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REVIEW ON DETERMINANTS OF LIVELIHOOD DIVERSIFICATION IN RURAL HOUSEHOLDS OF ETHIOPIA

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ABSTRACT

This article provides a comprehensive review of the literature on the determinants of livelihood diversification in rural households of Ethiopia. It reveals mixed findings about the types of livelihood strategies and determinants of livelihood diversification. A lot of evidence from the literature suggests that the rural households choose diverse livelihood strategies in order to compensate the risk occurred in agriculture and the determinants of livelihood diversification vary according to household's access and ownership of different livelihood assets.This review is important for assessing the gaps for the study in the future in the area of determinants of livelihood diversification in rural households of Ethiopia.

KEYWORDS: *Determinants, Livelihood Diversification, Rural Households, Ethiopia*

INTRODUCTION

Background of the Review

Livelihood diversification has received much attention from researchers and policy-makers in the past decades, with high hopes that promoting it can offer a pathway for poverty reduction and economic growth in sub-Saharan Africa (SSA) (World Bank, 2007). It is clear that the agricultural sector alone cannot be relied upon as the core activity for rural households as a means of improving livelihood, achieving and reducing poverty. The households' ability to undertake various livelihood strategies depend on the different assets they own (Scones, 2009). That also led more recent studies to focus on factors that determine livelihood strategies such as soil fertility (Tittonell et al., 2010), cropping, forestry and livestock products (Tesfaye et al., 2011; Adam et al., 2013; Diniz et al., 2013; Zenteno et al., 2013), and natural capital (Fang, 2013; Fang et al., 2014).

Given the prevalence of risk in the rural SSA smallholder context, diversification may often be a strategy for survival or coping with risk, especially where agriculture fails to offer sufficient means of livelihood (Bryceson, 2002; Larsson, 2005; Reardon, 1997). Like others, Ethiopia is most grounded in poverty due to periodic drought and extremely variable environment making agriculture a risky economic activity (NDMC*,* 2005). According to Asmamaw, (2004), the limited opportunity for livelihood diversification, due to absence of supplementary income from other non-farm activities has made the Ethiopian rural poor more vulnerable. Given the inability of most Ethiopian smallholders to make a living from agriculture, because of resource constraints and recurrent shocks, increasing policy attention has turned to supporting alternative livelihood activities (Devereux et al, 2005).

Therefore, Household engage in diverse livelihood strategies away from purely crop and livestock production towards farm, non-farm and off-farm activities that are undertaken to broaden and generate additional income for survival and cope with this harsh and difficult environment. However, due to demographic, socio-economic and institutional constraints the rural households in Ethiopia did not participate in diverse livelihood strategies. Assessing the constraints is important for researchers and other responsible bodies to know the gap for conducting study in the future.

OBJECTIVES OF THE REVIEW

- To review the types of livelihood strategies
- To review determinants of livelihood diversification

REVIEW OF LITERATURE AND DISCUSSIONS

Definition of Key Term

The concept of livelihood is widely used in contemporary writings on poverty and rural development, but its meaning can often appear elusive either due to vagueness or to different definitions being encountered in different sources (Ellis, 2000).Livelihood is a generic term that involves several components (De Haan, 2012). Thus, there is no universally endorsed definition to grasp the term livelihood (Scones, 2009).

A popular definition is that provided by Chambers & Conway (1992) where in a livelihood comprise the capabilities, assets (including both material and social assets) and activities required for a means of living. Briefly, one could describe a livelihood as a combination of the resources used and the activities undertaken in order to live (DFID, 2000). A livelihood comprises the assets (natural, physical, human, financial and social capital), the activities, and the access to these (mediated by institutions and social relations) that together determine the living gained by the individual or households (Ellis, 2000).

Livelihood strategies are defined as those activities undertaken by households to provide a means of living. Livelihood strategies are the combination of activities that people choose to undertake in order to achieve their livelihood goals (Haidar, 2009 and Ellis and Allison, 2004). In other ways, livelihood strategies are generally understood as the strategies that people normally use in peaceful and stable times to allow them to meet basic needs and contribute to future wellbeing (Ellis, 2000).

