



Title: Centralized vs. Decentralized Immigrant Selection: An Assessment of the BC Experience

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Research Question:

This paper documents the large earnings advantage of BC Provincial Nominees (BC PNs) over Federal Skilled Workers (FSWs), and explores the reasons for this earnings gap.

Importance:

The Federal Skilled Worker (FSW) program is designed to select immigrants that can economically establish in Canada in the long run, while Provincial Nominee Programs (PNPs) are designed to satisfy the province-specific labour market demand, usually in the short run. Understanding the differences of immigrants selected under these two programs can help better design future policy and shed light on the fundamental questions of immigrant selection. Should the selection be more centralized or decentralized? Should we adopt a long-term view, which results in cultural diversification; or a short-term view, which results in better workers?

Research Findings:

In the short-run, British Columbia Provincial Nominees (BC PNs) earn two to three times more than Federal Skilled Workers (FSWs). Oxaca-Blinder decomposition suggests that this earnings gap is largely due to the different wage structure of these two groups: PNs do not suffer the same lack of credential recognition FSWs do. Possible reasons for the different wage structure include: previously stayed in Canada, job-offer requirement, and “cream skimming”.

Implications:

On one hand, employers can better recognize and reward the credentials of immigrants. On the other hand, employers tend to pick immigrants from developed English-speaking countries. Balancing the skills of immigrants with cultural diversity is a difficult task that lies in the center of the debate about centralized versus decentralized immigrant selection.