

Wages, Wellbeing & Location

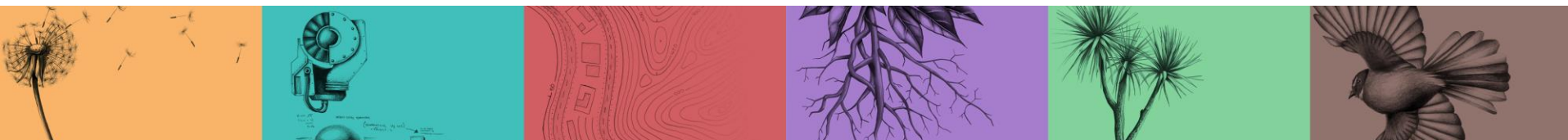
Arthur Grimes

**Motu Economic & Public Policy Research; &
Victoria University of Wellington**

NZ Centre for Sustainable Cities seminar
Wellington, 31 May 2017

Arthur Grimes, Judd Ormsby, Kate Preston. 2017. *Wages, Well-being & Location: Slaving Away in Sydney or Cruising on the Gold Coast*

Kate Preston, Arthur Grimes. 2017. *Migration and Gender: Who Gains and in Which Ways?* (www.motu.org.nz)



Primary research question

- Settlements may be attractive along a number of dimensions:
 - Natural amenities
 - Built amenities
 - Services (e.g. culture)
 - Wages & productivity
- Which matter?
 - For whom?
 - At what stage of life?



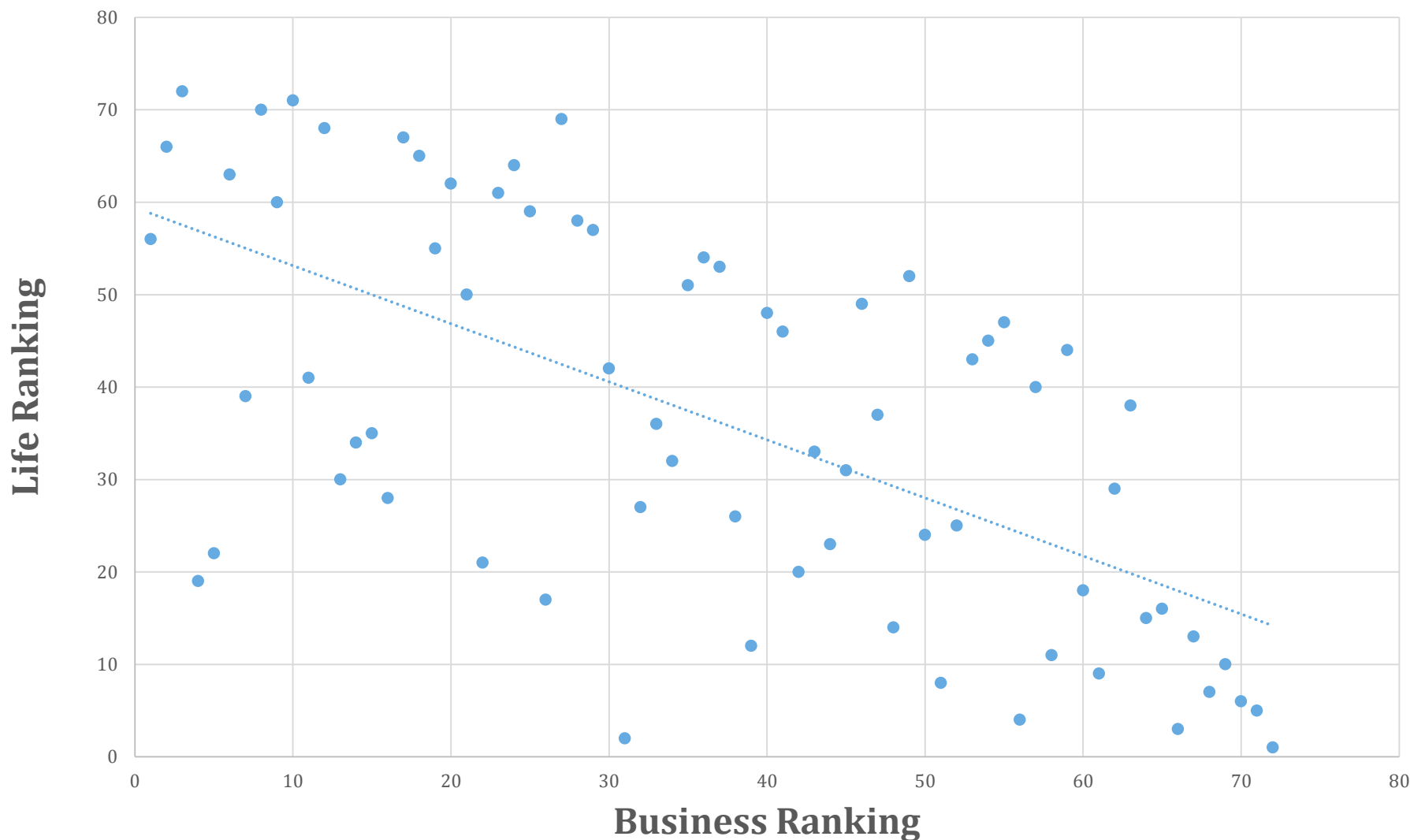
Secondary research question

- Is **subjective wellbeing** (SWB) – such as life satisfaction (LS) – a useful measure for gauging how people feel about their lives?
- And is it useful for measuring the influence of place on wellbeing?

