanzania “graduated” from low-income country status to lower-middle income status on July 1, 2020 according to The World Bank, the World Bank low-income country \$1.90 (PPP 2011 series) poverty line is probably too low for Tanzania while the World Bank lower-middle income \$3.20 poverty line is probably too high for Tanzania. This is because Tanzania’s GNI per capita in USD (Atlas method) is right at the borderline between these income groups being only \$6 below the lower-middle income threshold of \$1,026 on July 1, 2019 and only \$44 above the \$1,036 threshold on July 1, 2020. A poverty line in between the \$1.90 and \$3.20 poverty lines is probably appropriate for Tanzania. This is why both the World Bank \$1.90 and \$3.20 international poverty lines are included in the wage ladder. A formula suggested by the World Bank was used to update PPP to 2020 which uses the latest available PPP from the World Bank and inflation rate data since then according to the IMF for Tanzania and the United States.

<sup>c</sup> The family size of 5 is used for expositional purposes to estimate the national poverty line wage and the World Bank poverty line wage as this family size is in between: (i) average household size in urban Tanzania of 4.3 when single-person households (that definitely do not have children) and especially large households with 9+ 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 5.5 implied by the child mortality-adjusted total fertility rate of 3.5 in urban Tanzania according to 2015-16 Demographic and Health Survey data.

<sup>d</sup> 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 1.69 is based on ILOSTAT data drawn from the 2014 Tanzania Labor Force Survey for males and females ages 25+ on urban labor force participation rates, urban unemployment rates, and national part-time employment rates.

<sup>e</sup> 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 urban reference family size falls from 5.5 to 3.5 with development in Anker living wage benchmark studies).

<sup>f</sup> Taxes on a living wage include income tax of 9% on income between TZS 170,000 and 360,000 per month, 20% tax on income above 360,000 per month, and a 10% social security tax on gross wage.

<sup>h</sup> Minimum wage was last increased in 2013. There has been around 41% inflation since then. Agriculture minimum wage would be TZS 141,200 in 2020 if it had increased with inflation.