

Doctoral Dissertation

**A Study on the Linkage between Livelihood and Welfare of Households in  
Ghana**

(Summary)

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Sustainable livelihood of households has been part of Ghana's post-independence policies because of the inextricable link between livelihood and welfare of households. With majority of households engaged in agricultural self-employed livelihood strategies and a poverty incidence of about 24%, the study of the linkage between household livelihood and welfare is imperative. Even though, this cannot reveal a causation between the two, it is important for the understanding of the structure of households' livelihood and for the purpose of development planning. Some authors have observed that families' ability to escape depends on the kind of work they do, suggesting a kind of association between the livelihood strategies of households and welfare. What is even more worrying, is the observation that many governments are ill-prepared to service livelihood diversity and livelihood interventions consequently fail. Nonetheless, the many studies on this subject matter have not addressed important issues regarding the linkage between livelihood and welfare. For instance, the analysis of livelihood and welfare is often anchored on the Sustainable Livelihood Framework. Many researchers do not precede their analysis with a comprehensive understanding of the nature of the asset of households, the centrepiece of the framework. The linkage between livelihood and subjective welfare such as livelihood satisfaction is also not adequately explored. This dissertation intends to fill this void of the extant literature by first analysing the nature of the asset pentagon of the Sustainable Livelihood Framework for Ghana and how these assets are related to livelihood strategies. It then proceeds to analyse the correlates of livelihood satisfaction by exploring how livelihood assets and type of livelihood strategies are related to satisfaction. Finally, the dynamics of household welfare and trend have been analysed.

This study focuses on Ghana through an empirical analysis of households. The study uses national survey data, the Ghana Living Standards Survey (GLSS), to examine the livelihood-welfare linkage. To address the stated specific objectives, this study adopts a quantitative approach; employing various analytical techniques. The Principal Component Analysis (PCA) is used to aid the analysis of household asset possession and the construction of the asset pentagon for Ghana while the Craig's model together with the Multinomial Logit model is used to analyse the relationship between the household assets and livelihood opportunities. The Generalised Ordered Logit Model (GOLM) is used to examine the correlates of livelihood satisfaction while the Foster-Greer-Thorbecke (FGT) poverty indices together with wealth index were the techniques with which welfare and its trend was analysed. The results of the analyses are presented in three analytical chapters. Chapter 4 contains the findings of the nature

of Ghana's livelihood assets and their relationship with livelihood opportunities. Chapter 5 contains results on the analysis of the correlates of livelihood satisfaction while chapter 6 contains the analysis of household welfare.

The results of the analysis show that Ghana has an irregular asset pentagon. Generally, households have higher score for natural, physical and social assets while human and financial assets are limited. There is spatial variation in the nature of Ghana's asset pentagon. Urban households have higher score for human and financial assets than their rural counterparts while the opposite is true for the social, physical and physical assets. Aside the differences across location in livelihood assets' possession, there are also differences among households of different livelihood strategies. The analysis of the relationship between livelihood assets and livelihood opportunities revealed that a strong relationship exists between the two. A higher human asset score has an inverse relationship with livelihood diversification and same for social assets. However, a higher score of physical or financial and /or natural assets is positively correlated with livelihood diversification. Regarding the relationship between assets and main livelihood strategies in Ghana, the study found that human asset is positively correlated with high paid employee strategy and commercial self-employed agricultural activities. Conversely, it is negatively correlated with subsistence agricultural and non-farm self-employment activities. Physical assets are negatively associated with all livelihood strategies except the positive relationship with subsistence non-farm activities. Financial assets are also positively linked to the probability of the household's main livelihood strategy being high paid employees or a farmer but negatively associated with subsistence non-farm livelihood strategy. Thus, livelihood assets have a strong relationship with livelihood opportunities/strategies.

The analysis of livelihood satisfaction and its correlates provides important insights into household subjective welfare. Majority of households' heads are very satisfied with their main livelihood strategy and by extension the household's main livelihood strategy. It was also revealed that young household heads are less likely to be very satisfied with their livelihood relative to older household heads. Female household heads are also less likely to have higher livelihood satisfaction as compare to male heads. Aside these demographic correlates of livelihood satisfaction, there is also evidence that the characteristics of the main livelihood strategy are also correlated with livelihood satisfaction. These other determinants of livelihood satisfaction include work security, livelihood diversification, the work schedule of the main livelihood strategy and the type of main livelihood strategy. For instance, self-employment, especially in

agricultural and non-agricultural strategies, increases the probability of people being very satisfied.

The examination of the household welfare and pattern overtime, particularly by considering the main livelihood strategy of the household revealed that a little less than a quarter of households could be deemed poor based on the absolute poverty measure. The standard of living of these poor households is estimated to be 35.1% below the absolute poverty line of GHS1,314.00. The analysis also revealed that Ghana can eradicate poverty if consumption capability of households is raised by an amount equivalent to 8.4% of the absolute poverty line. On poverty dynamics, it is observed that significant differences in welfare exist according to location of the household and the main livelihood strategy of the households. Rural households have higher poverty incidence (36.3%) and they contribute over 80% to the poverty cases in Ghana. Under perfect targeting, eradicating poverty in rural areas will require raising the income of the rural poor by an about equivalent to 13.5% of the absolute poverty line. By the main livelihood strategy of the household, welfare is generally low among subsistent agricultural households. A perfectly targeted policy that increases the income of these households by 14.3% will succeed in poverty eradication among this group. Household groups that have experienced worsening consumption poverty are also associated with asset poverty. Notwithstanding the above findings, welfare pattern has been increasing over the past years and the minimum cost of eradicating poverty has decreased over time.

Consequently, the strong link between household assets (human, financial, social, physical and natural assets) and livelihood opportunities suggests the need for comprehensive profiling of households if development interventions are to address the needs of households. Possession of assets have implication on households' livelihood opportunities and this is crucial information for development planning. Improving financial inclusion and investment in human assets of rural households is also recommended in order to improve the overall performance of the country in respect of household possession of these assets. The observation that certain categories of households are associated with lower livelihood satisfaction motivates the need for further causal inference analysis. This said, related interventions could easily identify female headed households among other identified groups in this study as beneficiaries. Finally, interventions that seek to build the capital stocks of households must not overlook extreme poverty household categories. Effort geared towards raising the consumption power of rural households' members by an amount equivalent to 13.5% of

the absolute poverty is recommended. It is also recommended that the consumption ability of subsistent farmer household, the group with the lowest standard of living, should be increased by an amount 14.3%. Under this perfect targeting scenario, the standard of living of households in Ghana are expected to improve substantially.