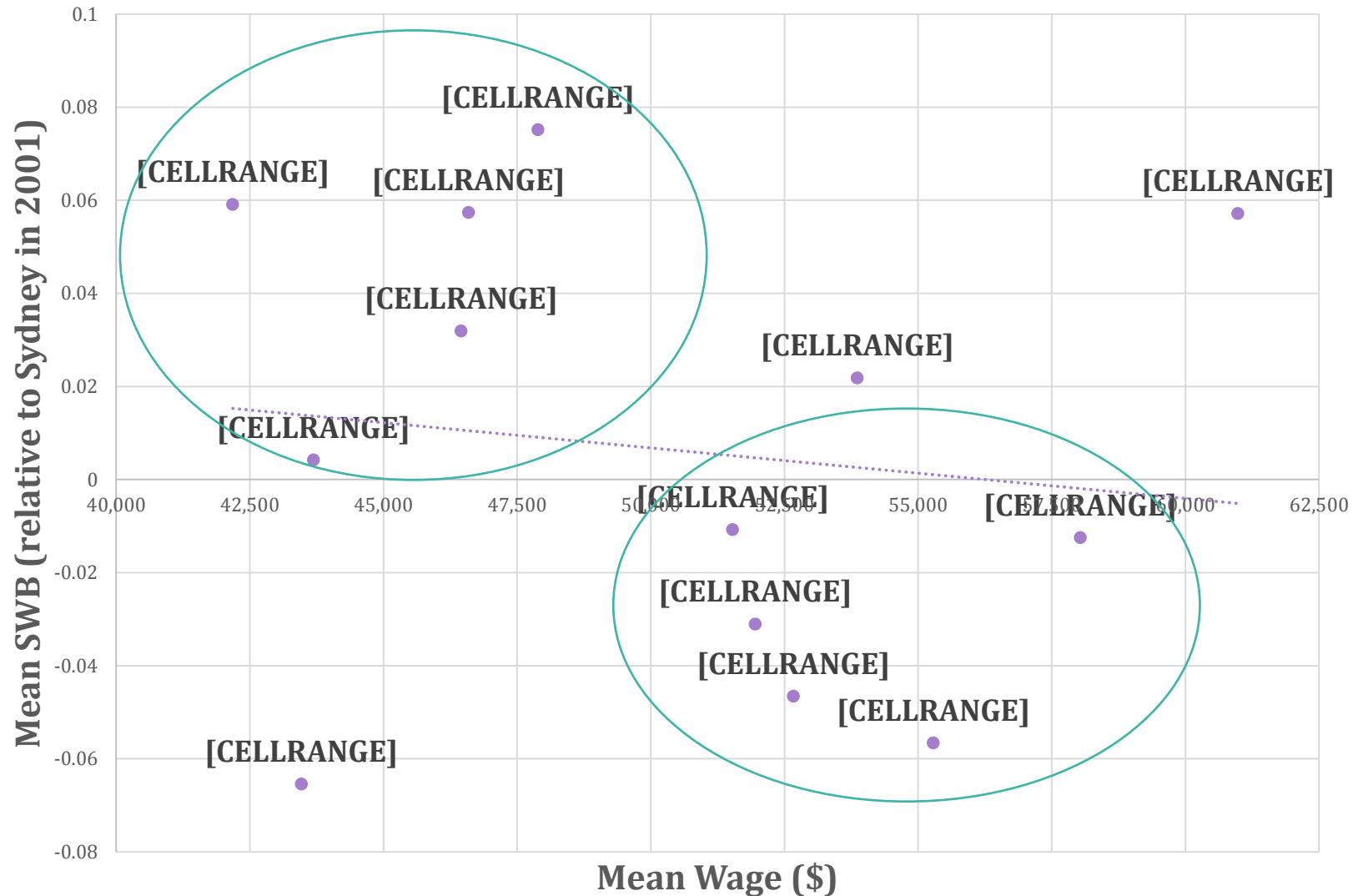


NZ TLA Business & Life Rankings: 1996

(Source: Stu Donovan MSc thesis, 2011, *vrije Universiteit Amsterdam*)

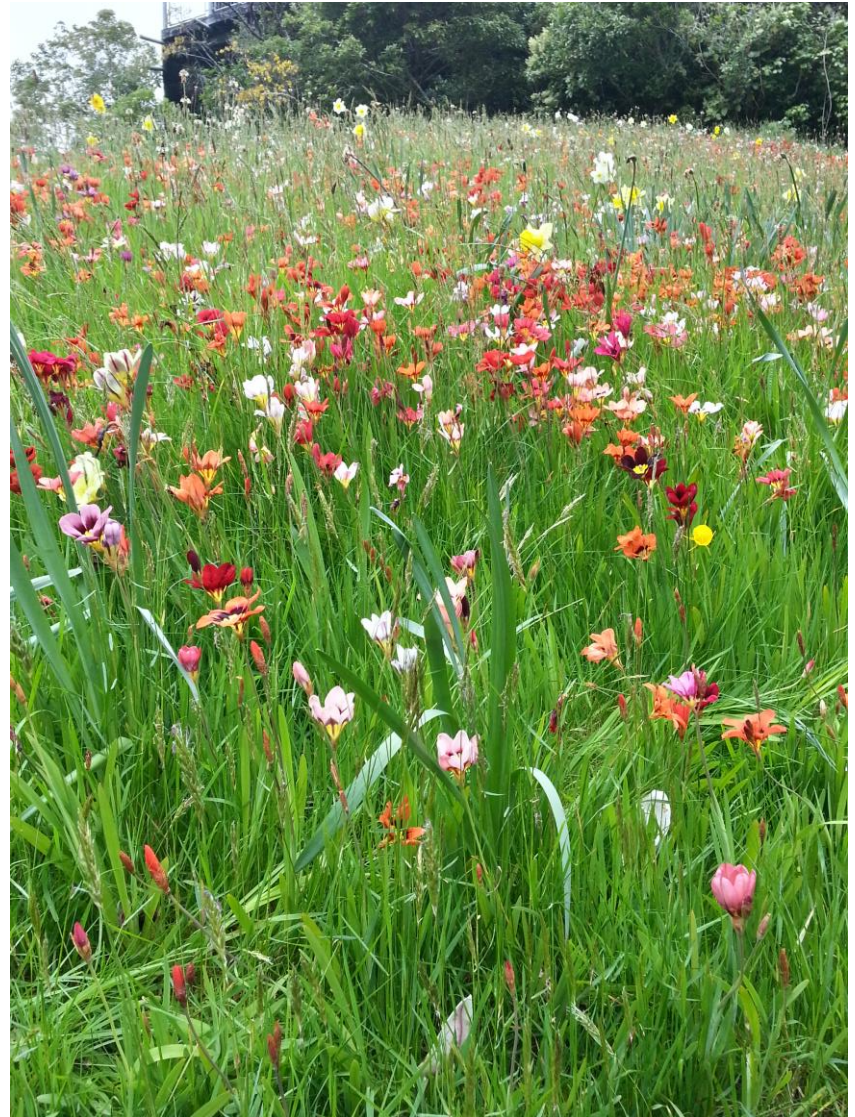


Average SWB & wages Australia: 2002-2014



Policy question

- Is it appropriate to include wellbeing as an aim for local councils?
- E.g. the **Four Wellbeings** ... (social, cultural, economic, environmental)
- **Background:** 4 WBs included in LGA 2002 but removed in 2012



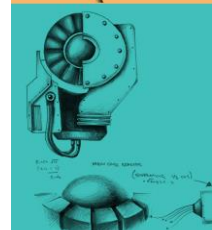
Outline

- New research on internal migration within Australia in relation to wages & SWB
- Reflections on LGA



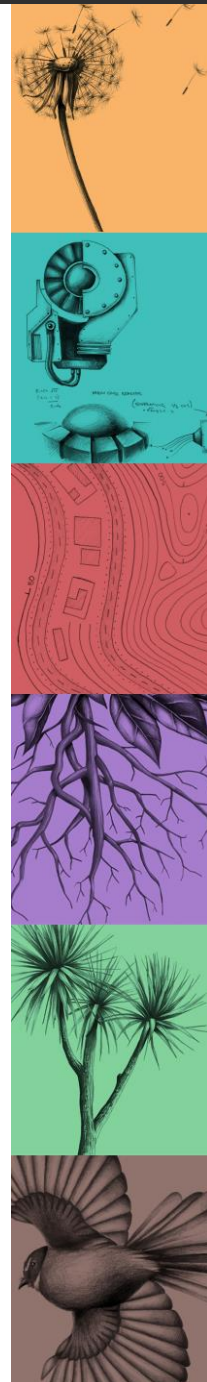
Migration and the life-cycle

- Glaeser et al (2014) find some people move to ‘unhappy cities’
- This should not be a surprise since lifetime wellbeing is determined by consumption and amenities in each period of life
- Rational people will choose their location to enhance their lifetime wellbeing, so may choose:
 - High wage / low amenity places
 - Low wage / high amenity places

