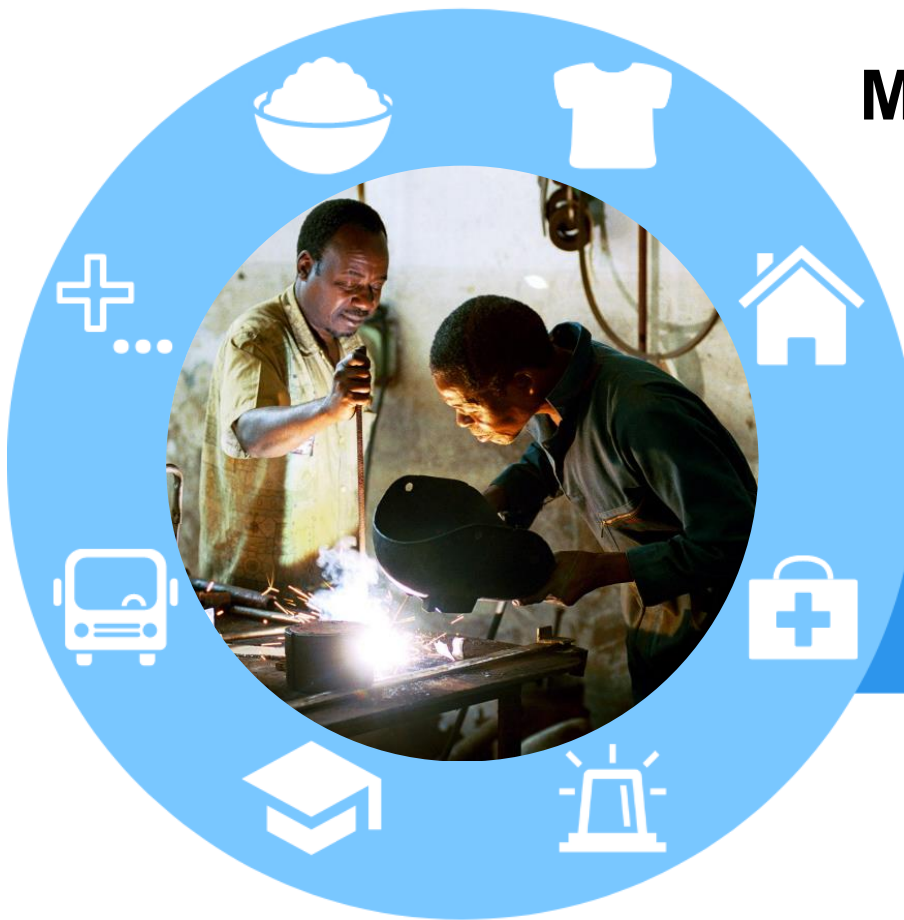

ANKER LIVING WAGE REFERENCE VALUE

**RURAL
MOZAMBIQUE
2022**



LIVING WAGE

**MZN 7,684
PER MONTH
(US\$120)**

Anker 
Research
Institute

GLOBAL 
LIVING WAGE
COALITION

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The Anker Living Wage and Income Research Institute engages in and disseminates high quality research, analysis, and training related to living wage and living income (based on the Anker methodology) to inform and influence companies, empower working people, and shape public policy, thereby helping to enhance quality of life and sustainable livelihoods for working people and their families everywhere. Social Accountability International (SAI) is the institutional host.



Anker Reference Values are endorsed by the Global Living Wage Coalition (led by Fairtrade International, Rainforest Alliance, Social Accountability International in partnership with ISEAL and Martha and Richard Anker). 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.



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Rural Mozambique Living Wage Reference Value 2022

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Abstract:

This report provides an estimate for the Anker Living Wage Reference Value for rural Mozambique for 2022, as well as contextual background about the country's geography, demographics, economy, poverty, labor market, and standards of living. The gross Anker Living Wage Reference Value is estimated as MZN 7,684 (120 USD). The report concludes by comparing the reference value to existing wages and highlighting gaps to a living wage.