According to Ayalneh and Hageorn (2002), livelihood strategies are the planned activities that men and women undertake to build their livelihoods and according to Department for International Development (DFID), (1999) livelihood strategies are the range and combination of activities and choices that people make/undertake in order to achieve their livelihood goals (including productive activities, investment strategies, reproductive choices.

Diversification refers to processes taking place at different levels of the economy, which are usually, but not always directly linked (Start, 2001). Firstly, ‘diversification of the rural economy’ refers to a sectoral shift of rural activities away from farm to non-farm activities, associated with the expansion of the rural non-farm economy (Start, 2001); normally as part of a broader process of structural transformation (Timmer, 2009).

Secondly, ‘individual or household diversification’ refers to income strategies of rural individuals or households in which they increase their number of activities, regardless of the sector or location. Livelihood diversification is an active social process of individual or household diversification, involving the maintenance and continuous adaptation of a highly diverse portfolio of activities over time in order to secure survival and improve standards of living (Ellis, 2000b). The components of rural livelihood diversification are commonly classified by sector (farm or non-farm), by function (wage employment or self-employment) or by location (on-farm or off-farm).

Livelihood diversification defined as the process by which rural households establish an increasingly diverse portfolio of activities and assets in order to survive and to improve their standards of living (Ellis, 2000). DFID (2001) also define livelihood diversification is an increasing multiplicity of activities, or it can refer to a shift away from traditional agriculture to nontraditional activities. In this study context livelihood diversification strategies are conceptualized as getting income from farm plus off-farm, farm plus non-farm and farm plus off-farm plus non-farm.

Types of Livelihood Strategies

There are different methods of identifying livelihood strategies but most commonly, economists group households' livelihood strategies by shares of income earned from different sectors of the rural economy (Brown *et al.,* 2006). The same source stated that the approach adopted here is a simple one, but it effectively delineates households into different categories.

Ellis (2000) classified livelihood strategies into three groups; farm activities (income), off-farm activities (income) and non-farm activities (income). Farm income refers to income generated from own farms which includes livestock as well as crop income and comprises consumption in kind of own farm output as well as the cash income obtained from output sold. Off-farm income refers to wage or exchange labor on other farms (i.e. within agriculture). Non-farm income refers to non-agricultural income sources such as self-employment (business, rental income from leasing land and remittances). The choices of strategies are a dynamic process in which people combine activities to meet their changing needs (Ellis, 2000). For example, in farming households, activities are not necessarily confined to agriculture but often include non-farm activities and migrations whether seasonal or permanent in order to diversify income and meet household needs.

According to Scoones (1998), rural livelihood strategies are divided into three broad types, according to the nature of activities undertaken as agricultural intensification, livelihood diversification and migration. On the other hand, based on the data drawn from southern Ethiopia, Berhanu (2007) identified different activities both within the agricultural and non-agricultural sector. The activities in non-agricultural sectors could further take three forms as off-farm employment opportunity, non-farm income generating activities and migration, moving away of elsewhere temporarily in search of employment. The same source classified livelihood strategies into four broad groups as agriculture only, agriculture plus migration, agriculture plus non-farm and agriculture plus non-farm plus off -farm.

Similarly, even if the main source of income for rural households of Ethiopia is agriculture including crop production and animal rearing, they choose diverse livelihood strategies due to push and pull factors. For example, the rural households engage in on-farm plus off-farm, on-farm plus non-farm and on-farm plus off-farm plus non-farm livelihood strategies (Yenesew *et al*, 2014, Adugna and Wagayehu, 2012, Dessalegn and Moges, 2016, Gebrehiwot and Fekadu, 2012, Nigussie, 2011, Tezera, 2010)

The rural households also participate in agriculture plus non-farm, agriculture plus migration and agriculture plus off-farm livelihood diversification strategies (Daniel *et al*, 2016) and the ruralhouseholds engaged in few income generating activities, can be both farm/pastoral and nonfarm/pastoral activities ((Birhanu, 2016).