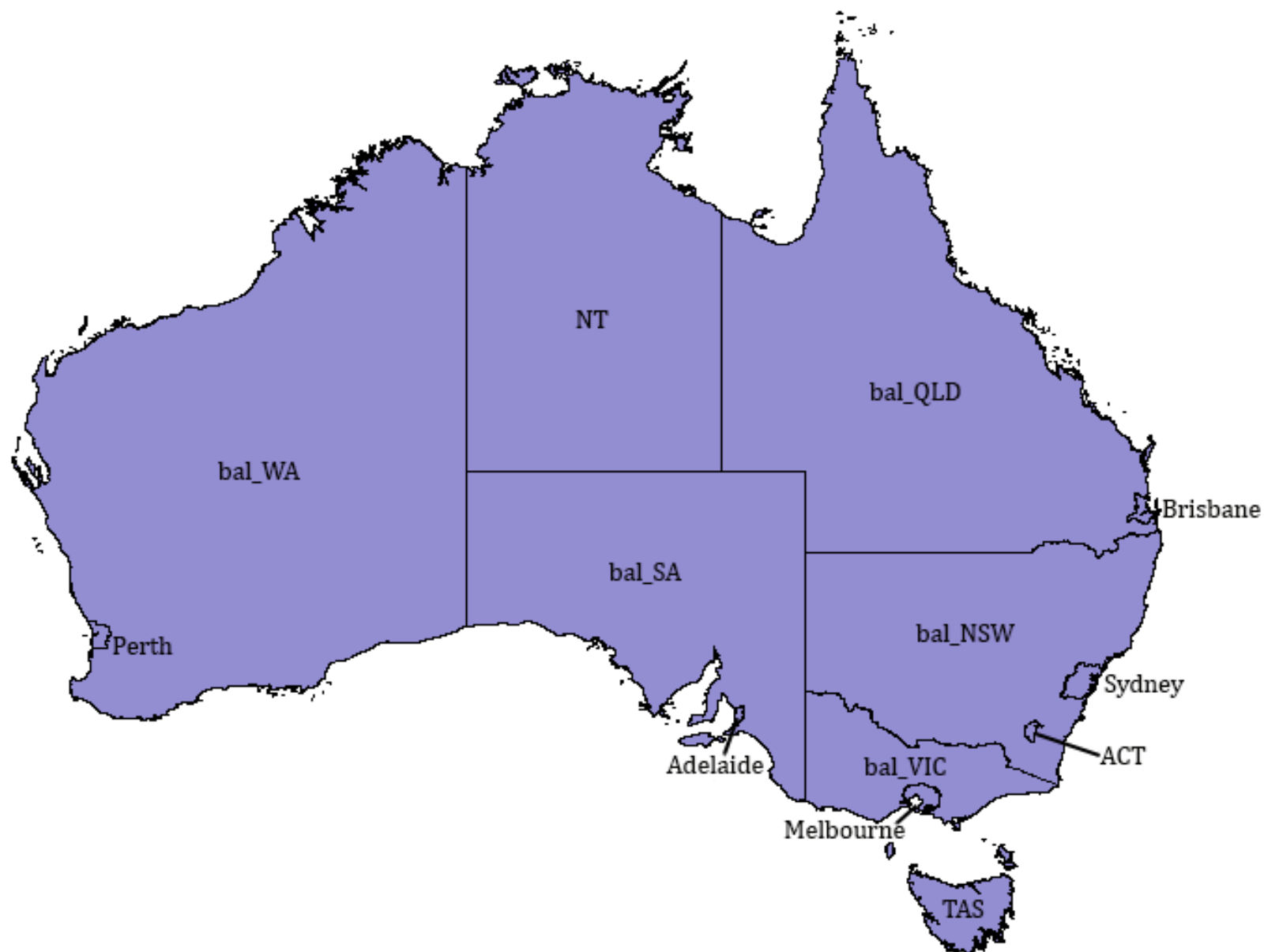


Data

- Full sample: 14 waves (2001-2014) of panel data from Australian HILDA survey (N = 137,212)
- Migrant sample: Observed 4 yrs before & after migration. (N = 12,370, individuals = 1,945)
- *Locations*: 13 Major Statistical Regions (MSR)
- *Individual characteristics*
- *Location characteristics*
- SWB measured by answer on 0 to 10 scale to question:
All things considered, how satisfied are you with your life?

