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4 Housing and location preferences of higher educated workers in The Netherlands

An introduction

Marco Bontje, Sako Musterd and Jan Rouwendal

Higher Educated Location Preferences

The Higher Education Location Preferences research project, which is the basis for this volume, came about in two phases. Part II of this volume focuses on the first phase, in which the stated and revealed preferences of higher-educated workers are analysed in general and in which a policy application tool is presented. Part III will focus on the stated and revealed preferences of higher-educated international migrants, including students.

The location preferences of higher-educated people are part of an on-going debate about urban and regional competitiveness and the attractiveness of cities. Higher-educated people are seen as a key factor in urban economic development. The debate involves questions like: how can cities and regions attract or retain the skilled workforce they need in order to remain or become internationally competitive? Does this require specific 'talented worker policies'? To what extent do higher-educated workers differ in their location preferences, as compared to other categories of workers? Are there differences within the category of higher-educated workers? Are such preferences reflected in their actual (residential) behaviour? A discussion of the literature (see Chapter 2) and of experiences (see Chapter 3) has suggested that there is some consensus about some of the answers to some of these questions. However, that discussion also showed that many questions remain open that require empirical study before they can be answered. In Part II we begin to fill in the gaps. Chapters 5–7 will revisit and elaborate on the debates addressed in Part I. The basis for this is several empirical analyses and modelling exercises focusing on the preferences of creative knowledge workers in general. People's preferences and their influence on actual behaviour can be analysed in various ways. A well-known and already mentioned distinction in the social and behavioural sciences that also applies to our research is between stated preferences and revealed preferences. *Stated preferences* refers to the preferences expressed by people, irrespective of whether they will eventually act upon those preferences. These preferences can be studied with different types of questions and/or choice experiments. In Chapter 5, where stated preferences are investigated, respondents were asked about their preferences in three different ways: by ranking photos of residential environments (without telling them where these photos were taken); by ranking names of residential environments in their city-region; and by responding to specific statements, such as 'I would rather have a big house in the suburbs than a small apartment in the city'. The

comparison of the residential preferences of creative and technical workers shows how heterogeneous the overall category is. In widening the scope to the (new) middle class, the authors show that residential preferences are in fact multidimensional. A partial explanation of the heterogeneity of the responses is that photos contain only a part of the information that is used to make actual decisions about residential choice behaviour. For instance, no information about the price of the houses that were shown was supplied to the respondents. Responses were determined in part by respondents' assessments of affordability that were not made explicit in the research. Outcomes are very different for sub-sections or fractions of the new middle class, including creative knowledge workers. It will also be shown that there are important differences in terms of preferences between the metropolitan areas that are considered in this study.

Revealed preferences are the focus of Chapter 6. This is about actual spatial behaviour in and over various geographical spaces. The concept suggests that actual behaviour is a reflection of the preferences people have. Note, however, that these preferences are often conditioned by the respondents' assessment of the wider context in which decisions have to be taken, which is often left unspecified. For instance, respondents may express the wish to live in an apartment close to the city centre, while having only vague information about the prices of such apartments and the detached houses in the suburbs that were offered as choice alternatives. Imperfect information may result in substantial gaps between stated preferences and the actual choice behaviour that reveals preferences in the actual situation. In their study on residential behaviour Duncan and Newman (1976) noticed (already four decades ago) that fewer than half of those who said that they expected to move actually realised the move (p. 183). A 'realistic' stated preference may be closer to the revealed preference.

Imperfect information about real choice alternatives is just one reason why differences exist between stated and revealed preferences, and there are many others that are potentially relevant. When information problems are less likely to occur, because of careful design of the stated-preference study, such discrepancies are in principle important pieces of information, perhaps telling a story about the mismatch between the realised structure of housing and residential milieus and the structures and milieus that might be really needed. In any, it is clear that we have to have a closer look at both the stated and the revealed preferences. In Chapter 7, attention turns to the integration of various pieces of knowledge and modelling outcomes, combined with projected population dynamics under certain scenarios. Various predictions of population change, for example, are evaluated in terms of the house-price effects they might have for certain areas. The information may be relevant for policy applications. In this introductory chapter we will now touch briefly upon the main themes addressed in each of the following chapters.

Stated preferences and revealed preferences

Concepts like 'place' (both in absolute and in relative meanings), 'space' and 'scale' take centre stage in research that focuses on stated preferences. Together they create multiple concrete and abstract contexts that in turn play a role when someone is to develop his or her ideas and tastes about preferences for settling in certain places and spaces. Multi-scalar

considerations are relevant in this respect. People prefer certain territories over others (for example, one city over another, or a city over a suburb), but also within these territories, or beyond them, sub-spatial considerations will manifest themselves. Together with the profiles of those who express their preferences, this will shape certain social-spatial images that households strive for. The processes related to stating preferences do not necessarily result only in 'ideal-type', maybe even idealistic, outcomes. Depending on how surveys are designed, it is possible to approach respondents in such a way that they are likely to provide relatively 'realistic' preferences, while they are also capable of reflecting on trade-offs between various elements that play a role in the decision. For example, when both travel time to work and the 'atmosphere' of a residential area are seen as important factors in the decision to settle somewhere, individuals will likely, based on budget limitations, make a trade-off between these factors. In Chapter 5 several models of stated preferences are presented. Among the key findings is the fact that 'heterogeneity rules'. Suggestions in the literature that there would be one 'creative class' with a uniform preference for urban living are rejected, based on empirical analysis and a series of preference models.

In Chapter 6 revealed preferences form the starting point for the development of a series of logit-based sorting models. These are applied in the Netherlands and in the Greater Copenhagen area to uncover actual residential behaviour and to simultaneously investigate what residents are – apparently – willing to pay (extra) for a location close to certain urban and/or environmental amenities. Amenities relate to the general attractiveness of an area. This may not only have attracted people directly, but also may play a role in the decision-making processes of firms when they decide where to settle and what level of wages to offer. Firms may select places with amenities that people like, which will allow these firms, in compensation (trade-off), to reduce wages, but they may also select other places with fewer amenities, which will more or less force them to pay higher wages (see Roback 1982). In the trade-off process, besides wages and urban amenities in general, housing costs also play a role. Important points of departure in these modelling exercises are the optimisation of utility from the consumers' perspective, and striving towards market equilibrium from the housing-supply perspective. One key finding in Chapter 6 is that cities are important for finding a job, and also for finding ample consumption opportunities that people are willing to pay for. Another key finding is that urban amenities are not a substitute for an attractive labour market. These dimensions are in fact complementary.

The integration of knowledge: scenarios for housing and spatial planning policies

Chapter 7 reflects the ambition to 'translate' the analytical results into a hands-on tool for stakeholders in urban and regional development. The tool is designed for application in spatial development policy, housing policy, project and area development in the Netherlands and beyond. For this purpose, the results of the sorting models such as were presented in Chapter 6 were combined with long-term economic scenarios of the Dutch Central Planning Bureau and with the demographic prognoses of the Netherlands Environmental Assessment Agency (PBL) and Statistics Netherlands. These data were then combined with estimates on the projected future housing stock and future land use that are part of the GIS-based Land Use Scanner XL, developed by the PBL. described description is given of how the sorting

models can be used to simulate the effects of different scenarios on house prices and the distribution of households over regions. In Chapter 7, several examples of applications are presented. Questions answered are: what happens with local dwelling prices if the demographics change; what happens if housing stock composition changes; what is the expected effect of an increasing urban orientation of households?

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