Growth, Employment, Poverty and Inequality in Tanzania

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Abstract

This paper shows that in Tanzania, economic growth contributes to job creation and employment opportunities, however, it does very little to curb income inequality. Using official data from various local sources compiled by the National Bureau of Statistics and international the paper provides an explanation for why the creation of wealth and employment opportunities in Tanzania fails to bring the level of poverty to a level roughly comparable to what is found in the region to reduce inequality between the richer and the poorer segments of society.

Introduction

An indication of how much Africa is lagging behind can be found in an excellent study by Adam Przeworski (2004:169) who noted that "according to Gallup, Sachs and Mellinger (1998), African income in 1992 was the same as that of Western European in 1820" when "the average per capita income in the tropical zone amounted to 70 percent of that in the non-tropical zone" (Przeworksi, 2004:169). So, the per capita income of the tropical zone, which includes Sub - Saharan Africa, that was fairly close to that of the developed world in 1820 needed 172 years to reach the per capita income that the developed world enjoyed in 1820.

It has to be noted that Africa has been receiving a significant share of aid per capita. However, aid has been by and large detrimental to Africa's development and poverty reduction because aid money provided the continent with a wrong set of incentives, distorted the functioning of the market forces, and fed into that corruption (Pelizzo et al., 2016) that is often regarded as one of the main reasons why Africa has lagged behind in terms of socio-economic development and poverty (Moyo, 2009). The fact that Africa has lagged behind in terms of development is usually used to explain why poverty is so pervasive in the continent. Moyo's Dead Aid book (2009) basically suggests that by failing to speed up the development process, aid fails to make a significant contribution to poverty reduction.

There is no doubt that there has been in the mind of the international community that economic growth is a necessary condition for reducing poverty.[1] Wealth must be created before it can be distributed. But recent years have alerted scholars and practitioners alike about the fact that development is a necessary, but, in itself, insufficient condition to reduce poverty. Economic growth reduces poverty only if there is no increase in the level of inequality.

The recognition that development reduces poverty only if coupled with a reduction of income inequality, has led some scholars to refine Moyo's argument. Aid money fails to reduce poverty not because it fails to promote economic development, to promote wealth, but because it fails to reduce inequality. According to one of the most insightful analyses that we have read on this topic, aid money stimulates economic growth and the creation of job, but the job it creates are not good and as a result aid money ultimately fails to make a meaningful contribution to poverty reduction (Page and Shimeles, 2015).

The purpose of the present paper is to analyze the nexus between economic growth, employment, inequality and poverty in Tanzania, although it is the second largest economy in the East African Community and the twelfth largest in Africa. There are three basic reasons why we believe Tanzania represents an interesting case. The first is while it is clear and well documented that Tanzania has enjoyed rapid economic growth for most of the new millennium, it is not clear whether, how and to what extent this economic growth affected the employment, poverty and inequality in the country. The second reason is that while several studies have been produced on growth, poverty and inequality in various parts of Africa, in recent years, Tanzania has been somewhat neglected in the literature and, as a result, all the existing studies on poverty in Tanzania are somewhat outdated (Bagachwa, 1994: Lugall, 1995a; Lugalla, 1995b).[2]

In the first section, we will review the African literature on poverty in Africa pointing out that there seems to be a consensus about the fact that while growth may lead to employment, its impact on inequality and poverty reduction is somewhat unclear. In the second section, we discuss Tanzania's economic performance on the basis of its GDP growth, GNI per capita, and several other relevant economic indicators. The basic claim advanced in this section is that for most of the new millennium, Tanzania has enjoyed very high growth and that it has been able to generate wealth as evidenced by the increase in the GNI per capita but also in the number of millionaires.

In the third section we analyze the relationship between economic growth and employment and, in doing, we are able to show that the expansion of the Tanzanian economy has gone hand in hand with the expansion of the labor force—a finding which is consistent with what Page and Shimeles (2016) had reported in their study. In the fourth section, we investigate how economic growth and the expansion of the labor force have affected poverty and inequality in the country. In doing so, we find that the expansion of the economy and of the labor force was instrumental in reducing poverty but not in reducing the level of income inequality. This finding is, in some way, rather exceptional. In fact, while the international community has generally held the belief that poverty reduction occurs only when economic growth is coupled with a reduction (or at least not an increase) in the level of inequality, given its strong economic growth Tanzania was able to reduce poverty without reducing inequality.[3] Future research will have to discuss whether Tanzania is a somewhat exceptional case or whether, when growth is fast enough, it can reduce poverty regardless of what happens wo the level of inequality. Finally, in the fifth section we draw some tentative conclusions.

