

Summary

Using data from Western Kenya, we confirm the existence of a dichotomous non-agricultural sector. The poverty and inequality implications of the differently motivated diversification strategies only partly correspond to expected patterns. While high-return activities are indeed confined to richer households, low-return activities constitute an important income source for households across the entire income distribution. Finally, we examine the wider implications of our findings for rural livelihoods. We find that only engagement in high-return non-agricultural activities is significantly associated with increased agricultural productivity. It seems that such high-return activities play a key role in triggering cumulative effects of relative livelihood success.