Employment and Earnings Disparity: A Comparison of "Belongers" and "Non-Belongers" in the Turks and Caicos Islands

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Introduction

Although immigrants possess a variety of skills and useful attributes that contribute to the diversity of the host country, they are often stigmatized, discriminated against, and blamed for many of the problems in the host country. In general, there is a sense among many native-born residents that immigrants do not "belong." A large amount of literature has documented the labor market outcomes of immigrant populations (Borjas, 1994). However, because most migration corridors flow from the global

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South to the global North, these studies focus primarily on immigrant–native differentials in the United States and other developed countries. Peters and Sundaram (2015) offered three reasons that researchers should extend this literature by studying immigrant outcomes in developing host countries: (1) immigrant inflows to developing countries continue to rise as these countries transform their economies into engines of wealth and opportunity; (2) labor markets in developing countries are often characterized by labor market frictions that can aggravate issues related to labor market discrimination and impede the assimilation of foreign-born populations into the host country; and (3) developing countries frequently experience skills shortages, which can result in differential opportunities for immigrant labor, often by country of origin.

This study attempts to address this gap in the literature by analyzing the labor market outcomes of immigrants and natives in a developing small island state and seeks to identify and explore earnings and employment disparities by immigrant status, and among immigrants by country of birth. Turks and Caicos Islands (TCI) present an interesting case for studying this issue. TCI is a small British Overseas Territory (BOT) located southeast of The Bahamas and 190 miles north of Haiti. It comprises 40 islands and cays, six of which are permanently inhabited.[1] In 2016, the territory's population was just over 37,000 (Morlachetti, 2017). As early as the 1990s, TCI experienced dramatic increases in economic activity because of the rapid expansion of the tourism and offshore financial sectors. This economic transformation resulted in a substantial increase in the population, fueled largely by immigration from neighboring countries. The population of TCI is projected to reach 61,457 by 2027 (ECLAC, 2016). ECLAC's (2016) estimates suggest that net migration will account for 68% of this projected increase while the rate of natural increase will account for 32% of the growth.

Few countries experience population growth so dramatically driven by immigration, and even fewer have populations that are majority foreign-born. Further, in TCI the native-born population's resentment of immigrants is exacerbated by a complex and opaque system of naturalization that categorizes TCI "citizens" as Belongers and "non-citizens" as non-Belongers. Thus, TCI offers a unique case for studying migration and labor market outcomes. Using data from the 2012 Survey of

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[1] Grand Turk (the capital), Salt Cay, South Caicos, Middle Caicos, North Caicos, and Providenciales.

Living Conditions, a component of the TCI Country Poverty Assessment survey, this study estimates standard earnings and employment equations to determine the existence and extent of labor market disparities by nativity in TCI.

Migration Sources

With a relatively high per capita income—currently over US$25,000—the Turks and Caicos Islands are among the richest nations in the Caribbean. In the 1990s, the TCI economy experienced a dramatic transformation as the tourism industry began to expand rapidly. Tourism expansion and the emergence of an offshore financial service sector stimulated a massive construction boom and, in turn, very high levels of economic growth (Thomas-Hope, 2011). As a direct result of the substantial increase in economic activity, the demand for labor increased. Higher-level positions were filled mainly by North Americans and the British, while Haitian migrant labor began to fill the demand for workers with lower-level skills (Thomas-Hope, 2011). The neighboring countries of the Dominican Republic and Haiti were sources of cheap labor at the onset of TCI's economic expansion and remain the primary sources of immigrant labor. Haiti is the poorest country in the Western Hemisphere and is only 190 miles from TCI. Given the large income differential between Haiti and TCI and the close proximity of the two countries, they form a natural migration corridor.

The Haiti–TCI migration flow has posed considerable challenges for TCI because migrants are entering a country with an extremely small population. The labor market has become highly segmented as migration flows in excess of labor demand have caused many migrants to take temporary and/or casual jobs, thus increasing the poverty level among the Haitian-born population. The Government of the Turks and Caicos (2000) found that TC Islanders often feel sandwiched between lowly paid Haitians willing to work in menial jobs and highly paid expatriates from North America and Europe who are more likely than native-born residents to have high-quality skills and training. This sentiment as well as the growing pressure that high levels of migration (particularly illegal migration) have placed on public services and infrastructure, have reduced social cohesion and contributed to environmental deterioration. Illegal migration, inadequate housing, overcrowding, environmental deterioration, and overburdened social services have led to negative perceptions of

Haitian immigrants, whom many native-born residents blame for most of the islands' problems (Thomas-Hope, 2011).

These negative perceptions, typically fueled by the arrival of undocumented Haitians attempting to enter TCI illegally, have given rise to discriminatory treatment and exploitation of vulnerable groups within the Haitian community (Thomas-Hope, 2011). For example, Thomas-Hope (2011) found that on the islands of Grand Turk, Providenciales, and South Caicos, 34.2%, 39.7%, and 40.0% of Haitian immigrants, respectively, felt either very welcome or somewhat welcome, suggesting that the majority of Haitian immigrants felt either unwelcome or not very welcome. Using a case study approach, Brown (2002) documented the experiences of Haitian migrants in TCI. He described the experiences of these migrants being physically present in TCI but living as aliens as "living in a place of 'inbetweenity'." The accounts Brown (2002) provided contain common themes of poverty, discrimination, and stigmatization of Haitians.