Keywords: Living wage, Anker Methodology, Mozambique, rural living costs, Labor market

JEL classifications: J30, J50, J80, I30, I32, R20, R23

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Anker Living Wage Reference Value

Rural Mozambique 2022

1. Anker Living Wage Reference Value for Rural Mozambique in 2022

The Anker Living Wage Reference Value for 2022 for rural Mozambique is MZN 7,684 (USD 120) per month with a 95% confidence level, ranging from MZN 6,633 (USD 104) to MZN 8,895 (USD 139). This is the living wage required by workers in typical rural areas of Mozambique to be able to afford a basic but decent living standard. The Reference Value is comprised of a net living wage (i.e., take-home pay) of MZN 6,541 (USD 102) per month plus MZN 1,143 (USD 18), paid by law as income tax (11.88%; MZN 9,131; USD 14) and contribution to Social Security (3%; MZN 231; USD 4) on the living wage.

The living wage is defined as:

“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 methodology developed by Richard Anker, Martha Anker, and Ian Prates, comprising of a rigorous 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 (urban) areas of a country which is generally around + or -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 might be larger than this 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.

3. Country context

Geography and demographics

Mozambique is located on the southeast coast of Africa, with a long Indian Ocean coastline of 2,500 kilometers on its eastern border. It is bordered by six other countries: Tanzania to the north, Malawi and Zambia to the northwest, Zimbabwe to the west, South Africa to the southwest and Eswatini to the south. Mozambique is a relatively large country, with an area of 801,590 km², and is ranked 36th in the world by size.¹ The country's landscape is dominated by coastal lowlands with uplands in its center and high plateaus to the northwest. Mozambique has a tropical climate with two seasons, a dry season from April to September and a wet season from October to March.

Mozambique has a population of 33.1 million in 2022 according to the United Nations Population Fund.² Annual population growth rate is quite high at 2.9% in 2021 – although it has come down from a peak of 4.0% in 1993. However, it has been nearly constant from 2000 onwards, averaging 2.83% per year since then.³ Although the total fertility rate – total births per woman – has come down in Mozambique, from 6.2 in 1990 to 5.8 in 2000 and 4.7 in 2020, it is still well above the replacement level of slightly above 2.⁴ The old age dependency ratio – the ratio of elderly (above 64 years) to the working age population (15-64 years) – has steadily declined from 7% in 1990 and 6% in 2000 to 5% in 2021.⁵ However in 2021, young people (ages 0-14) made up 44% of the population, while those of working age (15-64 years) and old age (65 and above) comprised 53% and 3% respectively, according to the World Bank.

Although Mozambique has been steadily urbanizing over the past decades, with its urban population as a share of total population going from 25% in 1990 to 29% in 2000 and 38% in 2021, the country largely remains rural.⁶ The rural population as a share of total population has declined from 71% in 2000 to 62% in 2021 according to the World Bank.

Economy

Mozambique is a low-income country, with a GDP of \$16.1 billion in USD in 2021 and a GDP per capita of \$500.4 in USD in 2021.⁷ The political stability since the end of the civil war in 1992 has enabled the country to experience accelerated growth over the past few decades. Real GDP

¹ World Population Review. 2022. "Largest Countries in the World 2022." <https://worldpopulationreview.com/countryrankings/largest-countries-in-the-world>. Accessed on 12th November 2022.

² United Nations Population Fund. 2022. "World Population Dashboard – Mozambique." <https://www.unfpa.org/data/world-population/MZ>. Accessed on 12th November 2022.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

growth averaged around 8% per year from 1996–2016.⁸ Annual real GDP growth declined from 3.7% in 2015 to -0.8% in 2019 because of issues with debt, a regional drought, and low commodity prices, which in turn led to lower investment, decreasing confidence, and falling exports.⁹ In 2020, as a result of the Covid-19 global pandemic, real GDP contracted by 1.2%, before rebounding in 2021 with modest real GDP growth of 2.2%.¹⁰ The World Bank expects Mozambique’s real growth rate to accelerate in the medium term, averaging 5.7% between 2022 and 2024, as demand recovers further and the economy benefits from the start of LNG production.¹¹

