Livelihoods Assessment and Analysis

Lesson 1

Introduction to Livelihoods

Learner Notes

This course is funded by the European Union and developed by the Food and Agriculture Organization of the United Nations.

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Learning objectives

At the end of this lesson you will be able to:

- define the concept of livelihoods;
- identify the livelihoods components in real examples; and
- understand the role of the market in livelihoods.

Definitions of livelihoods

What are livelihoods?

In simple words, livelihoods are ‘means of making a living’, the various activities and resources that allow people to live. Different people have different lifestyles and ways of meeting their needs. Understanding those lifestyles will help you when you look at food security and access to food. The introduction of the right to adequate food concept into the various ongoing development efforts provides hope for turning this situation around.

One of the earliest and most often cited definitions\(^1\) of livelihoods is that:

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\text{“it comprises the capabilities, assets (including both material and social) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stress and shocks (drought, flood, war, etc.), maintain or enhance its capabilities and assets, while not undermining the natural resource base” (Chambers and Conway, 1992).}
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\(^1\) Other livelihoods definitions

There are many other definitions. For example, livelihoods are the “ways in which people access and mobilise resources that enable them to pursue goals necessary for their survival and longer-term well-being, and thereby reduce the vulnerability created and exacerbated by conflict” (Young, H et al, 2002). Oxfam state that “A livelihood comprise the capabilities, assets and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from shock, maintain itself over time and provide the same or better opportunities for all, now and in the future.”
Livelihoods are similar for groups of people doing similar things. We call a "livelihood group" a group of people who access similar resources, share similar social and cultural values and have a comparable economic status. Moreover, people of the same livelihood group share the same risks and kinds of vulnerability. It is common to see more than one livelihood group in a geographical area. For example, in Benin, an FAO study divided artisanal fishers into four sub-groups: inland, lagoon, migrant coastal and sedentary fishers. Each of these sub-groups used the same kinds of activities and resources to live.

The focus on livelihoods in emergency programming originates from the late 1980s following the African famines in the middle of that decade. At that time, emergency response started when people were destitute, malnourished and had migrated to famine camps. The actors involved in the response realized that if the response had started earlier, it would have been possible to prevent large-scale loss of livelihood assets and migration to camps -- in other words, that lives could be saved in the longer term by saving livelihoods.

Components of the livelihoods framework

As livelihoods are determined by multiple factors, a combination of different types of information is needed to understand them. This information includes:

1. Vulnerability context
2. Livelihood resources or assets
3. Policies, institutions and processes
4. Livelihood strategies
5. Livelihood outcomes or goals

All these types of information are components of the livelihoods framework. We will now consider each one of these components.
1. **Vulnerability context.**

The vulnerability context refers to the full range of factors that can impact on people's livelihoods and place them at risk of becoming food insecure. Vulnerability must be considered from two perspectives: the structural or underlying vulnerability of a population and the vulnerability to particular external shocks.

It includes the following factors, over which people have limited or no control:

- **long-term trends** like population pressures on land, land degradation, climate change, price inflation and spread of HIV.
- **shocks** that will impact livelihoods like drought, floods, pest attack, market collapse and conflict/insecurity.
- **seasonal stresses** such as disease burden, water shortages or food shortages in the hungry season.

It is important to distinguish between risk factors originating from outside the community, which affect all people in the same locality, and those principally affecting only individual households.

It is often assumed that poor people are most vulnerable, as wealthier households will have assets and resources to withstand shocks and longer-term vulnerability trends. However, while this may be true in many cases, it is also true that in situations of political instability and war, it is ethnic or political affiliation that determines risk and vulnerability, irrespective of wealth. People's ability to cope with the shock will also depend on the options open to people in response to a shock, and may depend on assets including social networks. It is therefore important to understand both the political context and **livelihood coping strategies** in order to understand the vulnerability context.

2. **Livelihood resources or assets**

People require a range of assets to achieve positive livelihood outcomes.