The scenario is complicated by an inadequacy of legal and administrative systems to regularize the status of persons born in TCI to foreign-born parents. TCI citizenship is not granted solely on birthplace and is not easily acquired by adults. Children born in TCI to parents who are not Belongers automatically inherit the nationality of their parents. If the parents are undocumented immigrants, then the children are too, which creates additional complications related to accessing education and other social services. Further, in several cases, even Haitian parents who were legal immigrants had great difficulty regularizing their children and the grounds for refusal were unclear (Thomas-Hope, 2011). Morlachetti (2017) conducted a comprehensive review of child migrants and the issue of statelessness and found that notwithstanding TCI's ratification of the Convention relating to the Status of Stateless Persons, the process of regularizing children born in TCI to migrant parents, and even the process of these children officially obtaining the same nationality status as their parents, is complex. Thus, children often remain without any nationality for long periods of time.

Data and Empirical Approach

The study used data from the 2012 Survey of Living Conditions, a component of the Turks and Caicos Islands Country Poverty Assessment survey conducted by the National Assessment Team (NAT)[2] and the Caribbean Development Bank. These data are the most recent[3] and comprehensive source of information available on labor market outcomes, in particular outcomes disaggregated by nativity. The final sample, after excluding children under the age of 15 and adults 66 years and older, consists of 1,142 TCIslanders.

Labor Market Outcomes

Two variables measure labor market outcomes. The first is the monthly earnings of working-age individuals (15–65 years old). This variable is continuous and transformed into natural logarithms. The second variable is a categorical measure of employment status, equal to 1 if the individual is employed either full-time or part-time, and equal to 0 otherwise.

Explanatory Variables

The key explanatory variables are Belonger status and non-Belonger status by country of birth. According to the Immigration Department of the Ministry of Border Control and Employment, a Belonger is an individual who is free from immigration restrictions in relation to the amount of time they may remain in the islands, having acquired Belonger status under the relevant law. Belonger status is acquired by a person who:

- was born in the Islands, and at the time of his birth at least one of his parents had Belonger status;
- was born outside the Islands and (i) at least one of his/her parents had Belonger status at the time of his birth; and (ii) at least one of his/her parents was born in the Islands;
- was born outside the Islands and lawfully adopted in the Islands by a person who had Belonger status at the time of his adoption;

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[2] The NAT comprises both the government of the Turks and Caicos Islands and non-governmental organizations.

[3] A labor force survey was conducted in 2017 but the raw data are not publicly available.

- has been granted a Certificate of Belonger Status by the Governor for having made a significant social or economic contribution to the development of the islands.
- is the dependent child of a person to whom any of the foregoing paragraphs apply; or
- is the spouse of a Belonger who has made an application to the Governor in Cabinet, and has lived with his/her spouse for a period of five consecutive years.

The status of the British Overseas Territories as colonies of the United Kingdom entails legal distinctions that do not exist in independent countries. An individual can be a British Overseas Territories Citizen (BOTC) but not a Belonger and vice versa. Belonger status does not confer nationality and BOTC status does not confer freedom from immigration restrictions. In brief, Belonger status confers all the rights associated with citizenship, including the right to vote, except nationality, which can only be granted by the United Kingdom.

The Belonger variable is categorical and equal to 1 if the individual reports Belonger status and 0 otherwise. In addition, a set of three categorical variables were created to reflect Belonger status and country of birth, focusing on TCI and Haiti since most of the migrant population is from Haiti. The three variables are Belonger-Haiti (equal to 1 if the individual reports Belonger status and country of birth as Haiti and 0 otherwise), Belonger-TCI (equal to 1 if the individual reports Belonger status and country of birth as TCI and 0 otherwise), and Belonger-Other (equal to 1 for all respondents not included in the previous two categories who report Belonger status and 0 otherwise).

The analysis controls for demographic and socioeconomic characteristics that are likely to be related to earnings and employment outcomes, including age, educational attainment, marital status, household size, gender, and the island of residence.

SUMMARY STATISTICS

Table 6.1 presents summary statistics for TCI Belongers and non-Belongers. The data show that on average Belongers earn more and have a higher likelihood of being formally employed than non-Belongers. Belongers report average monthly earnings of US$1,587.13 compared with US$1,213.48 for non-Belongers. Among working-age Belongers,