The country has recently discovered natural offshore gas reserves, which are the third largest natural gas reserves in Africa after Nigeria and Algeria, and this should provide a boost to its economy.¹² It is important to keep in mind that growth in GDP per capita is much lower than GDP growth because of the high annual population growth rate of around 2.8% indicated above. Inflation has been erratic and high in Mozambique. It averaged 7.4% per year from 2005-2020, with a high of 17.4% in 2016 and a low of 2.6% in 2012.¹³ This is related to currency depreciation. For example, the Mozambican Metical depreciated by 36% against the US Dollar in 2016.¹⁴ Inflation has been high in 2022 with a year-on-year inflation rate of 11.8% in October 2022.¹⁵

Mozambique’s economy is relatively highly dependent on services for a mainly rural country, as it contributed 41.5% of value added to GDP in 2020.¹⁶ In recent years, this share has declined, however, coming down from a high of 48.7% in 2013. Correspondingly, the share of industry including construction has increased from 16.3% in 2013 to 21.8% in 2020. Agriculture, forestry, and fishing continue to play a significant role in the economy, contributing 25.6% to GDP in 2020.¹⁷

Social Conditions: Poverty

Poverty is high in Mozambique. The poverty rate was 46.1% at the national poverty line¹⁸, and 64.6% at the World Bank’s \$2.15 PPP international poverty line in 2014 (most recent data available). The poverty rate has declined by 23 percentage points (from 69% to 46%) at the national poverty line between 1996 and 2014, and by 18 percentage points (from 83% to 65%) at

⁸ World Bank. 2017. “Country Partnership Framework for the Republic of Mozambique.” <https://documents1.worldbank.org/curated/en/540001493517702187/pdf/MZ-CPF-Final-clean-March-23-04052017.pdf>

⁹ Ibid.

¹⁰ World Bank. 2022. “World Development Indicators.”

¹¹ World Bank. 2022. “Mozambique Economic Update: Getting Agricultural Support Right.” <https://www.worldbank.org/en/news/press-release/2022/07/11/mozambique-economic-update-getting-agricultural-support-right>

¹² IMF. 2019. “Mozambique’s natural gas resources: tradeoffs and opportunities”. IMF Country Report No. 19/167.

¹³ World Bank. 2022. “World Development Indicators.”

¹⁴ World Bank. 2017. “Country Partnership Framework for the Republic of Mozambique.”

¹⁵ Trading Economics. 2022. “Mozambique Inflation Rate.” <https://tradingeconomics.com/mozambique/inflation-cpi>. Accessed on 15th November 2022.

¹⁶ World Bank. 2022. “World Development Indicators.”

¹⁷ Ibid.

¹⁸ World Bank. 2022. “World Development Indicators.”

the World Bank international poverty line in this time period. Poverty is concentrated in rural areas, and in particular in the central and northern regions.¹⁹ With high inflation and moderate economic growth in recent years, the poverty rate is unlikely to have fallen significantly in recent years.

Inequality in Mozambique is high and has gone up, as measured by the Gini coefficient from 0.46 in 2008 to 0.54 in 2014 (latest available data).²⁰ Inequality is also high between genders. The UNDP's gender inequality index, which measures inequality along the three dimensions of reproductive health, empowerment, and economic status, gave a score of 0.537 to Mozambique in 2021, ranking it 136 out of 170 countries.²¹

Standard of Living

With high levels of poverty and inequality, living standards in Mozambique are below global levels, despite modest progress in recent decades. The lack of inclusive growth combined with rapid population growth have meant that the country has not been able to adequately supply necessary services for human capital accumulation. Even though the UNDP's Human Development Index for Mozambique increased from 0.238 to 0.446 between 1990 and 2021, the country is still ranked 185 out of 191 countries on this index.²²

Life expectancy at birth increased from 49 years in 2000 to 61 years in 2020; in contrast, the average for lower middle-income countries was 69 years in 2020, while the world average was 73 years in 2020.²³ Life expectancy at birth was worse for males (58 years) than females (64 years) in 2020.²⁴ The under-5 mortality rate was high, at 71 deaths per 1000 live births in 2021, according to the World Bank.