Livelihoods **assets** encompass what people have, i.e. human, social, natural, physical and financial resources. These five asset categories are interlinked. No single category on its own is sufficient to yield all the many and varied livelihood outcomes that people seek.

**Human assets**

Human assets represent the skills, knowledge, education, ability to work and good health that enable people to pursue different livelihood strategies and achieve their livelihood objectives.
### Social assets
Social assets refer to status in society, as well as access to an extended family and other social networks. It also includes relationships of trust and reciprocity that facilitate cooperation, reduce transaction costs and can provide the basis for informal safety nets amongst poor people.

### Natural assets
They comprise natural resource stocks, which people can access and use to build their livelihoods, e.g. land, forests, water resources.

### Physical assets
They include livestock, land, shelter, tools, equipment, but may also be community-owned, e.g. road infrastructure.

### Financial assets
They include income, but also access to credit and investments. They may include available stocks, which can be held in several forms, e.g. cash, bank deposits, livestock and jewellery. They may also include regular inflows of cash, including pensions and remittances.

The resilience of people’s livelihoods is largely determined by the resources or assets available to them and how these have been affected by disaster. However, assets can be transformed into life-threatening liabilities. For example, for numerous populations who live in resource rich areas (e.g. oil and diamond rich Democratic Republic of Congo, Liberia and Angola) this asset has turned into a liability.

### 3. Policies, institutions and processes
are an important set of man-made external factors that shape the options that people have in achieving their livelihood goals. They influence access to assets and vulnerability to shocks, and operate at all levels, from the local to the international level, and in all spheres, from the most private to the most public.

Agricultural, land tenure or land use policies can be instrumental in increasing or reducing vulnerability to disasters. At international level, structural adjustment programmes often make it difficult for countries to support the development of local enterprise by preventing subsidies. The agricultural subsidies of western countries and international trade rules undermine the production and export of agricultural products from developing countries.
**Institutions** include civic, political and economic agencies. People’s protection and welfare depend on accountable political systems, rule of law, functioning judicial systems and the provision of public services.

The role of informal governance often becomes more important where formal governance is weak or collapsed. Local institutions can play a positive role in maintaining public order; for example, in Somalia through customary law and *sharia* courts.

**Processes** determine the way institutions and people operate and interact. They can include changes in the economy, employment patterns, markets, culture, and long-term processes of social, economic and political marginalization.

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**Livelihood strategies**

Livelihood strategies are the range and combination of activities and choices that people normally make or undertake in stable and peaceful times in order to achieve their livelihood goals (e.g. productive activities, investment strategies, reproductive choices).

Livelihood strategies can be divided into:

- **natural** resource-based activities, e.g. cultivation, livestock-keeping, weaving, collection and gathering; and
- **non-natural** resource-based activities, e.g. trade, services, remittances.

Most households employ a combination of the two. Even in urban settings many households will use limited land space around or near the compound for small-scale crop production and will also keep small livestock.

The more choice and flexibility that people have in their livelihood strategies, the greater their ability to withstand – or adapt to – the shocks and stresses of the vulnerability context.

**Coping strategies**, in contrast, are temporary responses to food insecurity, although in many protracted emergencies they become livelihood strategies.

Initially, people choose coping strategies that are **not damaging** to livelihoods, e.g. sale of a few small livestock, labour migration and collection of wild foods.

However, as more people adopt the same strategies, the value of these strategies become diminished, e.g. prices of livestock fall and wages become squeezed.

Households then have to resort to more **damaging strategies** that can undermine long-term livelihood viability, e.g. selling off key assets, taking out loans at exorbitant rates, re-mortgaging land. In political or conflict-related emergencies, options may include engaging in violent, illegal, unsafe or degrading activities.
Livelihood outcomes or goals

Livelihood outcomes can be categorized under three headings: economic, biological and social. Food and income security, i.e. the ability to acquire sufficient food and income to meet basic needs, is essentially an economic outcome. Mortality and malnutrition rates or levels are essentially biological measures of livelihood outcome. Dignity is an all-encompassing term that includes notions like choice and control over one's future, sense of self-worth and status. It is clearly a social measure and as such is hard to quantify. The right to life with dignity is one of the fundamental principles in the Humanitarian Charter but in the rush to respond to emergencies, people’s dignity is often forgotten.