Table 6.1 Summary statistics, aggregated

	Belongers	Non-Belongers
Individual-level characteristics		
Monthly earnings (in US$)	1587.13	1213.48
	(1791.76)	(1803.50)
Employed	0.70	0.66
	(0.46)	(0.47)
Age (range: 15–65)	35.99	37.19
	(13.72)	(10.23)
Male	0.46	0.50
	(0.50)	(0.50)
Married	0.41	0.48
	(0.49)	(0.50)
Household size	3.72	2.99
	(1.89)	(1.96)
Highest level of education completed		
No schooling	0.01	0.04
	(0.10)	(0.18)
Primary	0.08	0.13
	(0.27)	(0.33)
Lower secondary	0.13	0.12
	(0.34)	(0.37)
Upper secondary	0.45	0.42
	(0.50)	(0.49)
Tertiary	0.30	0.23
	(0.46)	(0.42)
Island of residence		
Providenciales	0.63	0.81
	(0.48)	(0.39)
Grand Turk	0.25	0.12
	(0.43)	(0.32)
North Caicos	0.05	0.04
	(0.23)	(0.19)
South Caicos	0.06	0.03
	(0.23)	(0.16)
Salt Cay	0.00	0.00
	(0.07)	(0.06)
Middle Caicos	0.01	0.00
	(0.09)	(0.05)

Note Standard deviations are in parentheses

70% were employed compared with 66% among non-Belongers. Given that the two groups have very similar age and gender profiles, the source of this variation likely lies in the educational characteristics of each group. Educational attainment is generally high in TCI, with 30% of Belongers and 23% of non-Belongers having completed some post-high school education.

Table 6.2 presents descriptive statistics disaggregated by Belonger/non-Belonger status and country of birth. Haitian-born individuals constitute a substantive proportion of both the Belonger and non-Belonger populations. Among both Belongers and non-Belongers, the labor market attributes of those born in Haiti are distinct from those of people born in TCI. Among Belongers, the Haitian-born population earns an average of US$1,340.32 per month compared with US$1,493.78 for the TCI-born population, an 11.45% wage differential. Haitian-born Belongers have an employment rate of 78%, which is significantly higher than the 66% employment rate of TCI-born Belongers. The earnings gap is likely due to differences in several individual characteristics by country of birth. TCI-born Belongers are more educated than Haitian-born Belongers, with 30% of the former group reporting tertiary-level educational attainment compared with 22% of the latter group. In addition, Table 6.2 reveals an important gender differential—men account for 48% of TCI-born Belongers but only 38% of Haiti-born Belongers. Finally, the geographic distributions of the respective populations differ. TCI-born Belongers are much more evenly distributed across the Turks and Caicos Islands, with 60% living in Providenciales, 26% living in Grand Turk, and 7% living in North Caicos. In contrast, Haitian-born Belongers are much more concentrated in Providenciales, with 78% living in Providenciales, 10% living in Grand Turk, and 8% living in South Caicos.

Non-Belongers also display a significant degree of within-group variation by country of birth. On average, TCI-born non-Belongers earn US$513.90 per month compared with US$716.12 per month for Haitian-born non-Belongers. This differential might be due to the large difference in average age by country of birth. TCI-born non-Belongers have an average age of 21.12 compared with 37.53 for Haitian-born non-Belongers. Haitian-born non-Belongers have an employment rate of 59% compared with a rate of 33% for TCI-born non-Belongers. Both TCI-born and Haitian-born non-Belongers are geographically concentrated in Providenciales (94 and 80%, respectively).

Table 6.2 Summary statistics disaggregated by place of birth

	Belongers				Non-Belongers			
	TCI	*Haiti*	*Dom. Rep*	*Other*	*TCI*	*Haiti*	*Dom. Rep*	*Other*
Individual-level characteristics								
Monthly earnings (in US$)	1493.78	1340.32	1645.30	2118.41	513.90	716.12	945.00	2280.44
	(1330.22)	(1635.82)	(1428.41)	(3106.55)	(657.44)	(676.02)	(761.82)	(2808.75)
Employed	0.66	0.78	1.00	0.75	0.33	0.59	0.80	0.80
	(0.47)	(0.42)	(0.00)	(0.44)	(0.49)	(0.49)	(0.40)	(0.40)
Age (range: 15–65)	35.59	37.47	30.74	36.99	21.12	37.53	34.67	39.12
	(14.29)	(12.60)	(11.8)	(12.07)	(7.64)	(9.97)	(6.59)	(10.40)
Male	0.48	0.32	0.37	0.50	0.72	0.50	0.44	0.47
	(0.50)	(0.47)	(0.53)	(0.50)	(0.46)	(0.50)	(0.50)	(0.50)
Married	0.38	0.56	0.60	0.41	0.05	0.50	0.30	0.53
	(0.49)	(0.50)	(0.54)	(0.50)	(0.22)	(0.50)	(0.46)	(0.50)
Household size	3.82	3.64	2.84	3.33	7.02	3.00	2.38	2.73
	(1.90)	(2.25)	(1.44)	(1.54)	(3.26)	(1.93)	(1.73)	(1.30)
Highest level of education completed								
No schooling	0.02	0.00	0.00	0.00	0.00	0.05	0.02	0.01
	(0.12)	(0.00)	(0.00)	(0.00)	(0.00)	(0.22)	(0.15)	(0.09)
Primary	0.08	0.13	0.12	0.04	0.09	0.20	0.06	0.03
	(0.27)	(0.34)	(0.35)	(0.20)	(0.30)	(0.40)	(0.23)	(0.16)
Lower secondary	0.14	0.18	0.12	0.07	0.28	0.17	0.16	0.01
	(0.34)	(0.39)	(0.35)	(0.26)	(0.46)	(0.37)	(0.37)	(0.11)
Upper secondary	0.43	0.43	0.76	0.51	0.32	0.44	0.53	0.35
	(0.50)	(0.50)	(0.47)	(0.50)	(0.48)	(0.50)	(0.50)	(0.48)
Tertiary	0.30	0.22	0.00	0.34	0.24	0.06	0.19	0.57
	(0.46)	(0.42)	(0.00)	(0.48)	(0.44)	(0.24)	(0.39)	(0.50)

