3

An overview of the household economy approach

This chapter gives a broad overview of the household economy approach (HEA) and the information needed to conduct an HEA analysis.

The aim of HEA is to understand how families are making ends meet under both normal and abnormal conditions. There are five steps in conducting an HEA analysis. They are:

1. Define the food economy or economies (the group or groups of households) for which an analysis is required.
2. Define categories of household wealth within each food economy.
3. For each wealth category, collect information that will enable you to describe how, in a "normal" or baseline year, a typical household obtains its income and what the economic context is. The aim is to compile a description of the economy that is "complete": that is, containing all the information needed to understand not only people's current access to income and food but also the potential for them to expand their income under different conditions.
4. Describe the economic context to which the households relate.
5. Use this description as a baseline from which to understand the likely effect of changes in the economic context on household income and food supply.

> The generic question behind all food economy analysis is: "how does this food economy work?"
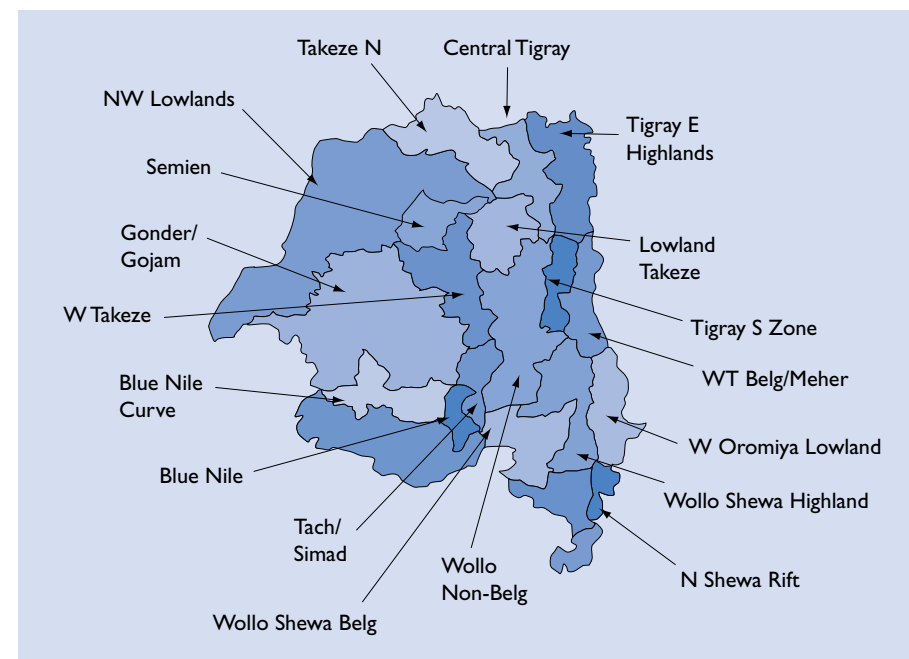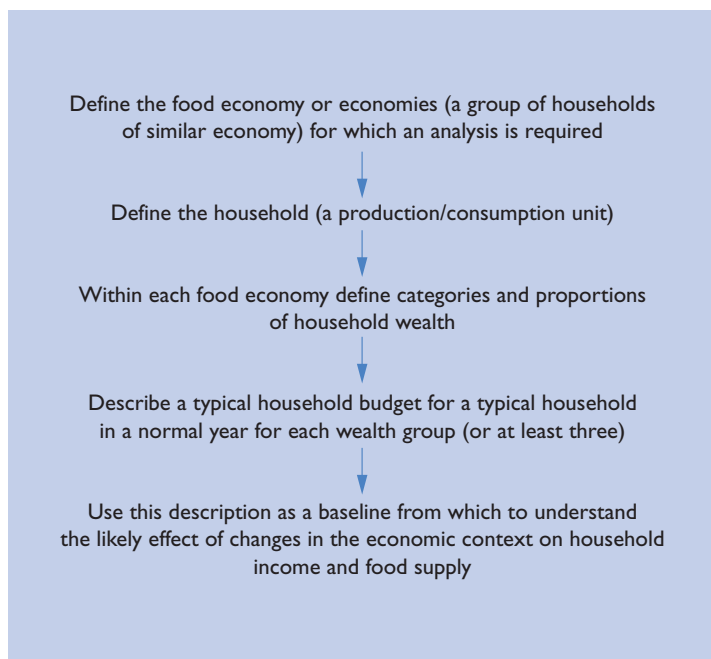
**Figure 14:
The five steps in
conducting an
HEA analysis**

The five steps shown in the flow chart:

- Define the food economy or economies (a group of households of similar economy) for which an analysis is required
- Define the household (a production/consumption unit)
- Within each food economy define categories and proportions of household wealth
- Describe a typical household budget for a typical household in a normal year for each wealth group (or at least three)
- Use this description as a baseline from which to understand the likely effect of changes in the economic context on household income and food supply

**Figure 15: Food economy areas, north-eastern Ethiopia (Save the Children/
Tanya Boudreau)**

1. Defining food economy areas and populations

Livelihoods and geography

A food economy is a specified group or population of households. It is defined as all the households in a geographical area where most households obtain their food and cash income by roughly the same combination of means. All the people in a village, a refugee camp or some larger area may be involved. For a local study there may only be a single food economy, but a large geographical area may include households with several different types of economy.