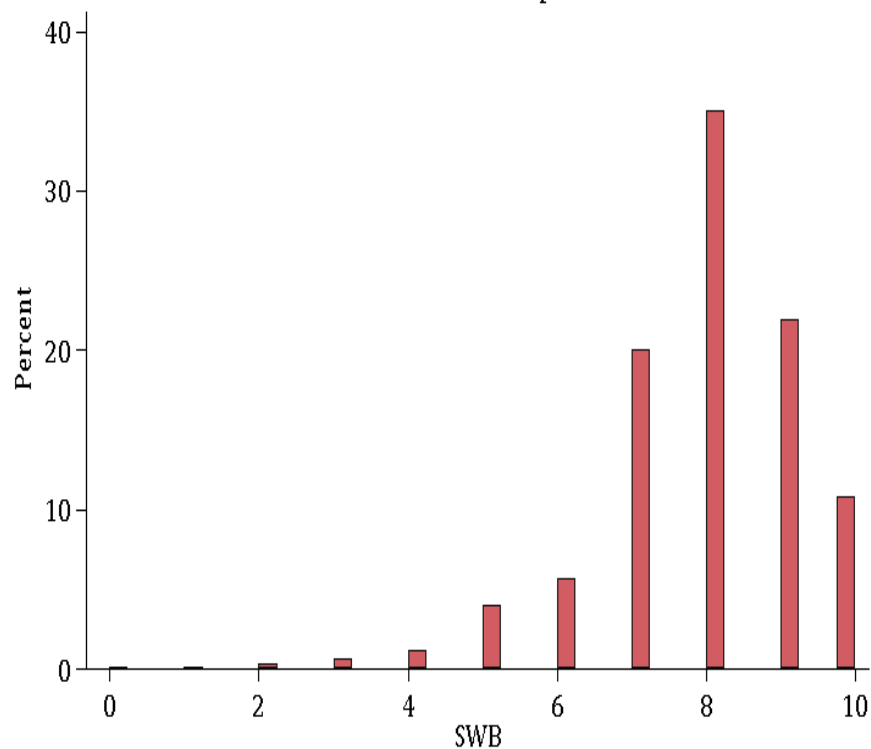


Australian MSRs



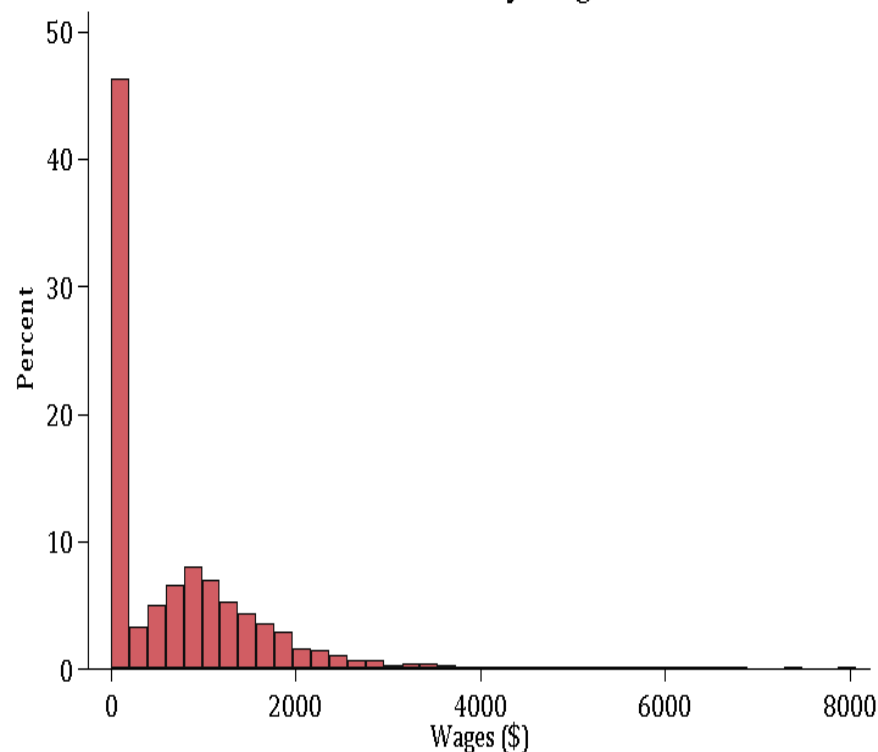
SWB and wages in 2014

Distribution of SWB Response in 2014



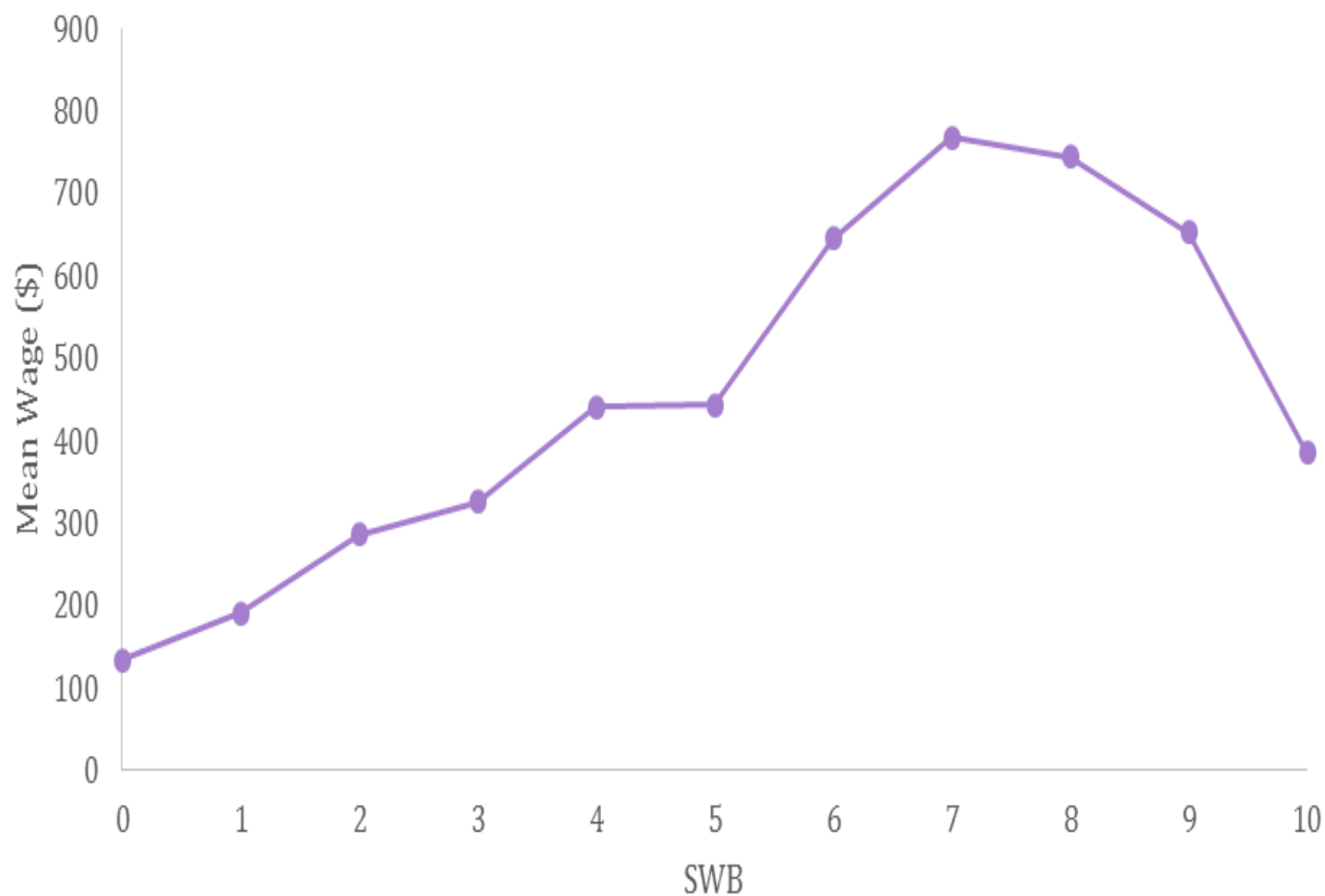
N = 12300 Mean = 7.88 Median = 8

Distribution of Weekly Wages in 2014



N = 12725 Mean = 704 Median = 432

Mean Wage by Levels of SWB



Empirical (internal migration) models

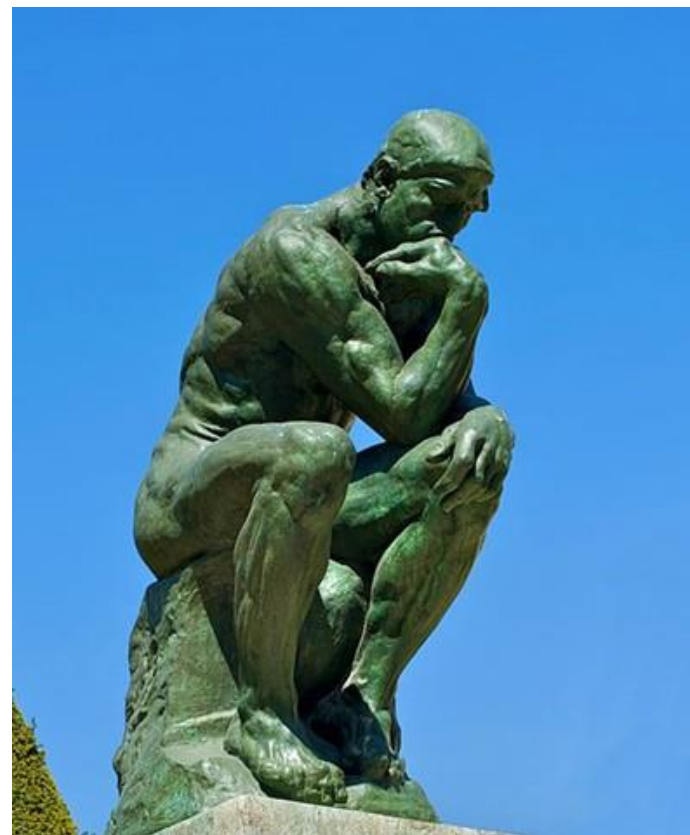
We estimate both:

Ex ante (predictive) determinants of:

- Emigration choice (leave or stay)
- Destination choice (if people migrate)
- Location choice for full sample

Ex post outcomes for migrants

