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## **Hanging In, Stepping up and Stepping Out : Livelihood Aspirations and Strategies of the Poor**

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# **Hanging In, Stepping up and Stepping Out : Livelihood Aspirations and Strategies of the Poor**

## **Abstract**

In recent years understanding of poverty and of ways in which people escape from or fall into poverty has become more holistic. This should improve the capabilities of policy analysts and others working to reduce poverty, but it also makes analysis more complex. This paper describes a simple schema which integrates multidimensional, multilevel and dynamic understandings of poverty, of poor people's livelihoods, and of changing roles of agricultural systems. The paper suggests three broad types of strategy pursued by poor people: 'hanging in'; 'stepping up'; and 'stepping out'. This simple schema explicitly recognises the dynamic aspirations of poor people; diversity among them; and livelihood diversification. It also brings together aspirations of poor people with wider sectoral, inter-sectoral and macro-economic questions about policies necessary for realisation of those aspirations.

## **1 Introduction**

Over the last twenty years or so understanding of poverty and of the ways in which people escape from poverty (or fall into or are locked in poverty) has advanced in many ways, and in particular has become more holistic. Thus multiple dimensions of poverty and their interaction are now widely recognized to include, for example, people's lack of ability to make choices, lack of access to services, social degradation and isolation, and vulnerability as well as inadequate incomes, consumption and wealth (as seen, for example, in the Millennium Development Goals, the Human Development Index, the UNDP Human Development Reports, and World Bank, 2001). Many of these insights have been associated with greater emphasis on and methodological and conceptual advances in listening to the poor and understanding poverty from their perspective and working with them for change (for example Robb, 1999; Norton, 2001). There have also been advances in conceptualization and understanding of the multiple dimensions and attributes of peoples' livelihoods (for example Chambers and Conway, 1992; Carney, 1998; Barrett, 2001). Linked to this is an emphasis on the importance of assets in determining people's abilities to move out of poverty and consideration of the dynamics of chronic and transient poverty and of the processes by which

people escape from and fall into poverty (for example Moser, 1998, Carter and Barrett, 2005; Krishna, 2004; Kristjanson *et al.*, 2004). The more 'micro' level analysis in much of this links into understandings of relationships between wider economic growth and poverty reduction, and of institutions and policies affecting both economic growth and its impacts on poverty reduction (for example North, 1995; Dollar and Kraay, 2000; Dorward *et al.*, 2003; Rodrik *et al.*, 2004; Dorward *et al.*, 2005; Ostrom, 2005).

Taken together, these contributions give a richer understanding of poverty, of its causes, and of poverty reduction processes, and this improved understanding should improve the capabilities of policy analysts and others working to design, promote and implement interventions to benefit poor people. However, it also makes analysis more complex. First, there are many more dimensions of poverty to take into account, operating at different levels, through different processes. Second, a richer understanding of poverty often makes analysis, diagnosis, and prescription much more situation specific. Increased complexity then makes communication difficult, and requires more analytical expertise. It can be helpful, therefore, to develop simple schema which offer the potential to integrate in simple ways the central themes of a multidimensional and multilevel understanding of poverty: to assist communication among analysts, activists, poor people themselves, policymakers, and politicians.

This paper proposes a simple classification of the livelihood strategies of the poor (and of other people) based on a holistic, dynamic and multidimensional conceptualization of poverty. Simplistic though it may seem in many ways, this classification is generally preferable to alternative, implicit simplifications which may be made without it. The remainder of this paper describes this classification and briefly discusses its application in different contexts and for different purposes.

In the next section we explain the schema and its underpinnings. The approach and some of its uses are illustrated by discussion of its application to analysis of the roles of livestock keeping in the livelihoods of poor livestock keepers and (more briefly) to questions about the roles of markets in poor peoples' livelihoods, about opportunities and constraints for poor people in less favored areas, and about the role of agriculture in rural development and poverty reduction.

## **2 Livelihood strategies of the poor: a conceptual framework**

The conceptual framework described in this paper has been developed from an understanding of the way that different assets and activities contribute to peoples' livelihoods. We therefore begin our

exposition of the framework with an examination of the functions of assets (such as livestock) and activities (such as livestock keeping) within people's livelihood strategies.

Livelihoods involve the use of assets in activities to produce outputs both to meet people's consumption requirements and aspirations<sup>1</sup> and to invest assets and activities for the future. All this takes place in the context of an uncertain environment.