Determinants of Livelihood Diversification

In rural Ethiopia, the livelihood of the population is mainly crop production and livestock rearing rather than diversified livelihood options. As several evidence showed that there are different determinants of livelihood diversification which vary according to household's access and ownership of different livelihood assetsinthe rural households of Ethiopia. For instance, Household head age, farming land size, and extension agent frequency of contact and training were found out significantly and negatively affect the rural livelihood diversification strategies, while, credit access, saving account use, distance to infrastructure, sex, education status, agro-ecological zone and dependency ratio were found out positive and significant factors (Ambachew and Ermiyas, 2015).

The probability of diversifying in to highly and moderately diversified livelihood category is affected positively and significantly by age, sex, education level and access to credit facilities of the household head. Besides, it is found that the probability of being in moderately and highly diversified livelihood category is affected negatively and significantly by tropical livestock unit and distance from the nearest market (Birhanu, 2016).The education of household head, farm income and participation in local leadership influenced positively and significantly farmersparticipation in income diversification activities, while theownership of livestock in TLU, sex, total farm size, oxen ownership and market distance negatively and significantly affected the diversification of income into non-farm, off-farm and combining non-farm and off-farm activities(Yishak, 2016).

And land size, livestock holding size, sex of household head, mass media, marketdistance, total annual household income, and urban linkage are found to be the significant determinants of livelihood diversification strategies up to 10% probability levels. Additionally, total family size, household head education,frequency of development agents' visit, access to credit service and remittance receiving have positive and significantly effect on diversification livelihood activities(Yenesew *et al*, 2015). However, total land holding and dependent family size have negative and significant correlation with diversification livelihood sources (Dessalegn and Moges, 2016).

Specifically, according to Adugnaand Wagayehu (2012) sex,education, land size have negative association with agriculture plus off farm livelihood strategy. Whereas, extension contact has a positively influence on households choice of agriculture plus off farm strategy. Meanwhile, age and education negatively determine choice of agriculture plus nonfarm activities. Dependency ratios, on the other hand, positively affect the same strategy. Agriculture plus off farm plus nonfarm is affected by agro-ecology, land size, livestock holding, credit use negatively. Input use, cooperatives membership, receiving remittance, family size, were found to affect the choice of similar livelihood strategy positively.

The study done by Sahilu and Bekele (2015)indicated that the age, agro-ecology and nearest market distance influenced positively and significantly the choice of agriculture plus non-farm, while the ownership of livestock in TLU and total farm size negatively and significantly affected the diversification of livelihood into non-farm, off-farm and combining non-farm and off-farm activities. Further, the variable education had positively and significantly influenced the household choices of agriculture plus nonfarm, and farm plus nonfarm and off-farm activities, Similarly, contact with extension agent had negative and significant influence on the household decision of selecting diversified livelihood strategies into farm plus off-farm activities, while agricultural training had negative and significant influence on livelihood strategies choice of agriculture, non-farm and off -farm activities.

CONCLUSIONS

Generally, agriculture is the main source of income of rural households of Ethiopia. However, due to different constraints such as environmental risk i.e. the occurrence of ice, drought and untimely rainfall, , population growth, shortage of land, lack of soil and water conservation, lack of support by the extension agent for the farmers, the occurrence of locus and other insects, the rural households cannot gain sufficient amount of products from agriculture sector. In this regard livelihood diversification is the mechanisms by the households to gain an income to compensate the risks associated with agriculture. Here the most common classification of livelihood diversification is on-farm plus off-farm, on-farm plus non-farm and on-farm plus off-farm plus non-farm livelihood strategies. However, livelihood diversification is determined by sex of the household head, age of the household head, total family size, farming land size,ownership of livestock in TLU, extension agent frequency of contact and training, education status of the household head, agro-ecological zone, dependency ratio, access to credit facilities, distance from the nearest market, remittance receiving, cooperatives membership, farm income. Participation in local leadership, positively or negatively according to household's access and ownership of different livelihood assets.

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