

# Understanding Livelihoods in Rural India: Diversity, Change and Exclusion

## POLICY LINKAGES

These guidance sheets aim to help policy-makers and practitioners increase their understanding of complex rural livelihoods in India. Policy choices in a range of areas – such as employment, enterprise development, social protection, rural infrastructure and agriculture – have major impacts on rural livelihoods. In turn, the outcomes of such policies are affected by the choices, preferences and constraints of the poor. Thus effective policy-making requires an understanding of rural livelihoods.

We focus on three livelihood issues in particular: the dynamics of livelihood change; diversification of livelihoods; and issues of exclusion and access to livelihood options and resources.

The sheets are grouped in four sections. Section 1 summarises the issues. Section 2 covers the key concepts of household economics, livelihood change, diversity, and exclusion. Section 3 reviews useful methods. Section 4 reviews the key linkages between livelihoods and policy change.

These sheets draw on the experience of ODI's 'Livelihood Options' project in Madhya Pradesh (MP) and Andhra Pradesh (AP) though also aim to give insights into livelihood analysis and policy issues elsewhere in India. Livelihood Options is a 1999–2002 research project in India, Bangladesh and Nepal that aims to identify how policies can support positive exits from poverty via diversification.

## 4 From Policy to Livelihoods and Back

Macro-economic and political change have a strong influence on livelihoods. The findings from the Livelihood Options study have demonstrated this in several examples throughout the guidance sheets.

The purpose of assessing livelihood options is, ultimately, to inform policy. In each of the guidance sheets, the need to identify how policy issues affect livelihoods has been noted. So too has the need to aggregate and synthesise findings to a general level at which policy implications can be drawn.

This concluding sheet brings together some key elements of the links between policy context and livelihoods, and between livelihoods assessment and policy change.

### Strengths and limitations of livelihoods analysis for policy recommendations

Livelihoods analysis has both strengths and weaknesses (see Sheet 1.1) for policy making. The key strength from a policy perspective is that it provides a reality check. It describes what is *actually* happening to the poor and non-poor, not what is intended in policy. And it provides a substantial part of the explanation of why trends emerge, even though the answers might be more complex than most policy-makers want.

There are also limitations. For instance, it is not always possible to trace the links from local outcomes and processes to more general processes that can form the basis for policy. Moreover, livelihoods findings commonly report processes that cut across conventional sectoral boundaries. They present a challenge when most decisions are made within broadly sectoral ministries and organisations. Routes through which findings from household level studies can be fed into policy and macro-level planning are not always clear.

These need to be recognised to make best use of the strengths, and find ways to address the weaknesses by adapting or supplementing methods.

Section 3 of the sheets, particularly Sheet 3.1, suggests ways to address or acknowledge these limitations. For example, sampling procedure is important in building up from micro-detail to general trends, as is the combination of qualitative and quantitative methods, and approaches to aggregation and analysis. Livelihoods analysis needs to be linked explicitly with understanding of changes at the macro economic and political levels.

### Identifying how the policy context affects livelihood options

This is *not* just a matter of tracking how a particular policy, for example regulation of credit, is implemented, taken up by households and thereby contributes to household economies. There are many other levels to look at. In particular we need to distinguish between:

- Analysing the impact of specific policy interventions, such as Public Distribution Systems (PDS) or employment guarantees, that aim to affect livelihood options directly.
- Analysing the impact of specific policies primarily designed to meet other objectives, for example agricultural product marketing or pricing policies, but which affect livelihoods more generally.
- Analysing the effect of changes in governance. For example, democratic decentralisation may much improve people's access to state interventions and programmes by enabling formerly marginalised poor people to participate more fully in political decision-making. In other cases, such change may have little effect as bureaucratic resistance prevents real change.
- Analysing the process by which policies are formulated and are implemented. We need to distinguish between political decisions on people's entitlements and administrative upholding of those entitlements. In both cases, decision and implementation usually arise from the interplay of events and the agendas of individuals and organisations at all levels from village to national and even international. Such analysis can explain the

policy context, as well as helping consider whether and how it can be changed.

- Analysing how structural features of the economy influence household livelihoods. This involves considering not only the impacts of a single policy, but also the influences of a changing policy agenda over time. Examples include economic liberalisation, technology change (such as the green revolution) and improved communications. Other examples of macro influences having micro impacts are given in Table 1.

**Table 1 Examples of macro influence with micro impact**

Macro variable	Assets & Liabilities	Returns & Incomes	Expenditure
State: Policies and programmes	Investment in irrigation infrastructure increases land productivity (for those involved)	Price controls reduce returns for some crops	Public Distribution System reduces household food bills
Changes in markets, infrastructure	Development of roads raises land values	More and better roads cut costs of transport, reducing cost of inputs and marketing Mechanisation of rice threshing decreases demand for labour	Increased schooling demands spending on school uniforms Price rise for household staples increases cash needs

While village or household level livelihoods analysis should identify many of the effects of policies, governance and process on people's options and constraints, it will only provide a partial picture. Livelihoods analysis needs to be supported by policy analysis. A good understanding of policy and governance helps identify the links between that context and people's livelihood options.