Poverty in Africa as discussed by African Scholars

Few topics in social sciences have received more attention than poverty. Some studies have attempted to theorize what poverty is (Sen, 1981), other have discussed instead how it could be measured (Foster et al. 1986; Sen, 1976), a third line of studies has instead investigated the determinants of poverty, while a fourth stream of scholarship has focused instead on what could be done to end poverty (Sachs, 2008).

The debate on poverty has been a rich one both globally and regionally. If one were in fact to review the contribution of African scholars to the study of poverty, one would discover a fairly rich, very interesting and rather sophisticated literature both in terms of geographical scope and in terms of topics covered.

Bado (2012) discussed poverty reduction in Burkina Faso, Mussa (2014) analyzed poverty and inequality in Malawi, Ali (2000) analyzed the evolution of poverty in Nigeria, Ballon and Duclos (2016) analyzed the severity of poverty in Sudan and South Sudan, Mulenga and Van Campenhout (2008) underlined the importance of taking population movements into consideration when studying poverty, Odusola (2017) explored the nexus between poverty, economic growth and inequality, while Shimeles and Verdier-Chouchane (2016) discussed the role of education in reduicing poverty.

Several studies had a more specific focus on poverty reduction. Some explored the nexus between growth and poverty reduction to discover, as Duclos and Verdier-Chouchane (2011) reported in their study, that while growth had been pro-poor in Mauritius, it had been almost anti-poor in South Africa.

Other studies, such as Anyanwu and Erhijakpor (2010) documented whether, how and to what extent remittances contribute to poverty reduction, while Page and Shimeles (2016) investigated the relationship between aid, growth, employment and poverty reduction and formulated some considerations that are perfectly consistent with the evidence will be presented in this paper.

It is not difficult to understand why the scholars from a region plagued by poverty (and inequality) have so much interest for economic growth, development, inequality and poverty alleviation. If one identifies the determinants of poverty, one can also devise some evidence-based policy measures that could contribute to poverty alleviation and eradication. Unsurprisingly African scholars have widely discussed why there is poverty in the African continent.[4]

Akindola (2010), in his analyses reported that poverty is the product of several factors which include unemployment, corruption, poor administration, poor roads, early marriage (as a 'gender dimension to poverty in communities'), low agricultural output, and the lack of storage facilities. Banjo (2009), argued instead that the determinants of poverty should be identified in political instability, civil conflict, bad governance, corruption, human and natural disaster, unfavourable terms of trade, negative impacts of structural adjustment programs, lack of (available) land, unemployment, restrictions on the informal sector, lack of access to credit facilities, the ineffectiveness of social safety nets, social problems, HIV/AIDS and other diseases.

In contrast to Akindola (2010) and Banjo (2009), who viewed poverty as primarily the result of domestic factors -from gender to good governance, from agricultural output to employment – Mpedi (2009) underlined that Africa's economic performance and its ability to reduce poverty were affected not only by domestic but also by international factors. In fact, he noted that the global financial crisis, by reducing the global demand for African goods and commodities and reducing the remittances to Sub-Saharan Africa would slow down GDP growth, would trigger inflation, would reduce purchasing power (and reduce consumption) and, by doing so, would make it harder for Africa to alleviate poverty or, worse, could make poverty an even more troublesome issue for so many people in the continent.

Even this brief summary of the African literature on poverty highlights some theme that we will try to explore in some depth in the remainder of the paper. But before doing so, we can identify some commonalities in the analyses that we have just recalled.

First, in spite of the fact that Mpedi and Akindola use different proxies for output -Mpedi adopts GDP, Akindola adopts agricultural output – they both posit the existence of a linkage between output and poverty. Akindola and Banjo underline the connection between (un)employment and poverty, while Mpedi underlines how inflation affects poverty in the continent.

While these themes were, in some of these studies treated in isolation from one another, it is not difficult to understand why they are or they can be part of a single narrative. Growth in output and the expectation creates a demand for employment, as more individual are gainfully employed they can be taken out of poverty and the gap between the richer and the poorer segments of society can be narrowed.