(continued)

Table 6.2 (continued)

Island of residence	Belongers				Non-Belongers			
	TCI	Haiti	Dom. Rep	Other	TCI	Haiti	Dom. Rep	Other
Providenciales	0.60	0.78	0.56	0.63	0.94	0.80	0.71	0.85
	(0.49)	(0.42)	(0.54)	(0.49)	(0.25)	(0.40)	(0.46)	(0.36)
Grand Turk	0.26	0.10	0.35	0.29	0.06	0.10	0.23	0.12
	(0.44)	(0.31)	(0.52)	(0.46)	(0.25)	(0.30)	(0.43)	(0.33)
North Caicos	0.07	0.02	0.00	0.03	0.00	0.05	0.01	0.03
	(0.25)	(0.14)	(0.00)	(0.18)	(0.00)	(0.22)	(0.12)	(0.16)
South Caicos	0.06	0.08	0.08	0.04	0.00	0.04	0.03	0.00
	(0.23)	(0.28)	(0.31)	(0.19)	(0.00)	(0.19)	(0.19)	(0.07)
Salt Cay	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00
	(0.07)	(0.06)	(0.00)	(0.00)	(0.00)	(0.05)	(0.08)	(0.06)
Middle Caicos	0.01	0.01	0.00	0.01	0.00	0.00	0.00	0.00
	(0.10)	(0.09)	(0.00)	(0.07)	(0.00)	(0.07)	(0.00)	(0.00)

Note Standard deviations are in parentheses. Population weights are applied

There are also differences in education by Belonger/non-Belonger status within country of birth for Haitians. Among those born in Haiti, Belongers and non-Belongers have markedly different education profiles. Only 6% of Haitian-born non-Belongers have tertiary education, which is substantially lower than the 22% of Haitian-born Belongers with this level of education. Further, 42% of the former group have less than a high school education compared with 31% of the latter group. In contrast, among those born in TCI, the educational profiles of Belongers and non-Belongers are similar, suggesting that the differences in the labor market characteristics of these groups might be driven largely by age.

Figure 6.1 shows educational attainment by country of birth for the full focal sample (Belongers and non-Belongers). The modal educational category for those born in TCI, Haiti, and Jamaica is upper secondary education. In addition, a significant number of Haitians reported lower secondary or primary level education as the highest level completed, while a significant proportion of TCI-born individuals have completed some type of post-secondary education. The modal educational attainment level for individuals born in other countries, the majority of whom are from North America and the United Kingdom, is a bachelor's degree.
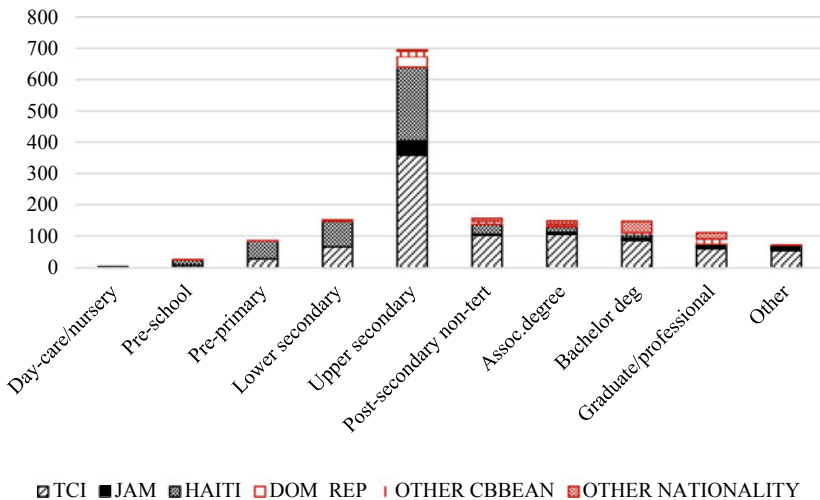