The figure below, from the Department for International Development (DFID), helps to understand how household livelihood systems interact with the outside environment - both the natural environment and the policy and institutional context.

- The framework considers five types of capital - the “asset pentagon” - and how these assets are transformed by policies and institutions into livelihoods strategies.
- The vulnerability context impacts on the livelihood assets.
• Livelihood strategies produce livelihood outcomes which consequently bring either an improvement or deterioration in assets at household level.
Let's now consider three examples to better understand how a real situation can be 'read' using the livelihoods framework.

**Example I: Artisanal fishers in Benin**

Full-time sedentary fishers in Benin live without land in settled fishing communities on the seacoast, where sandy soil precludes agricultural activity and fishing is the main source of family income. The worst-off in this group own no equipment nor gear, receive very low wages as members of fishing crews and have limited cash to cover basic expenses.

**Livelihoods components:**

**A. Vulnerability context:**
- **Changing factor:** Depletion of fish stocks and destruction of natural sea habitats.
- Devaluation of African Financial Community franc caused many boat owners costs to increase substantially more than the price of fish. As a result this now consumes a greater percentage of earnings.
- **Seasonality:** Income declines in the rainy season and diet is less varied, while malaria and acute respiratory tract infections are more frequent.

**B. Livelihood Assets:**
- **Human capital:** a typical household has two income earners and four or five dependents.
- **Social capital:** Women are members of a *tontine*, a traditional social insurance and micro-credit society for women, while men have strong links with other members of the fishing unit.
- **Natural capital:** Access to sea and landing areas on the beach is free. Mangroves provide fuel-wood for cooking and smoking fish. Coco tree trunks are used for shelter.
- **Physical capital:** Households live in shelters made of coco trunks. Women keep kitchen gardens in which they grow tomatoes, etc. Water is available from wells in the village.
- **Financial capital:** Most households have no savings but women tend to own a share in the revolving fund of the *tontine*.

**C. Policies/processes/institutions:**
- There are regulations restricting overuse of large nets. There are also regional projects to support artisanal fishing in coastal West Africa funded by the UK Department for International Development (DFID).

**D. Livelihood strategies:**
- **Dry season (high fishing).** Boat owner gives male adults a small share of cash earned from sale of day’s catch, while women earn cash from the fish they buy, smoke and resell.
Rainy (low fishing) season. Male adults migrate with the fishing crew to look for work in Cotonou port and occasionally remit small amounts of money, while women sell garden produce, as well as prepare and sell coconut oil and artisanal salt.

Diet: In the dry season, households eat maize with sauce of tomatoes, palm oil, onion and green vegetables. Fish is usually cooked in sauce or smoked. In the rainy season, cassava with sauce is the main food and fish is occasionally eaten.

Expenditures: In the dry season, main expenditures are on food, loan repayments and tontine payments, while in the rainy season the main expenditures are for food, tontine payments and health care.

**E. Measurable outcomes:**

Malaria and diarrhoea incidence are high and stunting rates >25%, with 52% anaemia in under 2 year olds.
Example II: Pastoralists in southern Somalia

The following example provides only information about vulnerability, assets, and policies/processes/institutions.

Pastoralists in southern Somalia derive the majority of their food needs from the purchase of cereals, sugar and oil. Milk and milk products from cattle comprise a significant additional food source. Income is mainly obtained from sale of livestock and livestock products.

Poorer wealth groups with their smaller herd sizes obtain a significant amount of food/income from activities such as petty trade, bush product collection and casual labour.

Intra-community gifts to the poor, such as lactating livestock, food and cash, are also common.