In the remainder of the paper, we will try to assess whether and to what extent economic growth leads to employment, poverty reduction and lower inequality. In doing so we will focus on the Tanzanian case because in spite of the fact that Tanzanian has enjoyed sustained economic growth for the best part of the new millennium, and that it has been one of the most dynamic economies of the East African region (which, in turn, was the most economically dynamic region in the continent), no study has attempted to investigate whether economic growth went hand in hand with poverty reduction and less inequality.

Economic Growth: Tanzania in Comparative Perspective

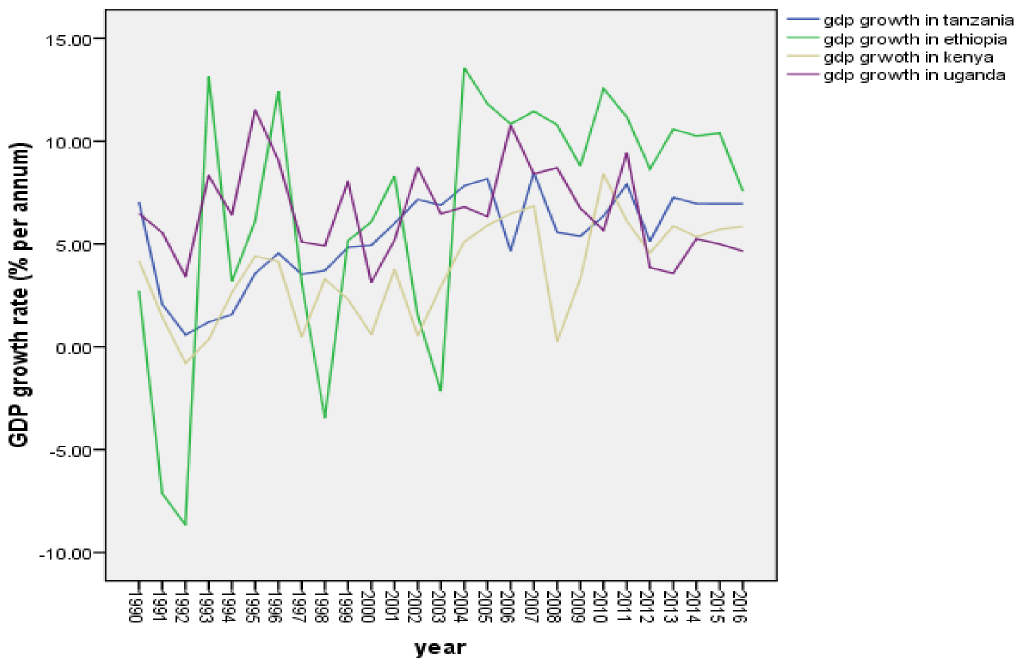
In an article published in 2003, World System Theorists Giovanni Arrighi said that the African crisis of the 1970s had by the 1990s turned into a full-scale tragedy: average life expectancy was low, infant mortality was higher than anywhere else on the planet, the literacy rate was uncommonly low and Africa's GNP per capita had declined from 17.6 per cent to just 10.5 per cent of the 'world' per capita GDP.

Yet, Africa's fortunes, with the new millennium, started to change. Average life expectancy increased by nearly 20 per cent from 49 years in 2000 to 59 years in 2015 currently going to 64, infant mortality dropped from 94.2 per thousand in 2000 to 56.3 per thousand in 2015, while GNI per capita more than tripled from 50.3 dollars in 2000 to 1737.6 dollars in 2016 before retracing a little bit in the following two years to record a GNI per capita of just 1505.4 dollars in 2016 (which amounts to 299 per cent of the 2000 value).

Africa made so much progress along the developmental path because many African countries, in the 2000-2015 period, experienced several years of strong and sustained growth. While the economies in each part of the continent performed much better than they had done in decades, East African economies outperformed the rest of the region.

From 2000 (included) to 2016 (included) the GDP increased on average by 4.56 per cent in Kenya, by 6.39 per cent in Uganda, by 6.62 per cent in Tanzania and by 8.95 per cent in Ethiopia. See Fig. 1.

