
ANKER LIVING INCOME REFERENCE VALUE

RURAL MOZAMBIQUE 2020



LIVING INCOME

MT 9,121
PER MONTH
(US\$127)

Anker 
Research
Network

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.



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**PHILIP MORRIS
INTERNATIONAL**

Anker Living Income Reference Value¹

Rural Mozambique 2020

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

The Anker Living Income Reference Value for 2020 for rural Mozambique is MT 9,121 per month (USD 142)² with a 95% confidence interval around it from Mt 7,889 to MT 10,546. This is the estimated monthly cost of a basic but decent standard of living for a typical family in rural Mozambique 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 (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 +/- 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 might 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: Mozambique

Geography and demographics

Located on the southeastern coast of Africa, Mozambique is bound by the Indian Ocean to the east and shares borders with six other countries: Tanzania to the north, Malawi and Zambia to the northwest, Zimbabwe to the west, South Africa to the southwest and Swaziland to the south.

¹ Prepared by: Yapo G. N'Guessan, Richard Anker and Martha Anker.

² Exchange rate used to convert to US dollars is 64.43. This is the average exchange rate for the three-month period from January to Mars 2020 according to IMF data.

Mozambique has a tropical climate and its landscape is dominated by coastal lowlands with uplands in its center and high plateaus in the northwest.

According to World Bank data, the population of Mozambique is around 30 million, growing at a fast rate of almost 3% annually due to a high fertility rate with women having an average of around 5 births.³ Sixty five percent of the population is under 25 years and more than 63% live predominantly in rural areas.

Economy

Mozambique is a low-income country with a gross national income per capita of \$1,300 in international dollars (PPP) and \$480 in USD in 2019. The socio-political stability in recent years has allowed the country to experience remarkable economic growth with the real gross domestic product (GDP) increasing at an average of 7.8 percent per year from the end of the civil war in 1992 to 2015.⁴ However over the last 4 years, the real GDP growth rate fell to an average of 3.2% and is expected to reach a low 2.2% in 2020 but to rebound back to 4% next year according to the IMF, although economic growth will undoubtedly slow down because of the negative impact of the COVID-19 outbreak. Given Mozambique's high 3% annual population growth rate, this means that real GDP per capita has not increased much since 2015.

Exposure to climate shocks is a big challenge as severe cyclones provoke mass destruction and affect millions of people regularly. Inflation rate averaged 7.2% annually over the last 10 years and is projected by the IMF to be around 5% for 2020-2021.

Agriculture is still the core of the country's economy contributing 24% to the country's GDP and employing 70% of the labor force, but the extraction sector is expected to progressively play a key role in the near future as Mozambique has become the third largest natural gas reserves in the continent after Nigeria and Algeria.⁵

Poverty

The poverty rate decreased somewhat in Mozambique from 54.1% in 2002/2003 to 46.1% in 2014/2015 at the national poverty line. In absolute numbers, however, the total number of poor has increased, owing largely to the rapid growth in population, from 11 million in 2002/03 to 12.3 million in 2014/15.⁶ Moreover, not only is the poverty rate lower in urban areas than in rural areas (37.4% compared to 50.1%) but the reduction in poverty has also been greater in urban areas (from 48.2% to 37.4%) compared to rural areas (from 55.0% to 50.1%).

Data from the Household Expenditure Survey 2014-15 show large disparities in the distribution of poverty across geographic regions in Mozambique. Northern regions have the highest poverty

³ <https://databank.worldbank.org/reports.aspx?source=2&country=MOZ>

⁴ World Bank. 2016. Mozambique Systematic Country Diagnostic.

⁵ IMF Country Report No. 19/167 (2019). Mozambique's natural gas resources: tradeoffs and opportunities.

⁶ World Bank. (2018), Mozambique Poverty Assessment.

rate (51.1%), followed by Center regions (46.2%), and Southern regions (32.8%). At the provincial level, Niassa, Nampula and Zambézia have the highest poverty rates at 60.6%, 57.1% and 56.5%, respectively. Maputo Province has the lowest poverty rate at 18.9% followed by Tete Province and Manica Province at 31.8% and 41.0% respectively. Based on the World Bank \$1.90 (PPP) poverty line for low-income countries, 62.9% of people in Mozambique are classed as poor.

Standard of living

In addition to the fact that the economic growth has not been inclusive, profiting mostly urban areas and higher economic classes, the fast population growth in Mozambique has put a lot of pressure on government social services. Hence, living conditions have improved but remain far below world standards, with Mozambique ranked 180 out of 189 countries on UNDP's Human Development Index for 2019. As many as 76 per cent of the population does not have improved sanitation facilities. Living conditions are more problematic in Mozambique rural areas where more than 50% of people do not use improved water sources and only 2.2% have access to electricity.

Life expectancy at birth increased from 49 years in 2000 to 60 years in 2018, but the under five mortality rate is still very high at 72.4 per 1,000 live births. Within the same period, expected years of schooling has improved from 5.8 to 9.7 years and total enrolment rate in primary school has increased significantly from 57% to 91%, although according to the World Bank school completion rate is still very low at 55% and 49% for males and females respectively.