Livelihoods components:

A. Vulnerability context

Seasonality: The long dry jilaaal season is usually the most difficult time for pastoralists and their animals, when energy needs are high (during the seasonal search for water and pasture) and milk production and livestock prices are low.

Vulnerability and risk: Factors undermining livelihoods include restricted grazing mobility due to insecurity, population expansion and sedentarization, breakdown of traditional pastoral environmental management systems, and poor livestock health care systems in an unregulated drug market. Many pastoralists also face poor terms of trade in some areas due to distance from markets.

Sudden shocks can also occur, e.g. conflict-induced asset depletion, border closures and trade disruptions such as livestock import/export bans.

B. Livelihood Assets

Social: Households can send their children to better-off relatives in times of hardship and they can also borrow from within the community.

Physical: Livestock herd - size varies significantly.

Natural: Bush products, e.g. firewood, charcoal, aromatic gums.

Financial: Through petty trade and sale of livestock and products. There is also significant rural-to-urban migration.

C. Policies/processes/institutions

Factors which impact on this livelihood system include livestock import/export bans, NGO livestock health programmes and water interventions.
There is also education and some income diversification in localized areas focused on rehabilitation of water-related infrastructure.

**Example III: Agro-pastoralists in southern Somalia**

Agro-pastoralists in southern Somalia derive the majority of their food from their own crop production, livestock milk production and some purchase.

Income comes from the sale of livestock and livestock products, the sale of crops and, for poorer groups, a variety of petty trade, casual labour and collection of bush products. Intra-community redistribution is also important for poorer groups.

This livelihood group is highly vulnerable to a combination of natural and man-made factors. Members of this group primarily come from politically and militarily marginal clans and have been amongst the greatest victims of violence since the collapse of Siad Barre's regime in 1991. A combination of poor rains and harvests, the resulting asset losses (of both food stocks and livestock) and displacement have resulted in large-scale food deficits.

**Livelihoods components:**

**A. Vulnerability context**

This includes poor rains and consecutive seasons of crop failure, conflict-induced asset depletion of fixed and immobile assets (e.g. land), trade disruption due to conflict and border closures. Many households also face physical isolation from ports and services in main urban centres, lack of security from violence and economic exploitation, increasing commercial and communal debt, crop pests, disease and bird attacks. At the same time, the level of assistance from humanitarian agencies has gradually been decreasing.

**B. Livelihood Assets**

Livelihood assets of this group include the following:

- Livestock and land, farm implements and dwellings.
- Natural resources from bush products.
- Financial resources from selling livestock assets and food stocks, and seasonal migration to urban areas for employment.
- Intra-community social support.

**C. Policies/ processes/ institutions**

The main institutional support has come from agencies that have distributed seeds and tools, and supported agricultural extension activities and livestock and human health programmes. There have also been long-term water interventions and vegetable production support in some areas.
The role of the market in livelihoods

Access to markets and how the market functions can be critical to the success or failure of livelihoods. In rural settings, very poor households may have higher dependence than richer households.

Even rural subsistence farmers who cultivate sufficient food for annual household needs may have sporadic involvement in the market. In normal years there may still be ‘extraordinary’ needs for income, e.g. for purchasing drugs, funeral expenses, school fees. For many rural households, income required for additional food as well as essential non-food items may be derived from selling assets or surplus crops/livestock and periodic wage labour.

In emergencies, markets come to play an even more significant role in livelihoods.

In ‘bad years’ when crops fail, rural households may be increasingly forced into the market to acquire food. Income for food purchase may be obtained by selling off small livestock, increased labour (involving migration), petty trading, etc.
Urban populations may be especially vulnerable to market disruption caused by emergencies unless government and parastatals (large state-owned enterprises) intervene to control market price fluctuations.