Fig.1 GDP Growth Rates in Selected Countries of East Africa

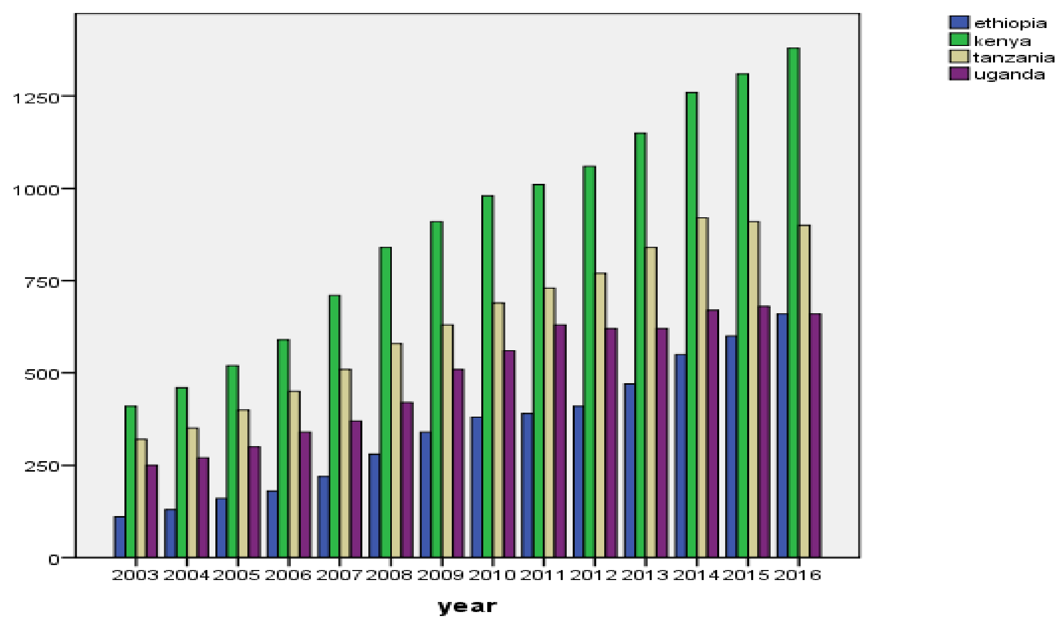


East African economies where growing fast and Tanzania was one of the best performing ones. See Fig. 2

Fig. 2 Annual GDP Growth (%) in Tanzania (1990-2016)

Strong economic performance went hand in hand with the creation of wealth. From 2003 to 2016 GNI per capita increased from 110 dollars to 660 dollars in Ethiopia, from 410 to 1,380 dollars in Kenya, from 320 to 900 dollars in Tanzania and from 250 to 660 dollars in Uganda. See fig. 3.

Fig. 3 Per capita income in selected countries of East Africa



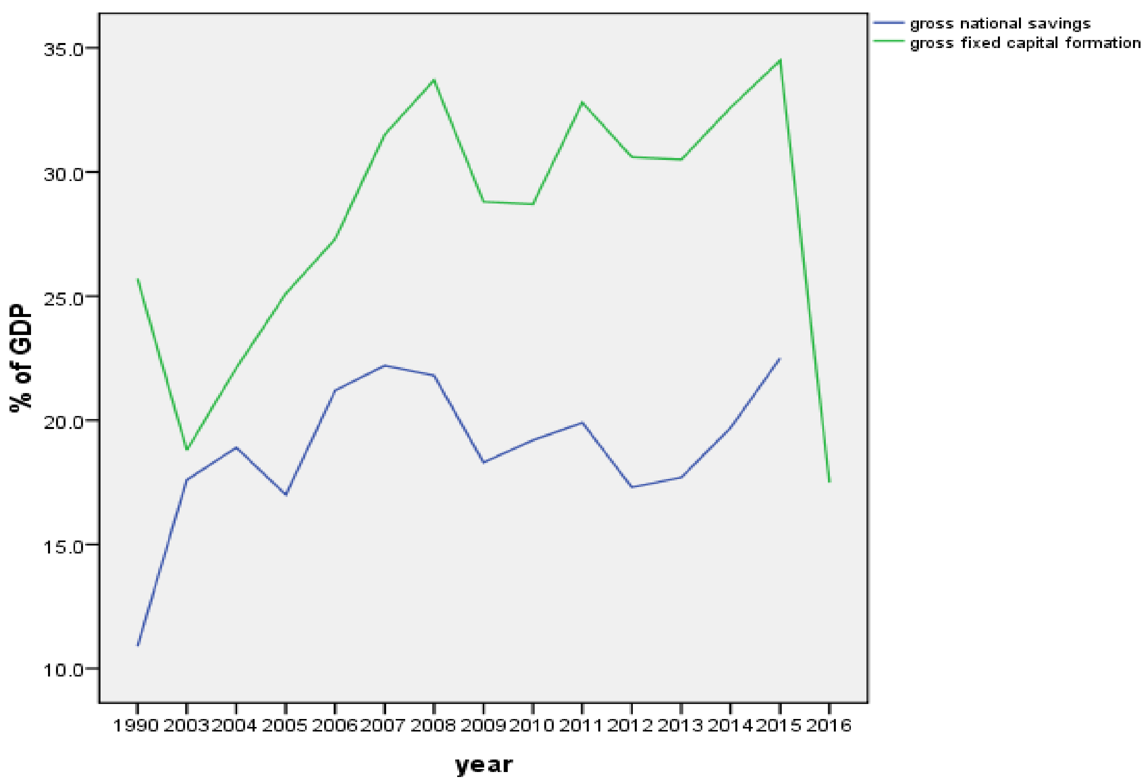
But the increase in the income per capita is not the only indicator that wealth was created. In a report produced and disseminated by the AfrAsia Bank of Mauritius - a report devoted to the number of millionaires in Sub-Saharan Africa – East Africa's growing wealth was demonstrated by the fact that the number of millionaires had increased dramatically. At least 145,000 Africans were believed to have at least 1 million dollars and their aggregate wealth was estimated to be 800 billion US dollars. Ethiopia, Uganda, Mauritius and Rwanda were identified as the countries with the fastest growth in the number of millionaires and several East African cities, including Tanzania's Dar Es Salaam, where believed to have a high concentration of millionaires (Pelizzo, 2017).