- Wages & SWB (relative to year prior to migration)
- Model 4 years before & after migration



Summary of ex ante findings

- Most people stay in existing location
 - whether a 'happy' or unhappy' place
 - unless pushed by labour market factors
- People who do move are attracted to 'happy' places
 - i.e. places with high mean SWB
- Heterogeneity present for both SWB and wages

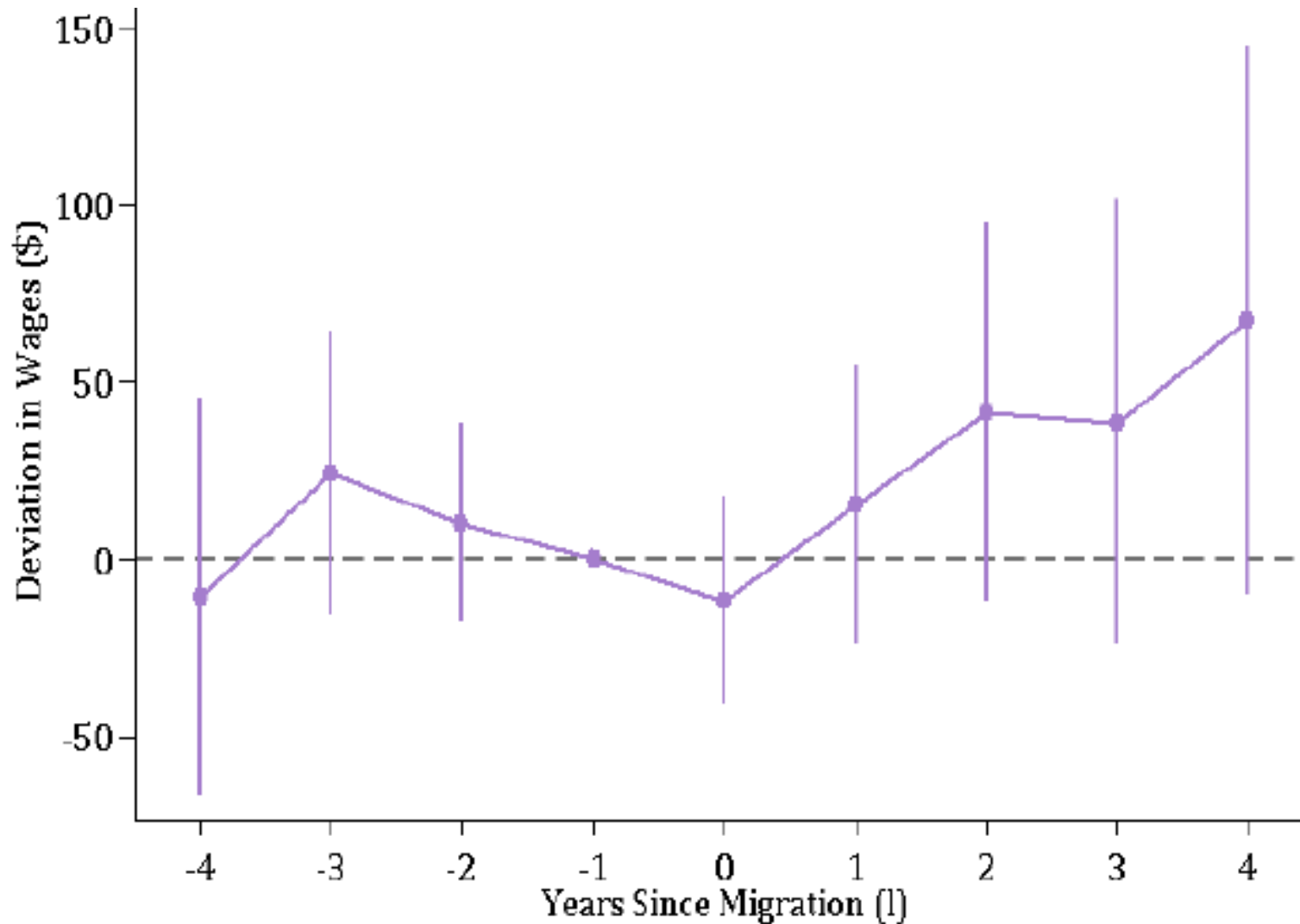


Results: Ex post personal outcomes

- The following graphs show estimated SWB and wage level relative to year prior to migration ($t=-1$)
 - after controlling for effects of other variables
- Many other graphs of outcomes included in the 2 papers