### Using livelihoods analysis for policy change

Once the ways in which policies have influenced livelihoods are clearer, it is necessary to think about using livelihoods analysis for policy change.

The first step is to use study findings to derive *policy implications*. Examples from AP are given in Box 1.

#### Box 1 Policy implications from AP study

In the coastal villages nearly a quarter of the households leased in irrigated land and of these almost half were landless. Leasing in land provided these households with an important means to escape poverty. But in 2001 leasing was not actually legal, so tenants had no right to institutional credit and crop insurance. The policy implication was that leasing should be legalised. However, legislation would need to be designed carefully so as to support leasing by the poor, but not to give greater power to rich farmers or corporations.

The dependence on moneylenders was high across all landholding, caste and income groups, but for different reasons. For the poor, lacking collateral, political connections, or the means to bribe necessary to obtain formal credit, the moneylenders were their only option. In the case of the rich who could get bank credit, moneylenders provided hassle-free loans for almost any purpose as opposed to banks which would lend for only certain productive uses. The demand for credit was high and increasing. Money lending as a profession was thus on the increase, at interest rates from 3% to 15% per month. Policy needed to make formal credit more accessible and flexible, using simpler and clearer procedures. Although the self-help group movement in AP had helped more people get credit, it still met only a fraction of the need.

One of the key limitations of household level livelihoods analysis that has been identified above is the trade-off between generality and detail. Effective policy-based livelihoods analysis requires finding an appropriate balance between understanding the complexities of people's lived experiences and being able to draw out patterns and generalisations. From these generalisations, recommendations can be made about more appropriate policies, programmes and interventions.

However, drawing recommendations from the evidence is only the first stage in linking research back to policy. Researchers need also to understand the *policy process* and recognise the different ways in which policy change can come about. For example the uptake of research findings can be seen as a function of three dimensions:<sup>1</sup>

**1.Context: Politics and Institutions** – the political and economic structures and interests, systems of innovation, institutional pressure and cultural differences.

The impact of research focused on policy issues is quicker and greater than that of academic research, particularly when it is commissioned by policy-makers themselves.

Policymakers are usually more interested in findings that support incremental policy change than in findings that question fundamental systems and require radical change.

- 2. Evidence: Credibility and Communication.** The credibility of research depends on the approach and methods used, the reputation of the researchers, and the way findings are communicated.

Policy recommendations based on participatory and action research where there had been engagement with 'users' are more likely to have an impact than desk-based studies. Both quantitative and qualitative data can have an impact depending on the particular issue and circumstances. Timing matters: relatively weak evidence, which meets an immediate need will have more impact than more substantial evidence that arrives too late.

- 3. Links: Influence and Legitimacy** – refers to relations between the policy and research communities, whether they share the same networks, use the same discourses and knowledge bases, and trust each other.

Dissemination strategies need to identify the particular stakeholders or interest groups that need to be influenced and the most appropriate media for doing so. Influencing policy is a long-term process that often depends more on maintaining personal relations and networks than on formal communications.

**In sum**, livelihoods research needs to understand policy processes. To influence policy, obstacles that make certain policy recommendations difficult or impossible to implement need identifying. Some obstacles will be immovable in the short-term – and ways around them need to be found – others less so. For instance, the systematic misappropriation of resources directed toward the rural poor – whether simply for rent-seeking, or as a result of political tendencies to reward supporters or recruit new ones – is a chronic source of weakness in the implementation of poverty programmes in many countries, no matter how sophisticated their design or targeting. To consider misappropriation more explicitly would lead to an assessment of what implementation arrangements are robust in the face of chronic implementation constraints, and what the features of these are. It might also prompt research and policy attention towards those which work well, and perhaps some effort to build on these mechanisms rather than create new ones. Evidence from the Livelihoods Options study for instance indicates that transfers in small, regular amounts through automated channels such as monthly pensions payments through bank or post office transfers are much less prone to misappropriation than large lump sum payments such as house construction subsidies, and much less costly to implement than subsidised food distribution. This argues strongly for switching some resources out of weakly implemented programmes and into an effort to build on strongly implemented ones. In all events, there are powerful arguments for identifying “what works well for the poor” and building on it, and resisting the universal temptation to build new programmes from scratch.

## Endnotes

<sup>1</sup> The framework here is based on work at ODI on Bridging Research and Policy. See Crewe, E. and J. Young (2002), 'Bridging Research and Policy: Context, Evidence and Links', *ODI Working Paper*, No.173, London:ODI.



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