Labor market

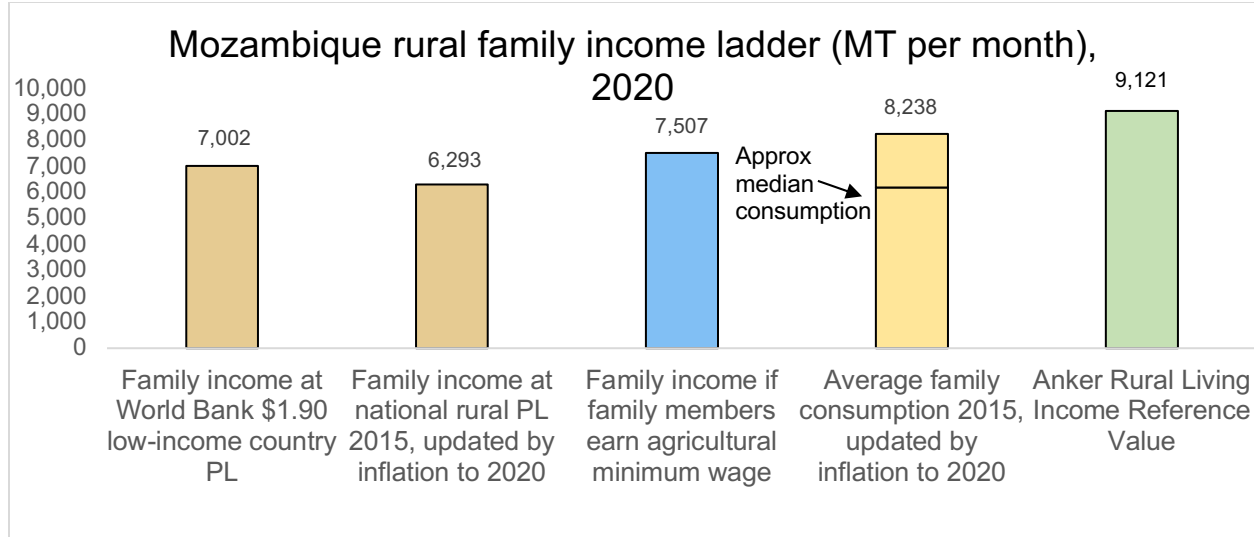
Rural labor force participation rates are very high for both men and women (91.5% and 91.0% respectively) while unemployment rates are very low for both men and women (0.5% and 0.4% respectively) according to data for ages 25-54 from the 2014-15 Household Expenditure Survey reported by ILOSTAT. However, part-time employment rates are very high in rural Mozambique due to high levels of occasional work and inactivity in the dry season according to the 2018 Demographic and Health Survey.

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

Figure 1 below provides a family income ladder for rural Mozambique and so context on gaps to a living income. It compares the Anker Living Income Reference Value for a typical family in rural Mozambique to four other family income indicators. The Anker Living Income Reference Value is higher than all four of these income comparators. It is 30% higher than family income at the World Bank \$1.90 poverty line for low-income countries such as Mozambique, and 45% higher than family income at the national poverty line. It is 21% higher than the income of a typical rural family (with 1.71 full-time equivalent workers) earning the agricultural minimum wage, and 11% higher than average rural monthly household consumption (and around 50% higher than median rural household consumption). Given the large variation in poverty rates across rural Mozambique (see above), to more fully understand and measure location-specific living income gaps in rural Mozambique, further analysis and quality-assured Anker methodology studies are needed. In the

meantime, living income in rural Tete and rural Manica provinces (where tobacco is grown) is expected to be in between the Reference Value of MT9,121 and its upper confidence limit of MT10,546.

Figure 1



Notes: ^a Rural poverty line for Mozambique, which is per person, was set based on 2014-15 household budget survey data. Mozambique typically updates its poverty line every 6 years. If the 2015 poverty line of MT 4,058 is updated by inflation to the end of 2020, it would be MT 6,293.

^b The World Bank poverty line for Mozambique was estimated using the World Bank poverty line for low-income countries (\$1.90 PPP a day) using a formula suggested by the World Bank which uses the latest available PPP from the World Bank (2018) and inflation rates from the IMF for Mozambique and the United States since 2018.

^c Family size of 5.5 (2 adults and 3.5 children) was used for expositional purposes to estimate family income at the national poverty line and the World Bank poverty line. This family size is in between: (i) average household size for 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 keeping in mind that this average is biased downward by the high percentage of household in Mozambique that are female-headed (36% according to the World Bank); and (ii) the rural total fertility rate adjusted for rural child mortality of 5.2 for 2018 which implies a family size of over 7.

^d Number of full-time equivalent workers per family of 1.71 is used for expositional purposes to estimate family income at the minimum wage. It was estimated using data from ILOSTAT (which are based on the 2014-15 national household expenditure survey data) for labor force participation rates and unemployment rates for males and females ages 25-54 together with part-time employment rates based on 2018 DHS data for rural females on seasonal work and occasional work over the year.

^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 For expositional purposes, we assumed that median household consumption is 75% of mean household consumption.

^g Minimum wage for agriculture was last increased in 2019. There is projected to be around 5% inflation in 2020 according to the IMF.