**Case study - Congo: How markets can dramatically affect livelihood outcomes.**

The African Financial Community franc was devalued by 50% on 12 January 1994 in 14 sub-Saharan African countries. In 1993, prior to the devaluation, a survey had been conducted on infant feeding practices, quality of complementary food and nutritional status of children and their mothers. A follow-up survey in two districts of Brazzaville was conducted of households with children aged 4-23 months. The survey found that daily food expenditure increased considerably between 1993 and 1996, with numerous households declaring that they had entirely abandoned certain foods which had become too expensive. Also, complementary foods given to infants had declined in quality, e.g. gruels were being made from local ingredients rather than imported flours, as occurred previously, and therefore had half the energy density. Between 1993 and 1996 prevalence of stunting increased significantly, from 12.1% to 15.5%. Wasting also increased from 6.0% to 8.8%.

Mean body mass index of mothers decreased by 1.28 kg/m². This corresponds to a weight loss of nearly 3.3kg in three years for a woman of average height. As a consequence, the number of women exhibiting thinness (BMI < 18.5 Kg/m²) increased very significantly, from 11.3% to 15.6%. The study authors concluded that the impact of the devaluation on nutritional status resulted not only from reduced access to food, but also poorer health care and general caring practices as women became increasingly engaged in income-generating activities to offset their reduced spending power.

The form of market disruption will depend on the type of emergency.²

² *Market and emergencies*

Production losses will affect supply to markets, and loss in income or assets will reduce demand for goods. In conflict, cutting off access to markets may be a deliberate strategy of warring parties, or a consequence of conflict due to insecurity. Similarly, floods and earthquakes may destroy or block roads.

In situations of localized food deficit, traders may be reluctant to move food from surplus areas due to uncertainty of markets in the deficit area or because they lack sufficient information to alter trade routes.

Markets can also be affected by the aid interventions themselves. Local purchase of food can increase food prices in areas of relative surplus, and conversely, imported food aid may have negative impacts on market prices. Even the use of transport vehicles by aid agencies can have a negative impact on trade if there is a limited supply of trucks.
The impact of emergencies is often clear to see in market price behaviour and food availability. Food shortages or surplus asset disposal become apparent through staple price rises and falls in livestock prices. As a result, terms of trade begin to decline, thereby impacting livelihoods. Declining terms of trade can be fuelled by real shortages and distress sales and/or speculation. Speculation by traders and impact on terms of trade is most likely to occur where markets are not competitive and information flows are poor. At worst, markets can collapse so that rural and urban populations experience sudden crises and complete lack of access to key foods.

**Summary**

Livelihood means in simple words ‘means of making a living’. In a food security context it refers to people, their capabilities, their assets (both material and social), their income and activities required for a means of living (including ways to obtain food). As livelihoods are determined by multiple factors, a combination of different types of information are needed to understand them.

The following are the component of the livelihoods framework:

- Vulnerability context
- Livelihood resources or assets
- Policies, institutions and processes
- Livelihood strategies
- Livelihood outcomes or goals

The market plays an important role in livelihoods, especially in emergency contexts. Access to markets and how the market functions can be critical to the success or failure of livelihoods.
If you want to know more...

Online resources

- Forum on Operationalizing Sustainable Livelihoods Approaches. Inter-agency Experiences and Lessons. Pontignano (Siena) 7-11 March 2000 [http://www.fao.org/docrep/x7749e/x7749e00.htm](http://www.fao.org/docrep/x7749e/x7749e00.htm)
- DFID Sustainable Livelihoods Guidance Sheets [www.livelihoods.org/info/info_guidancesheets.html](http://www.livelihoods.org/info/info_guidancesheets.html)
- Food Insecurity and Vulnerability in Viet Nam: Profiles of Four Vulnerable Groups [FAO/ESA, 2004] [http://www.fao.org/docrep/007/ae066e/ae066e00.htm](http://www.fao.org/docrep/007/ae066e/ae066e00.htm)

Additional readings

- F. Pittaluga, E. Corcoran, and J. Senahoun: Poverty profiles of artisanal fishers: methods based on the SLA model
- Food Insecurity and Vulnerability in Nepal: Profiles of Seven Vulnerable Groups [FAO/ESA, 2004]