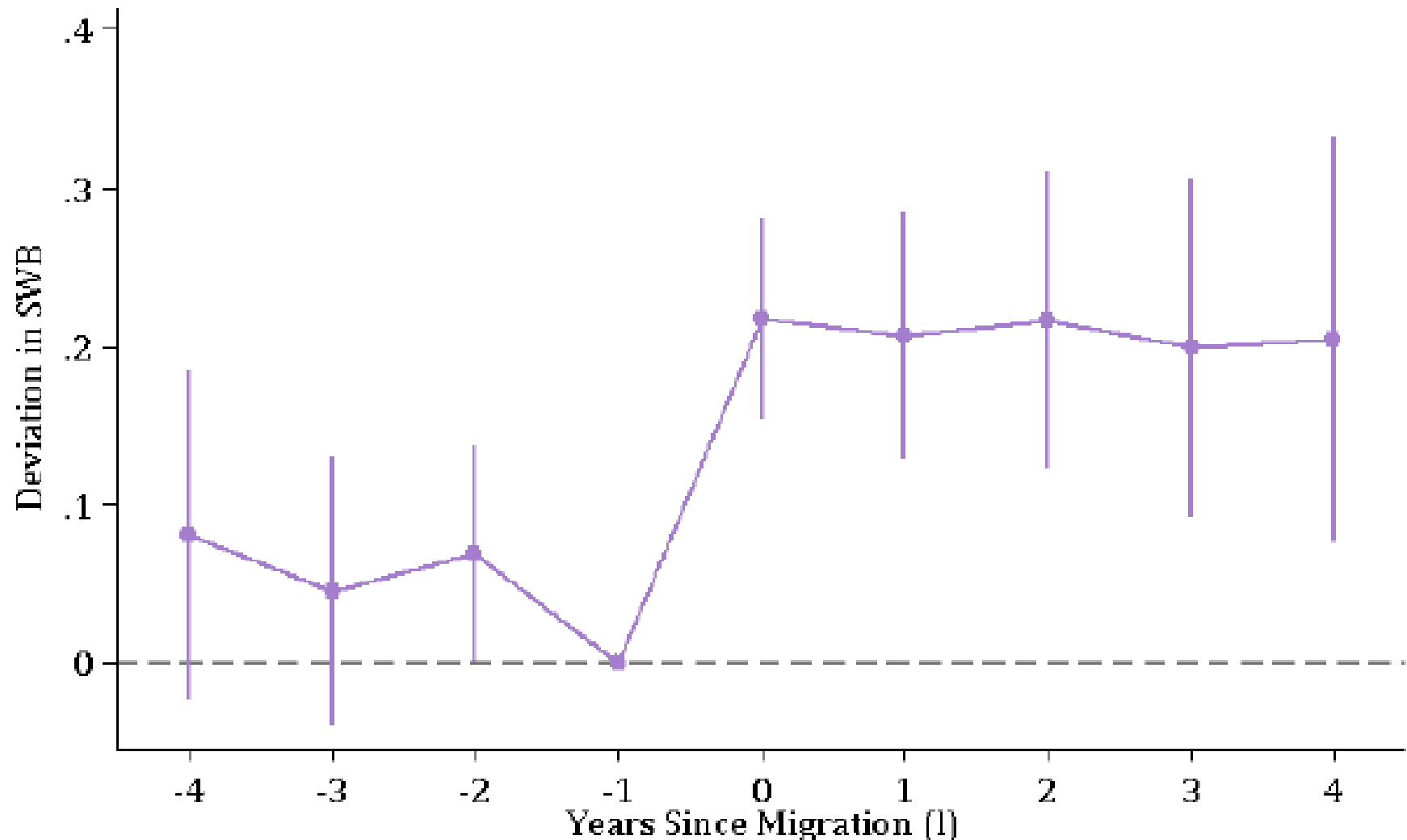


Estimated wage changes around migration



90% Confidence Intervals Displayed

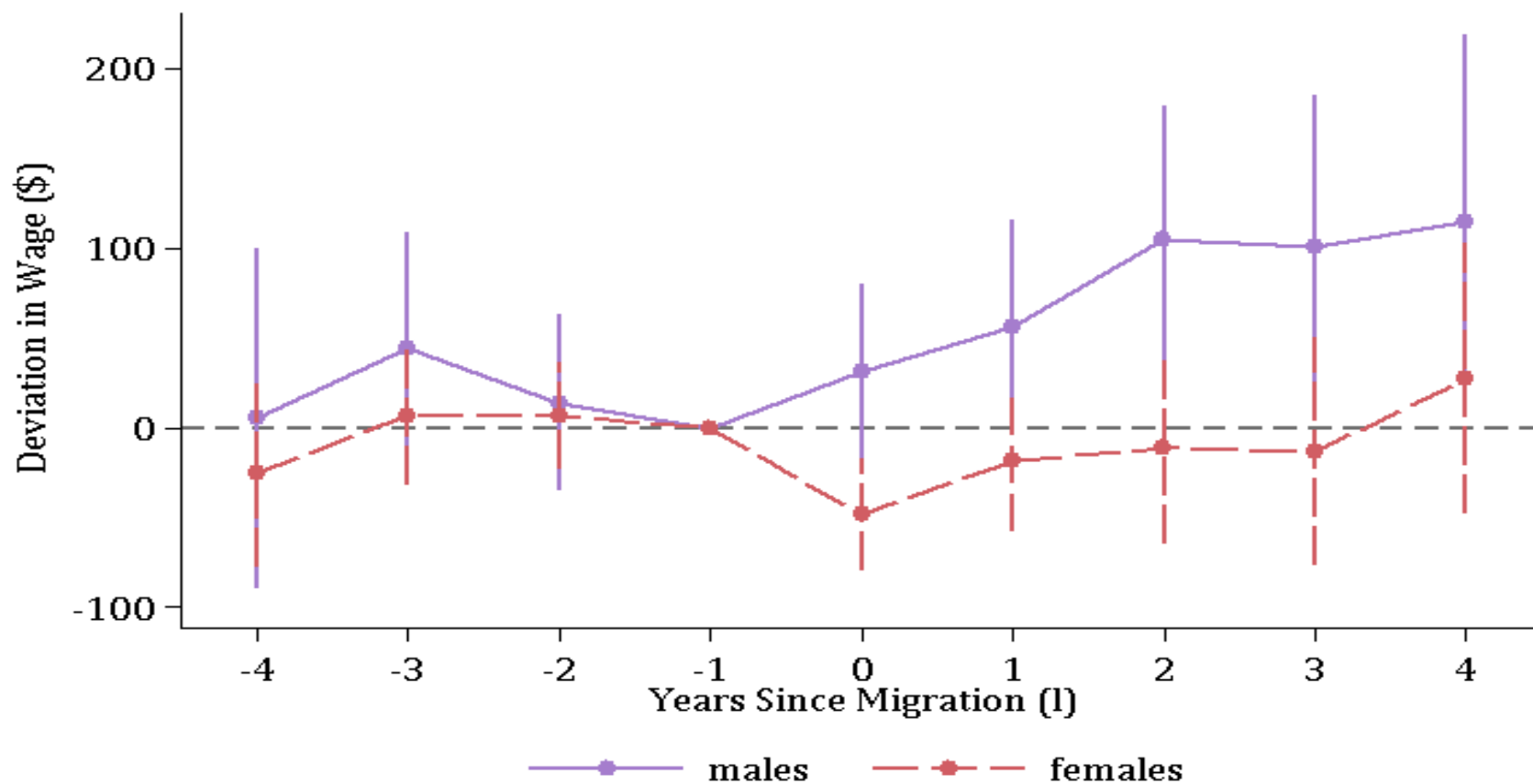
Estimated SWB changes around migration



90% Confidence Intervals Displayed