Fig. 6.1 Educational attainment by nationality
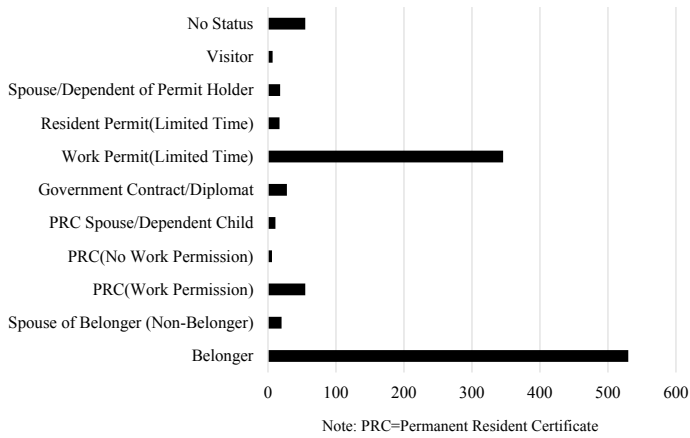
Note: PRC=Permanent Resident Certificate

Fig. 6.2 Residence status in the Turks and Caicos Islands

Figure 6.2 shows the distribution of the residence status in the sample. The modal groups are Belongers and individuals with limited-time work permits.

Empirical Approach

This study focuses on two outcomes: earnings and employment. To determine the relationship between immigration status and monthly earnings, a standard Mincer wage equation was estimated as follows:

$$W_i = \beta_0 + \beta_1 \text{BELONGER}_i + \delta_1 D_i + \delta_2 S_i + \delta_3 \text{ISLAND}_i + u_i \quad (6.1)$$

where W_i is monthly earnings, BELONGER_i is a set of categorical variables that denote immigration status, D_i is a vector of individual demographic characteristics, S_i is a vector of individual and household socioeconomic factors, and ISLAND_i is a categorical variable that indicates island of residence. The disturbance term, u_i, includes unobservable characteristics such as motivation, ability, and family background. All models were estimated using ordinary least squares. The employment model was estimated using the following specification:

$$\text{EMPL}_i = \beta_0 + \beta_1 \text{BELONGER}_i + \delta_1 D_i + \delta_2 S_i + \delta_3 \text{ISLAND}_i + u_i \quad (6.2)$$

where $EMPL_i$ is the probability of employment, and all other variables are as previously defined. OLS linear probability models were used to estimate the probability of employment.

Results

The results of models that estimate the relationship between Belonger status and the two labor market outcomes—monthly earnings and employment—are presented first. Next, the results of disaggregated models that estimate the relationship between Belonger status by country of birth and the same labor market outcome variables are reported.

The results in Table 6.3 show that Belonger status has a positive and statistically significant effect on earnings. Belongers earn 29.1% more than their non-Belonger counterparts after controlling for all observable characteristics. This disparity is quite sizeable and reflects a substantial benefit for Belongers. Adding the control variables did little to reduce the income disparity, which is only slightly smaller in the multivariate results than in the descriptive statistics (30.8%). This pattern could indicate that discrimination against non-Belongers is responsible for a large part of the disparity. The results also show a statistically significant and sizeable gender gap in income. Models 1–3 show that men earn between 14.1 and 14.6% more than women. After controlling for occupation, the gender gap widens to 20.9%, a result that strongly suggests gender discrimination in the Turks and Caicos Islands labor market. As expected, completing tertiary education has a positive and significant impact on earnings in the first three models. After controlling for occupation, the coefficient for tertiary education remains positive but is no longer statistically significant, indicating a high correlation between tertiary educational attainment and occupational category. The skills coefficient is also suggestive of such a correlation as individuals engaged in skilled labor earn more than those engaged in unskilled labor. In addition, individuals with skills training to improve their job performance have higher monthly earnings than those without such training. The coefficients for the island of residence reflect patterns of development and urbanization in the Turks and Caicos Islands. Those who live in Providenciales and Grand Turks have significantly higher earnings than those living in North Caicos (the reference category).

Table 6.3 Multivariate model of earnings and employment by Belonger status

	Earnings				Employment		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Individual-level characteristics							
Belonger status	0.360***	0.345***	0.326***	0.291***	0.0648**	0.0574*	0.0524*
	(0.0622)	(0.0611)	(0.0608)	(0.0654)	(0.0301)	(0.0299)	(0.0297)
Age (log)	1.712	1.587	0.736	2.325	5.700***	5.689***	5.534***
	(2.208)	(2.200)	(2.207)	(2.063)	(0.694)	(0.690)	(0.685)
Age squared (log)	−0.182	−0.168	−0.0498	−0.276	−0.785***	−0.786***	−0.764***
	(0.315)	(0.314)	(0.315)	(0.290)	(0.102)	(0.101)	(0.100)
Male	0.143**	0.146**	0.141**	0.209***	0.0539*	0.0522*	0.0504*
	(0.0595)	(0.0594)	(0.0577)	(0.0567)	(0.0308)	(0.0306)	(0.0305)
Married	0.0543	0.0449	0.0245	0.0537	−0.0115	−0.0171	−0.0234
	(0.0622)	(0.0627)	(0.0606)	(0.0566)	(0.0340)	(0.0338)	(0.0339)
Educational attainment							
Primary	−0.386*	−0.400**	−0.413**	−0.403**	0.133	0.127	0.124
	(0.199)	(0.197)	(0.194)	(0.169)	(0.126)	(0.127)	(0.127)
Lower secondary	−0.0161	−0.0466	−0.0569	−0.180	0.108	0.0931	0.0907
	(0.180)	(0.179)	(0.176)	(0.159)	(0.125)	(0.125)	(0.125)
Upper secondary	0.179	0.125	0.0922	−0.0369	0.269**	0.236**	0.228*
	(0.160)	(0.160)	(0.157)	(0.153)	(0.117)	(0.119)	(0.119)
Tertiary	0.737***	0.648***	0.523***	0.214	0.430***	0.369***	0.323***
	(0.167)	(0.171)	(0.168)	(0.159)	(0.117)	(0.119)	(0.120)
Training		0.136**	0.131**	0.122**		0.106***	0.101***
		(0.0630)	(0.0610)	(0.0557)		(0.0330)	(0.0326)
Skilled			0.407***	0.215**			0.180***
			(0.0829)	(0.103)			(0.0244)