The good economic performance in Tanzania and in the rest of East Africa was not only evidenced by the fact that the region experienced many years of strong economic growth, that wealth was created, (and that wealthy Africans became even wealthier), but it was reflected by other macroeconomic indicators though of course, there were and there still are some areas of concern. Investments increased dramatically and reached a peak in 2015 but dropped in an equally dramatic fashion in 2016 –see fig. 4.

Meanwhile the growth in savings has been somewhat unremarkable and rather cyclical for the 2006-2015 period. See Fig. 4.

The drop-in savings coupled with a persistently low volume of savings, coupled with high inflation rates, that we will discuss in greater detail later on, are the main areas of concern for Tanzania.

Fig. 4. Trends of Savings and Investments as Percentage of GDP



All in all, the fact remains that in spite of few areas of concern, Tanzania's economic performance has been rather remarkable in the new millennium as shown by the marked increase in GDP, GNI per capita and, if one were to trust the AfrAsia bank's report, number of millionaires.

Economic Growth and Employment

In their paper on the tourism, employment and inequality, Kinyondo and Pelizzo (2015) noted that the development or the growth of the tourism industry created wealth, created employment, but failed to contribute to reducing poverty and inequality.

Our findings are generally consistent with what Kinyondo and Pelizzo (2015) reported. Many years of economic growth went along with an impressive expansion of the labor force.

Tab. 1. Total employment[5], regular employment, and their ratio

Year	Regular employment (A)	Total employment (B)	Regular as percentage of total employment A/B
2010	1019504	1276982	79.8
2011	1102473	1362559	80.9
2012	1323733	1550018	85.4
2013	1547337	1858969	83.2
2014	1781900	2141351	83.2
2015	2060013	2334969	88.2
change	1040509	1067987	
% change	+102.1	+83.6	+8.4

The data from various editions of the Employment and Earning Survey administered by the National Bureau of Statistics show not only that employment has increased overall (by nearly 84 per cent in just 6 years) but that regular employment has grown faster than the overall level of total employment. This means that the labor marked did not simply create more jobs but that it also created better, in the sense of being more stable and better remunerated, jobs. In fact, while regular employment amounted to only 79.8 per cent of total employment in 2010, by 2015 it amounted to 88.2 per cent. In just six years, Tanzania's economy was able to create more than 1 million jobs.