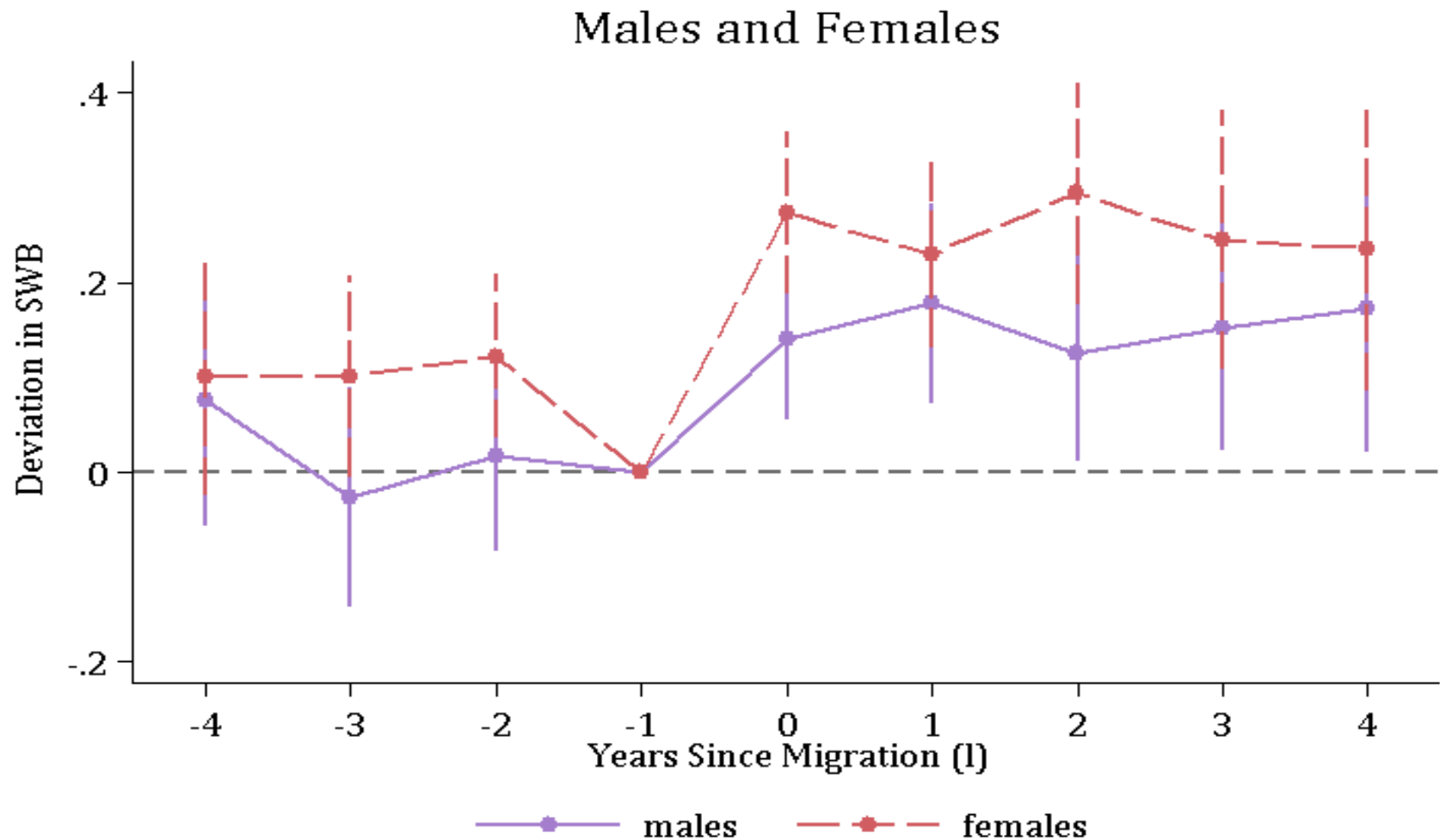
Estimated wage effects by gender

Males and Females



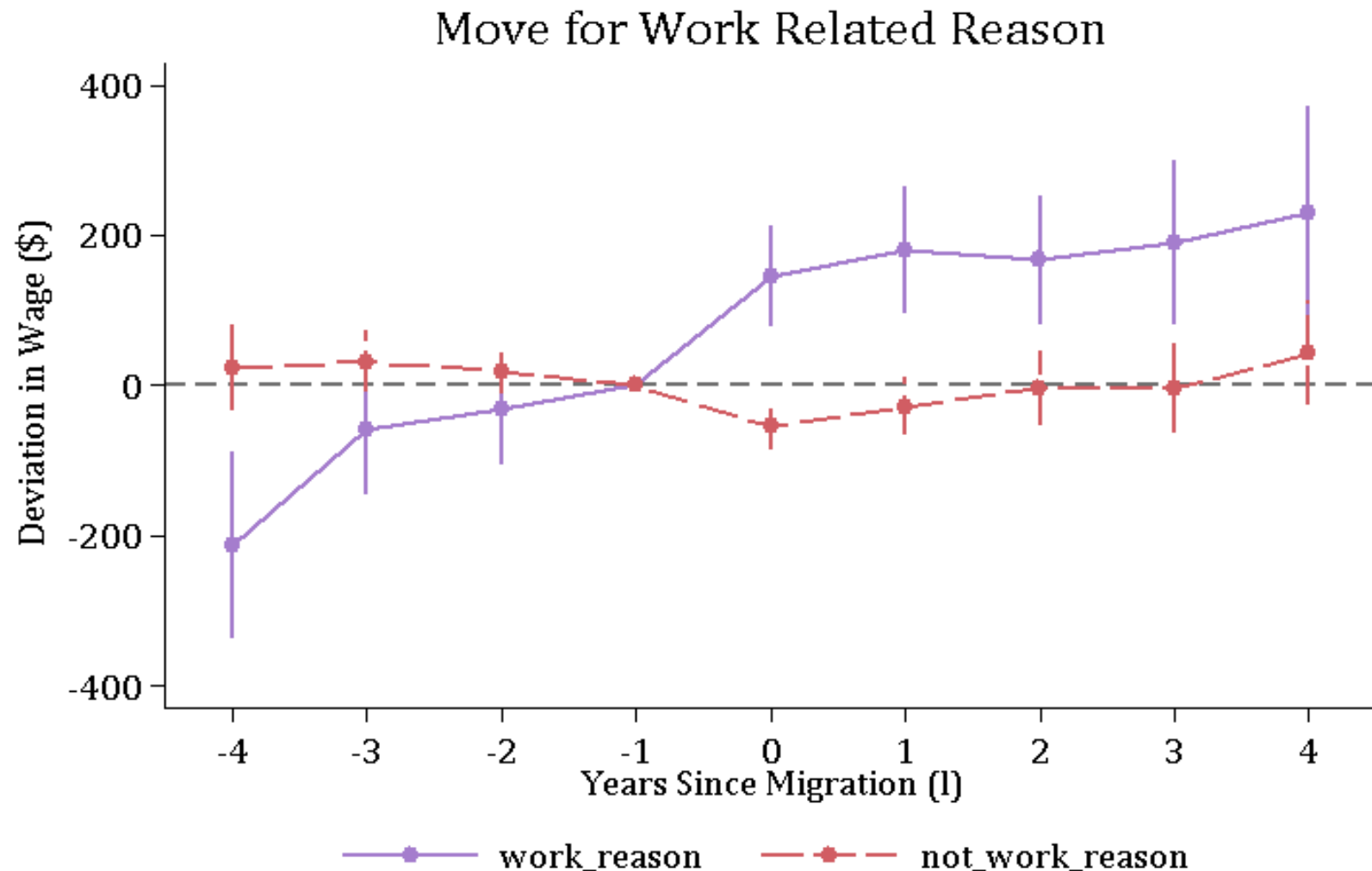
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Estimated SWB effects by gender