	Earnings				Employment		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Occupational Dummies				Yes			
Island of residence							
Providenciales	0.494***	0.500***	0.512***	0.431***	-0.0380	-0.0357	-0.0320
	(0.0897)	(0.0888)	(0.0886)	(0.0898)	(0.0407)	(0.0403)	(0.0400)
Grand Turk	0.270***	0.276***	0.300***	0.231**	0.0398	0.0404	0.0460
	(0.0990)	(0.0978)	(0.0970)	(0.0982)	(0.0429)	(0.0427)	(0.0426)
South Caicos	-0.606***	-0.594***	-0.543***	-0.640***	0.0718	0.0776	0.0925*
	(0.155)	(0.153)	(0.153)	(0.157)	(0.0527)	(0.0526)	(0.0526)
Salt Cay	-0.0173	-0.0201	0.0103	0.0214	-0.0100	-0.0114	-0.00115
	(0.191)	(0.181)	(0.173)	(0.161)	(0.112)	(0.110)	(0.109)
Middle Caicos	-0.522***	-0.533***	-0.493***	-0.451**	0.0246	0.0197	0.0317
	(0.155)	(0.160)	(0.159)	(0.206)	(0.138)	(0.136)	(0.136)
Constant	2.433	2.694	4.225	2.106	-9.862***	-9.817***	-9.546***
	(3.875)	(3.860)	(3.863)	(3.686)	(1.189)	(1.183)	(1.176)
Observations	741	741	741	656	1,072	1,072	1,072
R^2	0.340	0.346	0.370	0.461	0.207	0.217	0.228

Robust standard errors in parentheses. Reference categories: No Schooling and North Caicos
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Belonger status is also associated with the probability of employment. Table 6.3 shows that Belongers have a 5.2–6.5% higher probability of being employed than non-Belongers.

Age (which can be viewed as a crude proxy for experience) has the expected inverted-U relationship with employment. Men have a 5.0–5.4% higher probability of being employed than women, but this effect is only significant at the $p < 0.10$ level. The highest levels of educational attainment, particularly completing upper secondary and tertiary-level education, have large and statistically significant positive relationships with the probability of employment. Both, having a skilled job and having training, are associated with a higher probability of being employed.

The results reported in Table 6.3 offer initial support for the hypothesis that there are labor market advantages associated with Belonger status. However, these models mask fundamental migration issues. Thus, additional analyses disaggregated by Belonger status and country of birth were conducted. The two major country of birth groups are the Turks and Caicos Islands and Haiti. Other migrants come from the Dominican Republic, other Caribbean countries, the United Kingdom, the United States, and Canada. Because of the small sample size, these other countries were grouped into an "Other" category. Table 6.4 presents the results of these disaggregated models. The dominant group, Belongers born in TCI, is the reference category. The results show that after controlling for all available observables, there is no statistically significant difference between the earnings of Belongers born in Haiti and Belongers born in TCI. Further, there is no statistically significant difference between the earnings of Belongers born in other countries and TCI-born Belongers. In Models 3 and 4, the coefficients for Belonger/Haiti and Belonger/Other are negative, whereas in Models 1 and 2, the coefficient for Belonger/Other is positive. All non-Belonger groups have statistically significant negative coefficients. These results are robust to the inclusion of all available observable characteristics. Focusing on Model 4, relative to Belongers born in TCI, non-Belongers born in TCI earn 70.5% less, while non-Belongers born in Haiti earn 48.1% less, and non-Belongers born in other countries earn 20.9% less. The results for the independent variables are comparable to those presented in Table 6.2.

