

# THE CONTRASTING IMPORTANCE OF QUALITY OF LIFE & QUALITY OF BUSINESS FOR DOMESTIC & INTERNATIONAL MIGRANTS

An Executive Summary of Motu Working Paper 19-06

Arthur Grimes, Kate Preston, David C Maré, Shaan Badenhorst and Stuart Donovan

Motu Economic and Public Policy Research

arthur.grimes@motu.org.nz

## SUMMARY HAIKU

International  
and local urban migrants  
differ in their tastes

National  
**SCIENCE**  
Challenges

**BUILDING BETTER  
HOMES, TOWNS  
AND CITIES**

Ko Ngā wā Kainga hei  
whakamāhorahora

## INTRODUCTION

This paper examines the flow of migrants to, from and within New Zealand. It tests whether where migrants choose to live is influenced by quality of life or quality of business.

Migrants are defined as ‘domestic’ if they were in New Zealand five years prior (regardless of their official immigration or citizenship status) and ‘international’ if they were not in New Zealand five years prior. The international category both includes migrants who were new to New Zealand and New Zealanders returning home after living overseas.

## METHODOLOGY

Our data covers migration flows between 31 main and secondary urban areas in New Zealand, derived from censuses between 1986-2013. We incorporate migration flows between urban areas and rural New Zealand and also between urban areas and international locations. We look only at the working age population aged 30-59.

Quality of life and quality of business measures are derived from wage and rent data constructed for each urban area for each census wave. This brings together two well-grounded models from urban economics literature – the gravity model of migration and the amenity values of cities – within a single modelling framework.

We control for the effects of population and of distance between locations in our analysis. We also discuss how we have dealt with issues of selection effects (where people already live), choices over the life course (e.g. changes in preference over the course of a career), and measurement error (quality of life and quality of business measures are volatile for smaller locations).

In constructing quality of life and quality of business for this study we have made one change to the method used in Preston et al. (2018). Previously, if an individual resided in location A and worked in location B, the wage earned in B would be attributed to location A. As residents of some of our smaller locations commute to nearby larger cities, this approach may upwardly bias the estimate for quality of business and downwardly bias the estimate of quality of life in those towns. For the measures used in the current study we instead define wages for a location as the wages earned by people who work in that location.

## RESULTS

In 2013, Auckland had the highest quality of business, closely followed by Wellington and then by Christchurch and Hamilton. Smaller places, on average, had a higher quality of life than did larger locations, with Queenstown being the most favoured area in this respect; however, some smaller urban areas have relatively low quality of life.



Some locations have changed substantially over time. For instance, Ashburton has moved substantially upwards as a place for business while Levin has moved downwards; and Auckland's quality of life has declined since 1986. These kind of changes enable us to better test the influence of these variables on migrants' location choices.

We find that locations with a high quality of life attract migrants from other urban areas, but do not attract international migrants; while there is reduced migration from rural areas to attractive urban areas.

Locations with a high quality of business do not attract domestic (urban or rural) migrants, but do attract international migrants. A one standard deviation increase in quality of business in a location increases international migration by approximately one third. The attractiveness of quality of business holds even when we control for population (the gateway city phenomenon). Meanwhile, people (of the 30-59 age group) tend to leave locations with high quality of life and/or high quality of business.

A one standard deviation increase in a location's quality of business is estimated to increase international migration into that location by approximately one-third, while raising domestic residents' migration out of that location by approximately one-fifth.

An explanation for this set of findings (albeit one that we do not test directly in this study) may be that a location which improves its quality of business attracts international migrants, which places upward pressure on house prices. This both crowds out rural residents from migrating to these locations and encourages residents of these locations to move elsewhere. Similarly, a location that improves its quality of life will see its house prices rise, incentivising residents of those locations to move away.

## CONCLUSION

International migrants are more attracted to cities that are based on productive amenities (quality of business) whereas domestic migrants are more attracted to places with consumption amenities (quality of life). From a (local) policy perspective, therefore, when city officials are deciding on the type of city amenity to enhance (e.g. a port that facilitates business or a concert hall that facilitates consumption), they are implicitly choosing the type of migrant that they attract as well as the type of city that may result.

READ THE FULL VERSION OF THE WORKING PAPER AT

[WWW.MOTU.ORG.NZ](http://WWW.MOTU.ORG.NZ) OR CALL US ON 04 939 4250

Motu Economic and Public Policy Research is an independent research institute operating as a charitable trust. It is the top-ranked economics organisation in New Zealand and in the top ten global economic think tanks, according to the Research Papers in Economics (RePEc) website, which ranks all economists and economic research organisations in the world based on the quantity and quality of their research publications.