A population of households is a defined group of households in a food economy: for example, all the households in a defined area or a camp.

The first step is to divide the area you are studying into areas with similar

economies: for example, into a population that depends primarily on agriculture (even though they may also keep livestock and have other sources of income) and a population that depends primarily on livestock. The number of areas or populations and the fineness of the distinctions will depend upon what objective you have in mind. Figure 15 shows the food economies defined for a study of north-eastern Ethiopia.

The division need not necessarily be by geographical area. There may be two or more groups of people in the same geographical area who demonstrate sufficient differences in their economy to make a distinction necessary.

In two districts of the Fifth Region

> The finer the level of subdivision, the more the work which will be required to describe these – each area will require fieldwork to describe the household economies.

of Mali, for instance, the great majority of the population are cereal cultivators with, depending on their wealth, a greater or lesser investment in livestock. But a minority are migrant fisherfolk, whose main livelihood comes from following and catching fish along the main Niger River and its inland delta, according to the seasonal increase and flood of the river and the growth cycle of the fish. There is nothing to stop us dealing with two or more food economies co-existing within the same geographical area. We can attach our own labels for convenience: "the agricultural food economy"; "the fishing food economy", etc.

Whether or not a population should be subdivided, and if so, at what level, depends upon the question being asked. All investigations must begin with a clear objective and a clearly stated question: for example, "How much food should be supplied to this refugee camp?" or "What effect would an observed rise in food prices have on the households in this area?" The investigation may be local, or it may relate to a larger area – such as an assessment of the threat of starvation in a country or entire region affected by drought. Clearly, if we were interested in the effect of a shock on a whole country, different populations will be affected differently because:

- the shock (such as drought or conflict) will vary in its effect across a large area
- different economies will be affected differently by the same shock
- the opportunities people have to respond to the shock will vary from place to place.

In short, people in different parts of a country will normally face different intensities of threat from external events, and will have a different capacity to respond to these events: their vulnerability in times of crisis will vary. And just as important, exactly what we need to know about this will depend upon the question that has been asked and our capacity to respond. For example, a global monitoring system would probably be interested in a broader (for example, provincial) level of geographical disaggregation, with a view to initiating further investigation. From a national perspective this would probably be useless – it might, for example, already be clear that there is a potential problem in an area – and a finer disaggregation (for example, to district level or below) might be required. There is no point in collecting information for its own sake.

Food economies and administrative divisions

Food economy areas are economic, not administrative, divisions. Because a food economy area is defined in terms of the economy of households, it will not necessarily correspond exactly, or even roughly, with administrative boundaries. In some situations this may lead to difficulties:

- when establishing the population of the food economy area. Population statistics are normally available by administrative area: for example, districts. If a food economy area cuts across administrative boundaries, it may only be possible to estimate its population
- when reporting results. The findings of an investigation may require action by government. This action is often taken with reference to administrative areas.

2. Preparing a wealth breakdown

Within each food economy area we need to identify groups of people in different wealth categories. These categories are defined with reference to that particular area: it is relative wealth we are interested in.

The wealth breakdown employs the indicators of wealth used by the people themselves. In some situations, the "wealthy" are those with more land; in others, they are people with more livestock or labour; and sometimes they exhibit a combination of wealth criteria. There is often a precise local terminology for wealth categories; it seems to be a universal human instinct to categorise the members of one's community by their wealth.

The absolute differences in wealth within particular populations may be large or small.

The distribution of wealth within populations is often uneven: there are usually more households at the poorer end of the scale than at the richer end (Figure 16). If HEA is to be used to estimate the number of households in need, we must be able to describe the shape of the wealth distribution.
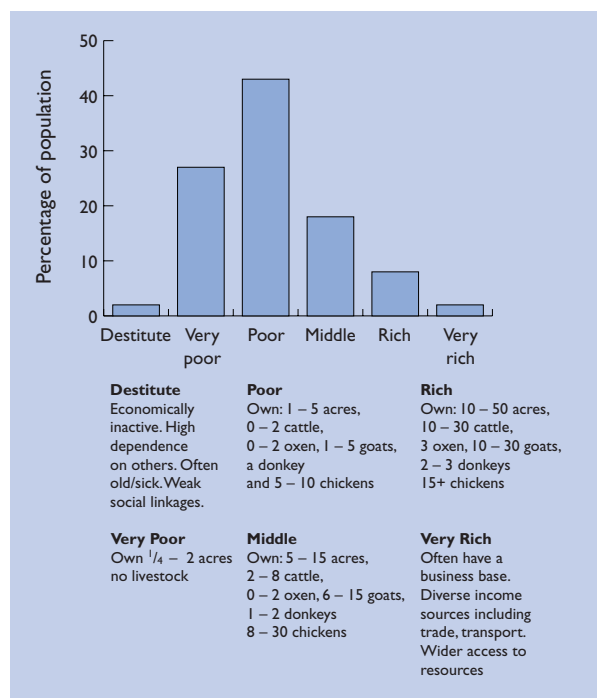
Figure 16:

Example of wealth group breakdown. Kitui Lowlands, Kenya, 2000 (Save the Children)

The wealth category which contains the largest number of households is described as the "modal group" (Figure 16).