When the country of birth is controlled, the effect of Belonger status on the probability of employment diminishes and is no longer statistically insignificant. Belongers born in Haiti and other countries have

Table 6.4 Multivariate model of employment and earnings by Belonger status and country of birth

	Earnings				Employment		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Individual-level characteristics							
Belonger/Haiti	−0.135	−0.117	−0.0675	−0.162	0.0978	0.109	0.126*
	(0.130)	(0.130)	(0.128)	(0.121)	(0.0782)	(0.0760)	(0.0760)
Belonger/other	0.0345	0.0161	−0.0140	−0.112	0.0577	0.0505	0.0379
	(0.131)	(0.130)	(0.137)	(0.154)	(0.0519)	(0.0496)	(0.0488)
Non-Belonger/TCI	−0.614***	−0.652***	−0.650***	−0.705***	−0.127	−0.139	−0.136
	(0.197)	(0.178)	(0.192)	(0.213)	(0.110)	(0.109)	(0.107)
Non-Belonger/Haiti	−0.573***	−0.556***	−0.516***	−0.481***	−0.0712*	−0.0613	−0.0480
	(0.0746)	(0.0740)	(0.0731)	(0.0750)	(0.0414)	(0.0410)	(0.0411)
Non-Belonger/other	−0.179**	−0.164**	−0.168**	−0.209***	0.000880	0.00848	0.00439
	(0.0714)	(0.0710)	(0.0694)	(0.0697)	(0.0393)	(0.0393)	(0.0389)
Age (log)	1.184	1.018	0.356	1.890	5.543***	5.489***	5.318***
	(2.109)	(2.102)	(2.115)	(1.966)	(0.725)	(0.717)	(0.714)
Age squared (log)	−0.113	−0.0922	−0.000259	−0.218	−0.764***	−0.759***	−0.735***
	(0.300)	(0.299)	(0.301)	(0.276)	(0.106)	(0.105)	(0.104)
Male	0.141**	0.145**	0.145**	0.198***	0.0572*	0.0561*	0.0557*
	(0.0588)	(0.0587)	(0.0574)	(0.0571)	(0.0310)	(0.0308)	(0.0306)
Married	0.0705	0.0605	0.0379	0.0625	−0.0101	−0.0161	−0.0243
	(0.0609)	(0.0614)	(0.0600)	(0.0568)	(0.0341)	(0.0339)	(0.0340)
Educational attainment							
Primary	−0.389*	−0.403*	−0.414*	−0.430**	0.131	0.124	0.119
	(0.219)	(0.217)	(0.213)	(0.168)	(0.127)	(0.127)	(0.127)
Lower secondary	−0.0687	−0.0977	−0.103	−0.240	0.102	0.0877	0.0856
	(0.203)	(0.201)	(0.196)	(0.158)	(0.125)	(0.125)	(0.126)

(continued)

Table 6.4 (continued)

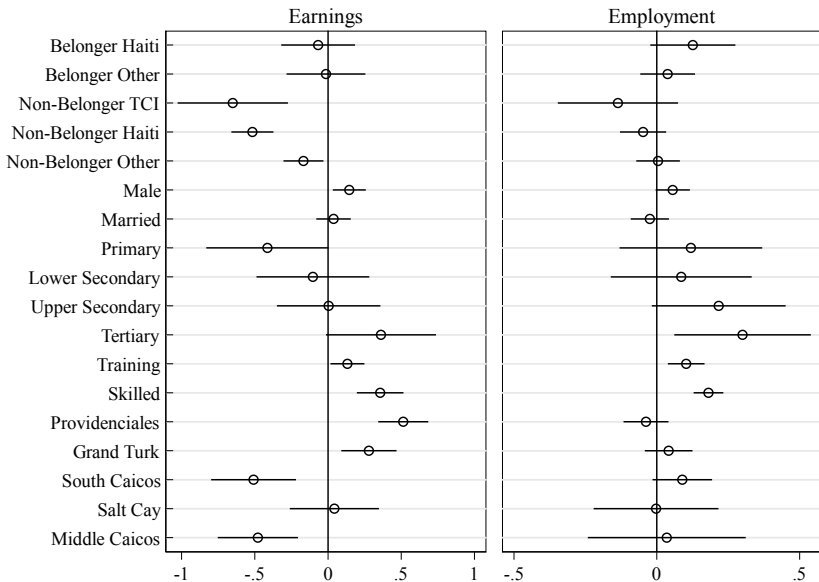|	Earnings				Employment		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Upper secondary	0.0756	0.0246	0.00429	−0.123	0.254**	0.222*	0.217*
	(0.187)	(0.186)	(0.180)	(0.153)	(0.118)	(0.119)	(0.119)
Tertiary	0.534***	0.451**	0.362*	0.0867	0.398***	0.338***	0.300**
	(0.194)	(0.196)	(0.191)	(0.160)	(0.119)	(0.121)	(0.122)
Training		0.132**	0.132**	0.126**		0.106***	0.103***
		(0.0607)	(0.0591)	(0.0539)		(0.0331)	(0.0327)
Skilled			0.356***	0.182*			0.181***
			(0.0811)	(0.102)			(0.0265)
Occupational Dummies				Yes			
Island of residence							
Providenciales	0.499***	0.504***	0.514***	0.444***	−0.0439	−0.0413	−0.0378
	(0.0883)	(0.0874)	(0.0871)	(0.0879)	(0.0407)	(0.0404)	(0.0401)
Grand Turk	0.246**	0.254***	0.279***	0.217**	0.0334	0.0344	0.0415
	(0.0976)	(0.0966)	(0.0961)	(0.0966)	(0.0426)	(0.0425)	(0.0426)
South Caicos	−0.557***	−0.546***	−0.508***	−0.628***	0.0709	0.0760	0.0893*
	(0.148)	(0.147)	(0.148)	(0.153)	(0.0532)	(0.0532)	(0.0531)
Salt Cay	0.0309	0.0256	0.0434	0.0318	−0.00963	−0.0116	−0.00262
	(0.166)	(0.158)	(0.155)	(0.148)	(0.115)	(0.113)	(0.111)
Middle Caicos	−0.497***	−0.509***	−0.479***	−0.462**	0.0271	0.0228	0.0349
	(0.136)	(0.138)	(0.139)	(0.193)	(0.143)	(0.141)	(0.141)
Constant	3.913	4.230	5.389	3.311	−9.507***	−9.395***	−9.104***
	(3.695)	(3.683)	(3.697)	(3.507)	(1.236)	(1.223)	(1.218)
Observations	742	742	742	657	1,073	1,073	1,073
R^2	0.372	0.377	0.395	0.480	0.212	0.222	0.233