Tab.2 Average cash earnings, 2010-2015 (in T. Shillings)

Year	2010	2011	2012	2013	2014	2015
Average monthly cash earning	355208	368589	356666	380553	400714	403729

The increase in the number of jobs, the creation of jobs, went hand in hand with a modest increase in the average cash earnings. The 2012 average cash earning is virtually identical to the 2010 cash earning and the 2015 average cash earning is only slightly better what it had been in 2010 and 2012. From 2010 to 2015 the average cash earning has increased by only 48521 shillings or 13.6 per cent which corresponds to a yearly increase of 2.27 per cent. Such an increase is rather modest in both absolute and relative terms. In absolute terms is a modest increase because it represents a 22 US dollar increase in a six-year period and it is also a modest increase in relative terms because while cash earning was growing at 2.27 per cent a year on average, inflation (consumer prices) increased by nearly 9.1 per cent. So, the salary increases did not even keep up with the pace of inflation and this may have depressed individuals' and households' ability to purchase consumption goods.

Growth, Employment, Poverty and Inequality

The growth of Tanzanian economy went along with the creation of more and better jobs. Salary also minimally increased. The question, however, is: did the creation of wealth and employment in the country lead to a reduction of poverty and inequality?

With regard to poverty it is clear that many years of sustained growth, the creation of wealth and the creation of employment opportunities were instrumental in reducing poverty.

Tab. 3 Percentage of the Population Below International Poverty Line (2011 PPP $1.90)

country	year	Percentage in poverty	Year	Percentage in poverty	
Ethiopia	1995	66.4	2010	33.5	- 32.9
Kenya	1997	21.5	2005	33.6	+ 12.1
Tanzania	1991	70.4	2011	46.6	-23.8
Uganda	1996	59.6	2012	34.6	- 25.0

World Bank data indicate that in the early 1990s Tanzania had the highest percentage of people living under the international poverty line. In fact, 70.4 per cent of the Tanzanian population was under the poverty line, 66.4 per cent of the Ethiopian population was under the poverty line, 59.6 per cent of the Ugandan population was under the poverty line and only 21.5 per cent of the Kenyan population was under the poverty line. It is not difficult to understand why Kenya had such a low percentage of people living under the poverty line, if one considers that Kenya's economy and Kenya's income per capita has considerably and consistently been higher than that of the other countries in the region. In 2003, Kenya's GNI per capita was at least 50 per cent higher than that of Uganda and it was almost four times the value of the Ethiopian GNI per capita. Even in the most recent year for which World Bank data are available, Kenya's GNI per capita is 50 per cent higher than Tanzania's and more than twice the size of the Ethiopian and the Uganda GNI per capita.

Less clear is why Tanzania had more poverty than the countries in the rest of the region, considering that its GNI per capita has in general been higher than it was in other countries.
In any event, several years of strong economic growth have reduced the percentage of people living in poverty in Tanzania, as well as in Ethiopia and Uganda, but not in Kenya where it has actually increase to 33.6 per cent.

After many years of very fast growth, Ethiopia has as considerably higher GNI per capita and the lowest percentage of people living in poverty. And, as we show in the sixth column of table 3, Ethiopia was able to experience the most marked decrease in the percentage of people living in poverty (-32.8per cent). Uganda, after several years of strong growth, was also able to increase its GNI per capita to Ethiopia's level and was also able to have the second most marked decrease in the percentage of people living below the poverty line. In fact, from 1996 to 2012, the percentage of the Uganda population living below the poverty line dropped from 59.6 per cent to 34.6 per cent—a value only slightly higher than Ethiopia's.

Kenya, in spite of the fact that its economy grew and its GNI per capita virtually tripled, ended up having more people living in poverty than ever before, while Tanzania on the back of a strong economic performance and the creation of more and better jobs, was able to cut the percentage of people living in poverty by almost 24 per cent. But in spite of the remarkable progress in contrasting poverty, a spectacular economic performance and an even more remarkable creation of employment opportunities, Tanzania still has the highest percentage of people living in poverty.
Interesting as World Bank data may be, they do not provide as much information as one could gather from the data made available by the Tanzanian Bureau of Statistics. The Tanzanian National Bureau of Statistics in several of its Household Budget Surveys, after breaking down poverty into two distinct components (basic needs, food poverty), went on to track how poverty and the country's poverty profile changed over time.

Tab. 4 Poverty trends in Tanzania (% below poverty based on national poverty line)

Poverty line	1991/92	2000/01	2007	2011/12
Basic needs	38.6	35.7	34.4	28.2
Food poverty	21.6	18.7	16.6	9.7

From the first time the data on poverty were made available by the National Bureau of Statistics, the percentage of Tanzanians who lived below the poverty line with regard to basic needs decreased steadily. In fact, 38.6 per cent of the Tanzanian population lacked basic needs in 1991-92, the percentage declined to 35.7 in 2000-01, it declined further in 2007 and reached 28.2 per cent of the population in 2011-12.