The primary school net enrollment rate in Mozambique is high, increasing from 57% in 2000 to 94% in 2018.²⁵ However, the primary completion rate is only 58% in 2020, with roughly equal rates for males and females, although it has increased significantly from 17% in 2000.²⁶ Further, the secondary school completion rate is very low, at 24% in 2019. The adult literacy rate was only 61% in 2017, and however, here is a significant gender divide, with adult males (73%) having much higher literacy rate than adult females (50%).²⁷

¹⁹ Op. Cit.

²⁰ Our World in Data. 2022. "Income inequality: Gini coefficient 1996 to 2014." <https://ourworldindata.org/grapher/economic-inequality-gini-index?tab=chart&country=MOZ>. Accessed on 16th November 2022.

²¹ United Nations Development Program. 2022. "Human Development Reports – Mozambique Country Profile." <https://hdr.undp.org/data-center/specific-country-data#/countries/MOZ>. Accessed on 16th November 2022.

²² Ibid.

²³ Our World in Data. 2022. "Life Expectancy." https://ourworldindata.org/grapher/life-expectancy-at-birth-total-years?tab=chart&country=MOZ~OWID_WRL~Lower+middle+income. Accessed on 17th November 2022.

²⁴ World Bank. 2022. "World Development Indicators."

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

Living conditions are also poor. The share of population with access to electricity was only 31% in 2020 according to World Bank data, and only 17% of the population of Mozambique used internet in 2020. Access to at least basic water services has a large rural-urban divide, with the rural population (49%) faring much worse than the urban population (88%).²⁸

Labour Market

Mozambique's labor force was 14.1 million and the labor force participation rate for ages 15-64 was 78% in 2021.²⁹ The sectoral distribution of employment in 2019 was: agriculture employed 70% of the total employed population, industry had a share of 9%, and 21% were engaged in the services sector.³⁰ Unemployment rates are very low, with only 4% of the population out of work in 2021.³¹ The informal economy is dominant in Mozambique, with 86.7% of people working in informal employment as a share of total non-agriculture employment in 2015.³²

4. Living wage ladder and gaps to living wage

Figure 1 is a wage ladder for rural Mozambique to provide context on gaps to living wage. It compares the Anker Living Wage Reference Value for rural Mozambique with three other wage indicators. The Anker Living Wage Reference Value is 57% higher than the World Bank international poverty line wage for low-income countries (\$2.15 internationally comparable dollars)³³ and 83% higher than the Mozambique national rural poverty line wage. It is 48% higher than the agriculture minimum wage. It is important to keep in mind that, as mentioned previously, the majority of workers in Mozambique do not have formal employment relations and so most workers in Mozambique do not receive even the minimum wage.

²⁸ Our World in Data. 2022. "Share of population using at least basic water services." <https://ourworldindata.org/grapher/rural-population-with-improved-water?tab=chart&country=MOZ>. Accessed on 17th November 2022.

²⁹ World Bank. 2022. "World Development Indicators".