For many livelihood activities, production and income are irregular and intermittent, as, for example, seasonal cycles determine times of crop harvests, of livestock sales, and of opportunities for hiring out labour. There is also often a substantial degree of uncertainty about production and income as they are affected by weather conditions, by crop and animal pests and diseases, by sicknesses and accidents, by changing market prices, and by changing policies and political influences (affecting for example taxes, subsidies, technical assistance, promotion of new technologies, security or political stability).

Irregular and uncertain patterns of production and income, however, often do not fit with people's consumption and investment requirements. People have regular consumption requirements (for food and other daily needs), and they also face intermittent investment and consumption needs (for example to pay for school fees, to buy animals or equipment, to construct buildings, to participate in annual festivals, or to participate in family or community social events such as births or weddings). There are also uncertain demands for expenditure to cope with accidents, sickness, or sudden demands from family members or others in the community and to take advantage of unexpected or unpredictable investment opportunities.

People therefore often face major challenges in matching the different production and income patterns on the one hand, with consumption and investment needs on the other. These challenges are particularly acute when people cannot access financial market mechanisms for saving, borrowing and insurance: in such situations people craft livelihood strategies to try to match often intermittent resource availability with more continuous consumption demands, while also allowing for unexpected falls in their resource supply or increases in their demand. They do this by making savings in assets for later conversion to liquid or consumption assets, by borrowing to gain current resources at the expense of later debt repayments, and by adjusting consumption patterns (both levels of daily consumption and timing of investments in consumption assets). They also select and diversify productive activities and time their investments in productive assets to even out and buffer resource availabilities.<sup>2</sup>

This analysis stresses the dynamic relationship between assets with different functions – with many assets fulfilling more than one function but differing in their relative effectiveness with regard to each function. In particular it highlights the ways that

- ◆ different assets play different roles in peoples' livelihoods.
- ◆ a range of core processes (of production/income, consumption, investment, saving/cashing, and borrowing/repaying) and associated assets are needed in livelihoods <sup>3</sup>
- ◆ people with different livelihood systems (with different asset portfolios, activities, vulnerability and aspirations) are likely to have different preferences as regards their holding of assets with different functions.
- ◆ assets' fulfilment of different functions depends upon the attributes of those assets, with these attributes in turn depending upon the environment (natural, physical, social, institutional and economic), overall asset mix, and technologies of asset conversion activities/ processes.

We now examine the way that asset and activity functions relate to people's livelihood strategies. Our analysis starts from two simple propositions:

- A. People generally aspire both to maintain their current welfare and to advance it
- B. In trying to advance their welfare, people can attempt to expand their existing activities and/or move into new activities

These two propositions allow us to identify three broad types of livelihood strategy, with three types of asset or activity contribution to livelihood strategies:

1. **'Hanging In'** where assets are held and activities are engaged in to maintain livelihood levels, often in the face of adverse socio-economic circumstances
2. **'Stepping Up'** where current activities are engaged in, with investments in assets to expand these activities, in order to increase production and income to improve livelihoods (an example might be accumulation of productive dairy livestock).
3. **'Stepping Out'** where existing activities are engaged in to accumulate assets which in time can then provide a base or 'launch pad' for moving into different activities that have initial investment requirements leading to higher and/or more stable returns – for example accumulation of livestock as savings which can then be sold to finance children's education

(investing in the next generation), the purchase of vehicles or buildings (for transport or retail activities), migration, or social or political contacts and advancement.<sup>4</sup>

What does this simple classification have to offer? It *is* simple, however it contains within it explicit recognition of the dynamic aspirations of poor people; of diversity between different people following different strategies; and of diversification by people undertaking a variety of activities as they mix their strategies and activities in pursuit of those strategies. It is also explicitly cross-sectoral as it recognises that poverty reduction generally involves most people moving from current low productivity diversified activities (as found in many rural agricultural based livelihoods) to new more specialised and productive activities (as found in more urban non-agricultural based livelihoods). In doing this it is ‘bottom up’ (in recognising that poor people aspire to and work towards these livelihood shifts) but this poses questions about wider economic processes and structural changes involved in and required for the creation of these livelihood opportunities. This then raises wider sectoral, inter-sectoral and macro-economic policy questions. Its emphasis on cross sectoral dynamics and on livelihood diversity and diversification also encourages a multi-disciplinary view of poverty reduction, which should be strengthened by recognition of the importance of social, economic, institutional, natural and physical capital (or assets).

