

Understanding Livelihoods in Rural India: Diversity, Change and Exclusion

OVERVIEW

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.

Preface

Guidance sheets for policy-makers and practitioners

The way in which rural households earn their living is becoming increasingly complex. Understanding changes in livelihoods, the diversity of livelihood portfolios, and the exclusion of some from new opportunities is equally complex. Yet, to be effective, policies to assist the rural poor need to be informed by an understanding of their livelihoods and strategies.

This guide draws on experience of researching these issues over 3 years, to assist others in understanding livelihoods. It is therefore designed for the wide range of policy makers, advisors, and practitioners who need to assess advice or commission studies of rural livelihoods to improve policy and practice.

Policy for several spheres – for example, agriculture, employment and labour markets, forestry, social protection, trade, rural infrastructure and market development – may need to be informed on topics such as:

- How rural people make their living, across seasons, sectors, and space;
- What factors affect how they put their livelihood portfolios together. What shapes the options available. What determines who can gain access to economic options, and who cannot. How people choose (or reject) from the options available;
- Which options can bring rural people out of poverty, and which offer low-return coping strategies;
- People's vulnerability to natural and other risks, and how people cope with it in different ways;
- How changes in the economy, policy and in rural institutions affect livelihood options, poverty, and vulnerability.

There are four sections to these guidance notes:

Section 1 **summarises** the main issues:

- 1.1 Why invest in understanding livelihoods
- 1.2 Understanding livelihoods: What to assess
- 1.3 Methods for livelihoods assessment

Section 2 covers the key **concepts** in understanding livelihoods:

- 2.1 The household as an economic unit
- 2.2 Dynamics of livelihood change
- 2.3 Livelihood diversity and diversification
- 2.4 Exclusion, access and unequal market returns

Section 3 reviews useful **methods** for understanding livelihoods:

- 3.1 Planning livelihoods analysis
- 3.2 Overview of methods for livelihoods analysis
- 3.3 Assessing diverse portfolios and assets
- 3.4 Methods for exploring change
- 3.5 Assessing exclusion, markets and power

Section 4 reviews the **links** between policy and livelihoods and between livelihoods assessment influencing policy change:

4 From policy to livelihoods and back

Given the decades of research done at village and household level, and the shelves of methodology manuals, can these sheets add anything new? Only the users can judge, but these sheets aim to be distinctive in two ways:

Firstly, they combine perspectives from different disciplines. The study of livelihoods is interested in the micro analysis of household and communities but within the context of dynamic macro factors: social, economic, political, physical and environmental. Such an approach draws on diverse theoretical and disciplinary perspectives, including:

- *The household economic approach*. This is the home-turf of micro-economists, and has its strengths in understanding production and consumption behaviour of the household and the effect of different market conditions, particularly in rural and peasant economies.
- *A systems approach* focuses on the study of broad environmental and technological changes and how these affect populations and the resources they have at their disposal. An approach familiar to anthropologists and geographers, its strength lies in seeing households as just a small, often vulnerable, part of a much wider system.
- *The structural approach* is central to political economy and rural sociology. This recognises that particular sets of historical circumstances produce political systems, economic and social divisions. These determine patterns of ownership, access and opportunity that are not easily changed. This helps us understand how certain groups of people tend to remain poor and excluded, and why inequality persists.

There are other disciplines and approaches as well. Anthropology relates to all three of these theoretical strands and adds understanding of culture, community and individual preference. More recent multi-disciplinary studies of famine, food security and poverty add further insights.

Livelihood studies assume that to design better policy it is essential to understand the complex reality facing the poor. Increasingly the study of causes of poverty and consequences of policy requires a multi-disciplinary perspective. While ambitious, it is also essential.

Secondly, these guidance sheets are not just for fieldworkers or researchers doing analysis at village level. They are also for policy-makers who need to commission studies or assess livelihoods work by others, or need to decide what information they themselves require. For many, Section 2 on the key issues will be sufficient. For those actually doing the assessment, the further detail on planning and methods in Section 3 will be needed.

These sheets draw heavily on experience of the Livelihood Options project in the Indian states of Andhra Pradesh (AP) and Madhya Pradesh (MP), carried out from 1999 to 2002. While the topics and methods are of wider relevance, they will need adapting to suit other areas. Although the sheets contain examples from the AP and MP research, they do not seek to present the overall findings. For the findings of the Livelihood Options project, further information, or to provide comments, the reader should go to www.livelihoodoptions.info

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Website: <http://www.livelihoodoptions.info>

These sheets are written by Caroline Ashley, Daniel Start, Rachel Slater, and Priya Deshingkar drawing on the work of many project team members of Livelihood Options. Data from Madhya Pradesh, Andhra Pradesh and other project findings are taken from several project reports which are on, or will be added to, the project website. The opinions expressed in these sheets are those of the authors and are not necessarily those of DFID.

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