Tanzania, in the same time frame has been able to make more progress in reducing food poverty as evidenced by the fact that the percentage of Tanzanians confronted with food poverty dropped from 21.6 per cent in 1991-92 to 9.7 per cent in 2011-12.
This evidence, in our view, sustains the claim that the economic growth that Tanzania has enjoyed since 2000, the creation of wealth and of employment, has played a role in reducing poverty in the country.

The data made available by the National Bureau of Statistics, however, shows that little to no progress was made with regard to reducing inequality. In fact, the data on inequality (Gini coefficients based in expenditure distribution) indicate that inequality increased from 1991-92 to 2000-2001, remained at this slightly higher level from 2001 to 2007, and returned to the 1991-92 level in 2011-12. In other words, from 1991-92 until 2011-12, inequality has not decreased in Tanzania (see Tab 5). But the small changes, the small fluctuation in the level of inequality, prevent one from appreciating that the trend in inequality in rural areas is fundamentally different from the inequality in urban areas. To be more precise, in 1991-92, 2000-01, and 2007 the level of inequality in rural areas did not change at all and was fixed at 0.33. In the same time span, however, the level of inequality underwent a significant increase in the urban areas. In 1991-92, the Gini coefficient for urban areas was 0.30, in 2000-01 was 0.36 and it dropped to 0.34 in 2007. This means that the fluctuations in the overall level of inequality were primarily due to the fluctuation in the level of inequality in urban areas.

Tab. 5 Trend in Inequality (Gini coefficient based on expenditure distribution; % of the total consumption by the poorest 20 per cent of the population)

Year	Gini coefficient-national	Gini coefficient-rural	Gini coefficient-urban	% of the total consumption by the poorest 20 percent of the population
1991/92	0.34	0.33	0.30	7
2000/01	0.35	0.33	0.36	7
2007	0.37	0.35	0.38	7
2011/12	0.34	0.29	0.35	6

These data also sustain the claim that the economic growth, the creation of wealth and employment had little to not impact on income inequality. Worse, as Kinyondo and Pelizzo (2015) reported in their article, several years of rapid economic growth -from 2001-02 to 2007 – did not affect at all the overall level of inequality in the country.[6]

This conclusion is reinforced by another set of data that are also made available by the National Bureau of Statistics—data that concern the consumption of the poorest 20 per cent of the population. In this respect, the data show that in spite of many years of strong economic growth, more wealth, and more jobs, the purchasing power of the poorest 20 per cent of the Tanzanian population has decreased from 7 to 6 per cent.

This finding is more or less problematic depending on how one understands poverty. If one equates poverty with inequality as some analysts such as Sen (1981) do, then economic growth went hand in hand with an increase in poverty.

If we assume that poverty and inequality can be related but not reduced to one another, then the fact that the material conditions of a large percentage of Tanzanians have improved in absolute terms should be regarded as a positive development. We do not wish to find ourselves entangled in a debate as to whether it is preferable to reduce poverty in absolute terms (because people move above the poverty line) or in relative terms (because of a narrowing of the gap between the haves and the have nots), because in countries where food shortages, food crises, famines are common events securing the means of subsistence irrespective of the level of equality is preferable to its alternative.

Conclusions

The international community, including scholars, has now come to the full realization that economic growth is a necessary condition for reducing poverty. The explanation for this is straightforward in that wealth must be created before it can be distributed among people leading to poverty reduction.

We note, however, in this paper that while economic growth is the necessary condition for poverty reduction; it is not a sufficient one. This is because the only way it can reduce poverty is through suppressing income inequality something that is not always the case when economic growth occurs.

Findings from this study clearly show that while economic growth has led to employment creation in Tanzania and some levels of poverty reduction, its impact on income inequality has been non-existent. Indeed, while the country has achieved a sustained and impressive economic growth since the turn of the millennium and in process has been able to create wealth as measured by the increase in GNI per capita and the number of millionaires, it has failed to to curtail inequality among Tanzanians.

Indeed, between 1992/92 and 2011/12, while poverty level decreased, there seems to be little to no progress with regard to decreasing income inequality. This implies that, at least in the case of Tanzania, economic growth, wealth as well as employment creation do not necessarily have an impact on income inequality.