Thus for development workers working with poor people in participatory analysis it both recognises the importance of people’s current livelihoods (in terms of hanging in and stepping up, where appropriate) and directs attention beyond those livelihoods to consider wider and longer term aspirations of stepping out, how these aspirations may be pursued, and how they affect current livelihood activities. This in turn draws attention to questions about broader economic, institutional and social change. For policy makers concerned with these broader issues, on the other hand, this conceptualisation grounds these issues in poor people’s current livelihoods and aspirations.

We now provide a simple illustration of the application of this framework, to consideration of the role and nature of livestock keeping in the livelihoods of poor people.

An important question here concerns the contribution that livestock keeping makes to the livelihoods of poor people. In contributing to a ‘hanging in’ strategy, livestock keeping commonly has four important functions: providing for subsistence consumption (through home consumption of meat, milk, eggs or fibre); supporting complementary (commonly cropping) activities (providing draft power and/ or manure); buffering against seasonality in income from other activities (for example cropping activities or seasonal labour); and providing some assets for insurance against



unpredictable demands for cash. Beyond these minimal maintenance functions, livestock keeping may enable advancement through accumulation either of more productive animals (the ‘stepping up’ strategy) or of a set of assets that hold values as savings to be used to ‘buy in’ to other assets needed to gain entry to other livelihood activities (the ‘stepping out’ strategy).

What determines which of these livestock contributions are important (or potentially important) to particular livestock keepers? Livelihood strategies will normally be determined by the technical, institutional and market opportunities and constraints people face, and these in turn depend upon (a) peoples’ access to assets and (b) upon the social, economic and natural environment in which people are located. This is illustrated in Table 1, which sets out situations where different livelihood strategies are likely to be more and less important, distinguishing between poor and less poor status and different market and technical (natural resource potential) situations.

TABLE 1 about here

Whatever the market and natural resource potential of an area, very poor people are likely to consider ‘hanging in’ strategies important as they struggle to maintain precarious and vulnerable livelihoods<sup>5</sup>. However the emphasis on different activities in these ‘hanging in’ strategies is likely to vary with the agro-ecological (natural resource) and market opportunities in the area and with the particular assets they have (such as land, animals, skills, and social contacts). Where natural resource or agro-ecological potential is low and the local economy (and hence market) is stagnant, conditions will be very difficult but livestock keeping may play a particularly important role in ‘hanging in’ strategies as a result of livestock’s greater ability, as compared with crop based activities, to hold value as assets and to provide income at different times of year and under different seasonal conditions. Under conditions of higher natural resource potential crop farming may be more important to poor people’s livelihoods (working either on their own farms or on the farms of others). Whatever the natural resource potential, however, technological developments are unlikely to improve livelihoods by promoting increased production under low market opportunity conditions as increased production will have little value without markets to dispose of it. Greater security, and more reliable (less risky) and faster accumulation may be more important goals, achieved through, for example, disease control, or more effective utilisation of feed resources.

Where the local economy is more dynamic there may be more local demand for unskilled labour and petty trading, and as these may offer income that is both less seasonally variable and less dependent on uncertain natural events than agricultural production, livestock may have less

important buffering and insurance functions. On the other hand growing local markets may provide greater opportunities and higher prices in livestock sales, so productivity enhancing technological developments may have more to offer to some poor livestock keepers.

Table 1 also suggests likely variation in the predominant preferences of the less poor between 'stepping up' and 'stepping out' according to the potential both for increased agricultural productivity (Natural Resource potential) and for local markets. With stagnant local markets greater agricultural productivity may offer few livestock or crop based opportunities for 'stepping up' unless there are communications and linkages to support 'exports' to more distant markets. A more dynamic local economy, on the other hand, with more local market opportunities should allow stepping up and stepping out to focus on both farm and non-farm local opportunities rather than on migration or 'exports' to more distant markets<sup>6</sup>.