3. Describing households within wealth categories

For each food economy, we need to describe the household economy in a "normal" or baseline year and how this differs between poorer and richer households.

Defining the baseline year

The baseline year is one that reflects the usual conditions, the way people normally live. The reason for defining such a year is to enable comparisons to be made when conditions depart significantly from normal. Thus, when describing how people live, we must be sure to get information for a "normal" year. To do this, we need to be clear about what we mean by "normal".

In practice, of course, there never is an absolutely normal year: some aspects of all household economies will vary from year to year. What we are talking about is a year when crop production, livestock mortality, food, crop and livestock prices and employment availability – in fact, everything that the population relies upon – are more or less usual for the area. It may even be possible to identify a specific year during which this was the case.

In some areas, household income may fluctuate wildly from year to year: for example, in semi-arid zones crop production may be in deficit for four years in ten, meet consumption requirement in three and be in great surplus in three. In these areas it is usual for people to store the surplus and use it to make up the deficit in years of low production. For these zones it may be necessary to take a range of typical years (deficit and surplus) and average them into a "normal" year.

Describing households

By discovering how typical households in each food economy area normally obtain their food and other income, we can build up a picture of the food economy of a given area as an aggregate of its households. In most situations, there are too many households for every one of them to be investigated, so we have to try to sample the different types of household. This is done with reference to at least three wealth groups: poor people, rich people and a middle (often the modal) group – even if we have identified more wealth groups than this in the population.

We can do this because the income options open to people in a given place are usually quite limited: most households of similar standing (for example, poorer households) within a food economy will be doing roughly the same things to survive. There will, of course, be variation within each category of household.

A "household" is defined as a group of people who:

- contribute to a common economy
- rely on the income from that economy for at least the greater part of their food.

There is, however, a potential problem in defining "typical" households. In many areas the model of the nuclear household (one male and one female parent and their children) is not applicable. The family pattern may be one male and one or more wives and their children, living in more than one dwelling. Other relatives (and sometimes non-relatives, such as guest workers who live as family members) may also be involved.

Household members do not all have to be resident in the same place. In some cases the married women may live separately, and it is common to find that some household members, such as migrant workers, spend long periods in other places.

An example... you may be told that households normally have about four or five milking cattle, and you may think that the typical household is composed of a man, his several wives and their children. But if your informant is talking about a "household" of a woman and her children only, you could greatly underestimate the importance of milk in the household's economy: the milk will go much further when shared between six people than between twenty.

The household economy is described in terms of:

- household food production
- household cash income from the sale of household production and employment
- the seasonal pattern of income
- household expenditure on food and non-food items
- household assets, in terms of food stocks, livestock and cash

- the markets used to exchange different commodities
- the price of all the items exchanged by the household.

Information is usually also obtained on the longer-term trends in production and cash income.

The aim is to develop a picture of a typical household budget and assets for each wealth category.

Information about the household is collected systematically by:

- identifying in general the types of production relevant to the population (for example, sorghum, maize, sheep, migrant labour)
- establishing the sources of income (food and livestock production, labour exchange, other production, eg, wild foods, handicrafts) for a typical wealth group for that population
- discovering how the household uses this income, item by item: how much is consumed and how much sold? The amount sold, minus costs, gives an estimate of cash income (or return from barter)
- finding out the proportion of cash income spent on food items and non-food items (taxes, fuel, loan repayments, education, healthcare, etc).

Collecting information in this way enables it to be thoroughly cross-checked: the amount of food the household obtains should be equal to or greater than the amount of food it biologically needs; the income from production and labour sales should be equal to or greater than the amount spent; and the use of labour should correspond with the income from labour. Talking about a typical household with groups of people representing that wealth category allows for a more open discussion than focusing on one particular person's affairs.

An example of a form used for data collection is shown in Annexe 3.

4. The economic context

This includes the markets used by households to exchange different commodities and labour; non-market transfers of goods between households and the way in which this varies under different conditions; and the availability of wild foods.

5. Analysis

The baseline economic description can be used to understand how a food economy is likely to be affected by a change in the economic context. For example, a fall in food production will lead to a fall in household income from food crops; it may lead to a rise in crop prices, making it more expensive for households to purchase food, and so on.

Summary

The aim of HEA is to understand how families are making ends meet under both normal and abnormal conditions. HEA involves five steps:

1. Define the food economy or economies (the group or groups of households) for which an analysis is required.
2. Define the distribution of household wealth within each food economy.
3. For each wealth group, describe how a typical household obtains its food and non-food income and its pattern of expenditure in a normal, baseline year.
4. Describe the economic context – markets, non-market exchange and access to wild foods.
5. Use this description as a baseline from which to understand the likely effect of changes in the economic context on household income and food supply.

The aim is to compile a description of the economy that includes all the information needed to understand people's current access to income and food and the potential for them to expand their income under different conditions.