These findings have an important contribution to the body of knowledge in that they confirm assertions by Sen (1981) that equate poverty with income inequality. The issue to take home here is thus that while poverty reduction in absolute terms can happen like it has been the case in Tanzania for over a decade now, poverty reduction in real terms can only take place in the presence of narrowing the income inequality gap. Put differently, in a poor country such as Tanzania, the provision of basic service necessity such as water, health, education and the likes including providing decent compensations to workers must be prioritized so as to close income inequality gap and by extension reducing real poverty.

Finally, the findings from the study shed some light into alarming trends in investment numbers and earnings. Specifically, while results show that there has been a sharp fall in investment between 2015 and 2016, earnings of workers have been increasing at a negligible rate between 2010 and 2015. The implication for the former is that there will be less jobs created in Tanzania, less technological and skill transfer and above slowing of economic growth.

Meanwhile the consequences for the later are dire in that with inflation averaging 5.7% in the past decade, modest increases in earning reduces purchasing power of workers turning them into so the called working poor. It goes without saying then that the government ought to improve business environment so as to attract more investment in the country. Efforts to curb inflation and enforce minimum wage laws are also recommended to address the looming plight of working poor.

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Notes

[1] Loy (2003) challenged this by saying that those who view development as a pre-requisite for poverty reduction in the end assume that the-modern (and hence pre-developed) condition is a condition of poverty, but archeological and historical evidence does not seem to support such a view.

[2] One of the few studies that in recent years was devoted to the growth, development, poverty and inequality nexus is represented by Matotai (2014). In his analysis of the Tanzanian case, Matotai observed that Tanzania had enjoyed sustained strong growth over many years, but that this economic growth had done little to distribute the wealth it had created. The many years of strong growth, in his view, had simply allowed the richest segment of the Tanzanian society to get richer to the point, he noted that while 45 per cent of the population lived below the 1.25/day poverty line, 90 per cent of the population lived below the 3 dollar/day poverty line, ”the net wealth of Tanzania’s 5600 millionaires (0.016 per cent of the population) commanded almost 17 per cent of the country’s national income” (Matotai, 2014:592). While even industry report on Africa’s wealth have underlined how the many years of strong growth had allowed some individuals to amass remarkable fortunes, while it is true that inequality has not declined the claims about the fact that poverty has not declined are somewhat inconsistent with the existing development data that are disseminated by the World Bank. Specifically, as we will show later on in the paper the percentage of Tanzanians living below the 1.9 dollar/day poverty line had dropped to 46.6 per cent—which makes it hard to believe that, as Matotai claim, 45 per cent of Tanzanians were living on less than 1.25 dollars per day. Our view is supported by the fact that, once we use the data concerning the percentage of the population living a poverty line of 3.2 dollar/day, we find that such percentage decreased from 64.8 per cent in 2000 to 40.5 per cent in 2007 to 36.3 in 2011.

[3] Nallari and Griffith (2011:64) noted that sustained growth reduces poverty, that an economic slowdown may contribute to an increase in poverty, that the impact of economic growth on poverty reduction varies across countries and depends on the composition of the economy/economic growth and inequality. Addressing the issue from a different perspective, McKay (2013) noted instead that growth led to poverty reduction with or without reducing inequality. McKay (2013:i60) in fact writes that "the impressive success story cases here are Ghana and Senegal, both of which experienced fast, monotonic poverty reduction over 14 and 11 years, respectively. Ghana almost halved its incidence of poverty and Senegal would appear to be on track to achieve this". Yet, while in economic growth led to poverty reduction in conjunction with a reduction of inequality, in Ghana poverty was reduced in spite of a (modest) increase in the level of inequality. Something quite similar to what we will report with regard to the Tanzanian case.

[4] Africa scholars have written on the growth, poverty and inequality nexus, but of course several non-African scholars have joined this debate as well. One of the interesting voices in this debate is represented by Thorbecke (2013) who noted that while some considerable attention has been paid to how the structure of growth affects poverty and inequality, much less attention has been paid to understanding and estimating how poverty affects growth.

[5] One has to note that the data in question only considers jobs in the formal economy. The decision to only make use of employment data from the formal economy was necessary because employment data in Tanzania is mostly non-existent and the little that is available lacks validity and reliability.

[6] McKay (2013) reported a similar finding for Ghana.