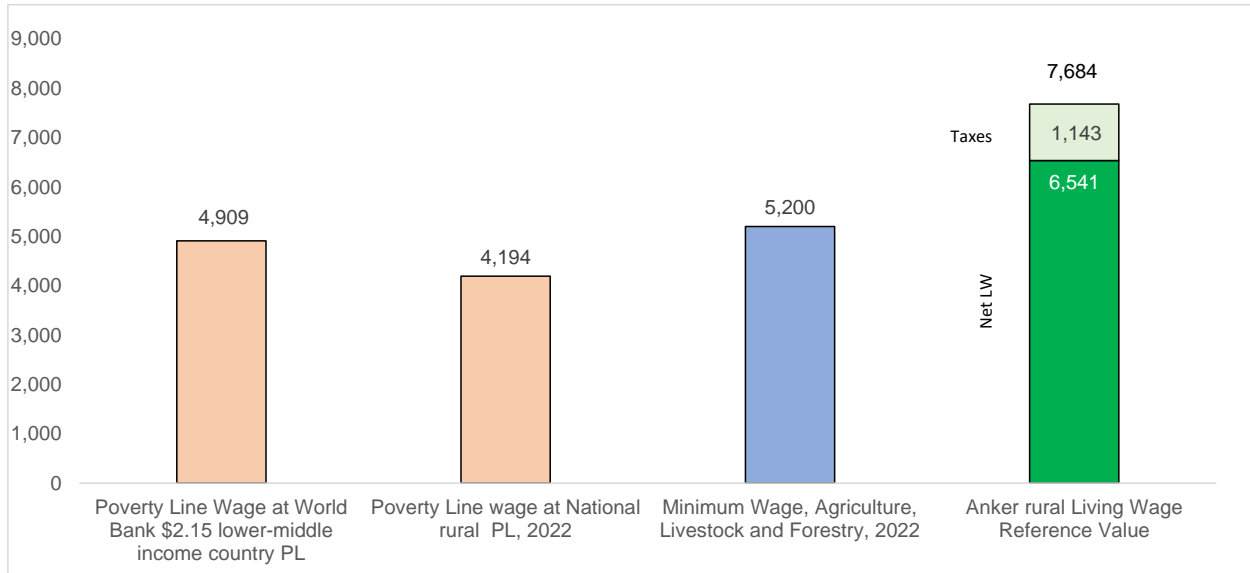
³⁰ Ibid.

³¹ Ibid.

³² Our World in Data. 2022. "Informal Employment." <https://ourworldindata.org/grapher/informal-employment-of-total-non-agricultural-employment?tab=chart&country=MOZ>. Accessed on 17th November 2022.

³³ On October 2022, the World Bank updated international poverty lines for 2.15 PPP (low-income countries), 3.65 PPP (lower-middle income countries) and 6.85 PPP (upper-middle-income countries). Earlier, these values were 1.90 PPP, 3.20 PPP and 5.50 PPP respectively. <https://www.worldbank.org/en/news/factsheet/2022/05/02/fact-sheet-an-adjustment-to-global-poverty-lines#1>

Figure 1: Mozambique Rural Wage Ladder (MZN per month), 2022



Notes: ^a Rural poverty line for Mozambique is per person and was set based on 2014-15 household budget survey data. We updated this by inflation to mid-2022 and converted it to a poverty line wage using the family size and the number of workers in family indicated in notes “c” and “d” below. ^b The World Bank poverty line wage for Mozambique was estimated using the new World Bank international poverty line for low-income countries (\$2.15 PPP a day), family size and number of workers indicated in notes “c” and “d” below. ^c Family size of 5.5 (2 adults and 3.5 children) was used for expositional purposes to estimate the national poverty line wage and the World Bank poverty line wage. This family size is in between: (i) average household size in rural areas of around 4.7 when single-person households (that do not have children) and very large households (that are likely to be extended families with more than 2 adult workers) are excluded. Bear in mind that average household size is biased downward by a high percentage of female-headed households in Mozambique (36% according to the World Bank); and (ii) the rural total fertility rate adjusted for rural child mortality of 5.0 for 2020 which implies a family size around 7. ^d Number of full-time equivalent workers per family of 1.71 is used for expositional purposes to estimate the poverty line wages. It was estimated using data from ILOSTAT (which are based on the 2014-15 national household expenditure survey data) for rural labor force participation rates and rural unemployment rates for males and females ages 25-54 together with part-time employment rates based on 2018 DHS data on percentage of workers engaged in seasonal work and occasional work over the year. ^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 Benchmark studies). ^f Minimum wage for agriculture was last increased in 2022.⁹ The latest data on average wages are only available for 2004-05 and so are not included in the wage ladder because they are out of date and unlikely to be realistic when updated by inflation.