This discussion of livestock keeping contributions to livelihood strategies incorporates within it consideration of the role of markets (or effective economic exchange mechanisms), of policy analysis for less favoured areas, and of agricultural development policies. Thus poor people need access to different exchange mechanisms for different commodities, services and assets when trying to 'hang in', 'step up' or 'step out' (and these exchanges may involve a variety of market, gift exchange, hierarchical and/or hybrid arrangements). Not only will the relative importance of exchange of different goods and services vary in different strategies, but so will the important attributes of such exchange (for example costs of exchange, predictability, the extent and terms of interlocking, or the importance of personal relations and trust). Similarly opportunities for poor people in less favoured areas (with varying combinations of poor market access and low natural resource potential – Hazell *et al.*, 2005) can helpfully be analysed in terms of stepping up and stepping out. This sets the prospects of people living in these areas firmly in the context of wider economic development and may suggest appropriate policy balances between investment in different types of assets and activities (for example more emphasis on building human capital for stepping out or more emphasis on investing in natural capital for stepping up). In more favoured areas with better natural resource potential and market access, agriculture is important for hanging in and, in the short to medium term, provides opportunities for some people to step up or to accumulate resources for stepping out. Policy needs to support these different strategies, recognising that in the longer term successful agricultural development will lead most people to 'step out'.

### 3 Conclusion

This paper has described a simple schema which integrates the central themes of a multidimensional, multilevel and dynamic understanding of poverty and of the livelihoods of poor people. Both policy analysis and participatory work with poor people could benefit from adoption of this framework. It could help policy analysis both to give greater recognition to the aspirations, opportunities, constraints and strivings of poor peoples and to develop more dynamic and cross sectoral policy initiatives to support poor people's strivings. It could help participatory work with poor people by promoting greater attention to and consideration of longer term aspirations, opportunities, constraints and activities in 'stepping out' in addition to the more short to medium term consideration of opportunities and constraints in 'hanging in' and 'stepping up' activities which, understandably, tends to dominate much of this work. Finally, its simplicity allows it be a powerful communication aid both in dialogue between different stakeholders in poverty reduction activities and in the wider promotion of greater understanding of poverty reduction processes.

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**Table 1 Likely livelihood strategies of poor and less poor livestock keepers, by market and natural resource potential**

	Status	Local market opportunities		
		Low/ Stagnant	High/ dynamic	
Natural Resource potential	Low	Poor	Hang in (very difficult – subsistence livestock?)	Hang in (more local non-farm based)
		Less poor	Step out (migrate)	Step out (local non-farm)
	High	Poor	Hang in (farm / subsistence?)	Hang in (farm and non-farm)
		Less poor	Step out (migrate) Step up ('exports')	Step out (local non-farm) Step up (local markets)

- 
- <sup>1</sup> Keeping livestock may help meet people's consumption requirements not only by directly providing them with food, with fuel, with transport, or with hair or wool for clothing, but also by generating sales income that helps them to purchase these and other consumption goods and services.
- <sup>2</sup> See Dorward *et al.*, 2001 for more detailed explanation of asset functions and livelihoods.
- <sup>3</sup> Another process, of social integration should also be considered here, with close links with the other processes identified.
- <sup>4</sup> Our description of both stepping up and stepping out strategies has assumed that these are strategies which take advantage of opportunities – or to use the language of livelihood diversification are encouraged by 'pull factors' (Reardon, 1998; Ellis, 2000; Bryceson, 2000). However increasing investments in and reliance on one particular activity or even a launch into a new activity may also be associated with 'push factors' if declining benefits from the current portfolio of activities lead to increasingly restricted options – in which case livelihood changes which might appear to be 'stepping up' or 'stepping out' might more accurately be described in terms of 'hanging in'.
- <sup>5</sup> We note from field work with poor livestock keepers in Mexico that although poor people may often aspire to some degree of 'stepping up' and/or 'stepping out' in their livelihood activities they may in practice often be forced to concentrate on 'hanging in'. Thus small stock keeping may be embarked upon with the stated intention of production and 'stepping up', but subsequently used more as a means of saving or buffering for 'hanging in'.)
- <sup>6</sup> Even where local markets are growing, however, there will still often be a 'pull' towards urban areas, particularly among the young, with perceived opportunities for a wider range of opportunities and lifestyles. Similarly improved access to casual employment opportunities or to micro-finance services, for example, may reduce dependence on small livestock keeping for petty income, buffering and insurance – but conversely if male migration increases and these new opportunities are not open to women, this may increase the importance of small livestock keeping for women.