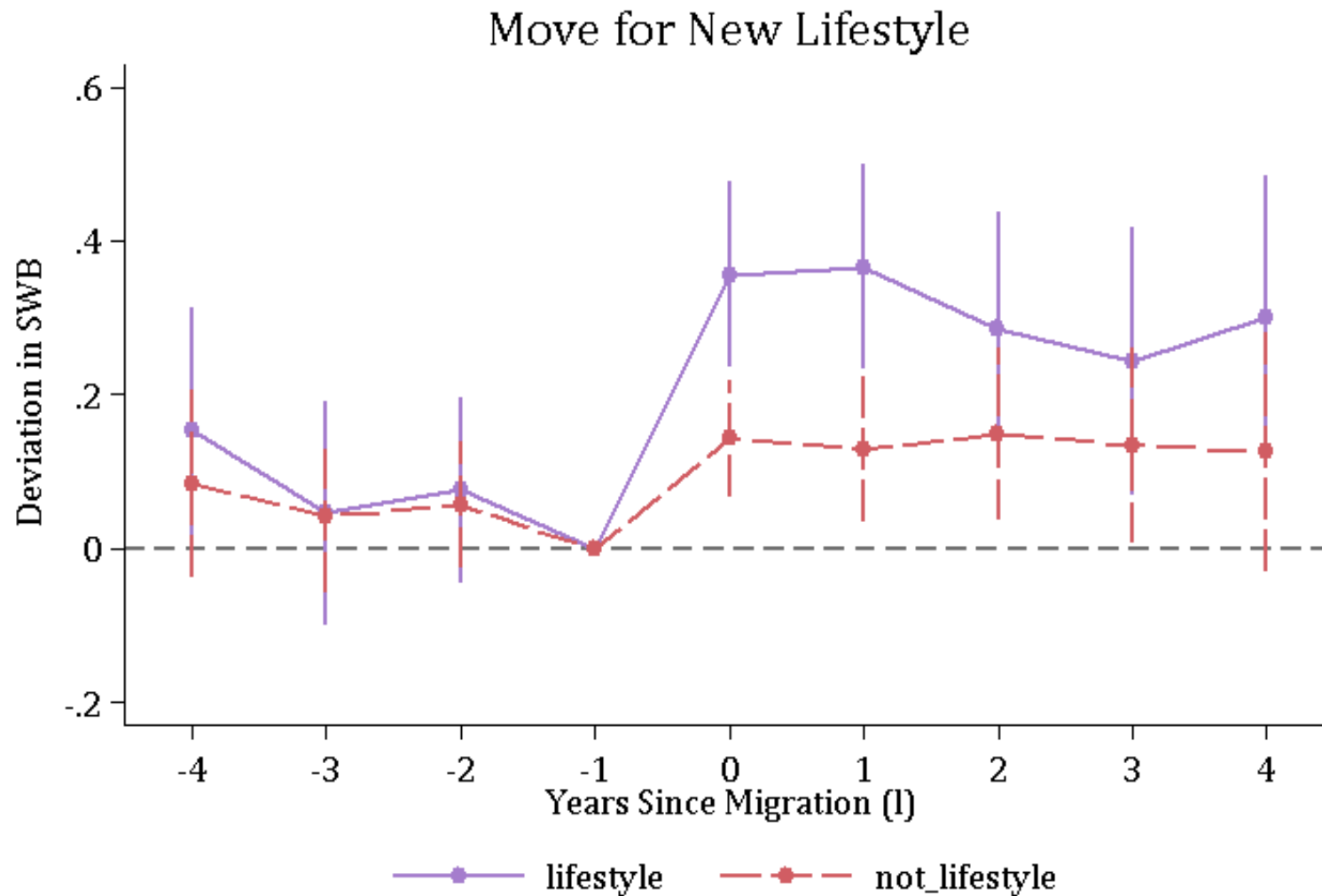
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Estimated wage by reason for moving



90% Confidence Intervals Displayed

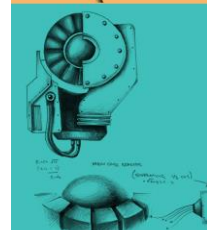
Estimated SWB by reason for moving



90% Confidence Intervals Displayed

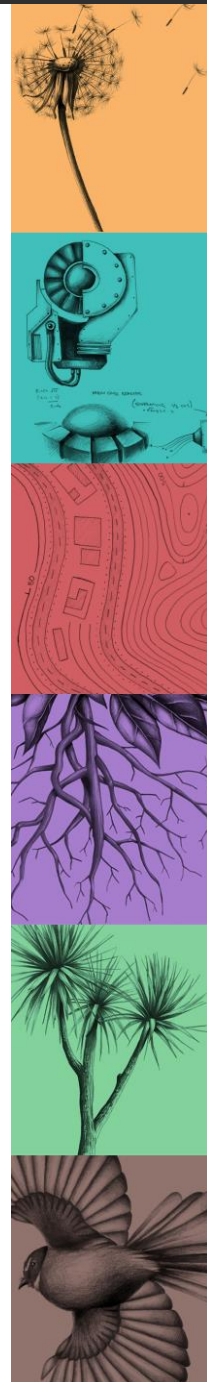
Ex post summary

- Migration is accompanied by an ex post increase in SWB for most groups
 - More so if moving for a non-work-related reason
- Wage gains are concentrated mostly amongst those who move for a work-related reason
- Many movers have a wage reduction
 - Especially retirees



Research conclusions

- For those who move, SWB is a key determinant, & a key outcome, of new location choice
- I.e. **people move to 'happy places'**
- But labour market (& moving costs) are main determinants of choice to leave an area
- Thus **people may stay in 'unhappy places'** when there are high moving costs
- Evidence substantiates predictive content of SWB (for movers) \Rightarrow **SWB does have real economic content**

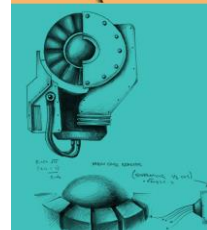


Policy conclusions

- High SWB is a drawcard for migrants
 - I.e. people value wellbeing, not just jobs & wages
- Key policy implication is that enhancing wellbeing (plus jobs & wages) is a fundamental role for local councils

⇒ **Reintroduce the Four Wellbeings** (or some variant)

At least, allow councils to **choose** to target them



*There is good government
when those who are near are
made happy, and when those
who are afar are attracted.*

(Confucius, c500BC)