Robust standard errors in parentheses. Reference categories: Belonger/TCI, No Schooling, and North Caicos

$***p < 0.01$, $**p < 0.05$, $*p < 0.1$

positive coefficients and in Model 4 the coefficient for Belonger/Haiti indicates a statistically significant 12.6% higher probability of employment than Belongers born in TCI. All non-Belonger groups have negative coefficients (i.e., they are less likely to be employed than TCI-born Belongers).

Figure 6.3 is a pictorial representation of the results of Models 3 and 7 in Table 6.4. Figures 6.4 and 6.5 show the education–earnings and education–employment gradients, respectively, for the six Belonger/country of birth groups. The gradients were computed using the predicted values of the dependent variable at the grand mean of each independent variable across education levels.

Figure 6.4 shows that across all educational categories except no schooling, the education–earnings gradient is positive, meaning that higher levels of education are associated with higher earnings for all Belonger/Country of Birth groups. The notable exception is that an extremely small group of individuals (under 1% of the sample in most

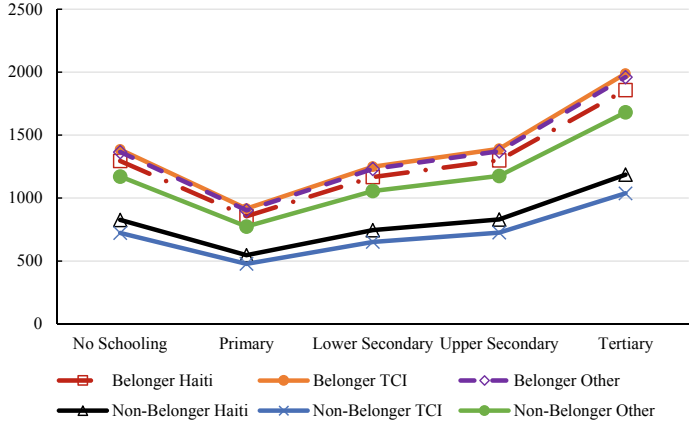**Fig. 6.3** Results of Models 3 and 7 (Belonger/Haiti and Belonger/other): earnings and employment

Fig. 6.4 Education–earnings gradients by Belonger status and country of birth
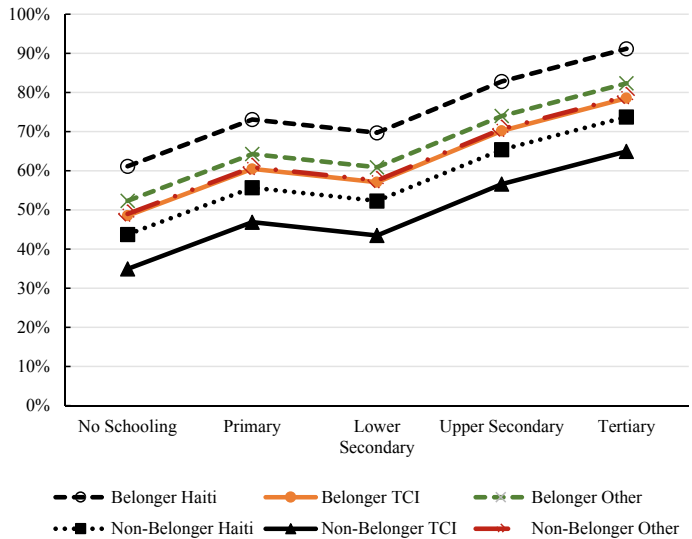

Fig. 6.5 Education–employment gradients by Belonger status and country of birth

cases) with no formal education outperform those whose highest level of educational attainment is primary or lower secondary, perhaps due to the fact that this group is dominant in the informal sector, where skills (and earnings) are not as directly linked to formal education as obtained in the formal sector. Belongers born in TCI are at the top of the earnings distribution followed by Belongers born in other countries; however, these two groups are statistically indistinguishable. The third group in the earnings hierarchy is Belongers born in Haiti. The groups at the bottom of the hierarchy are all non-Belongers. Non-Belongers born in other countries outperform non-Belongers born in Haiti, who, in turn, outperform non-Belongers born in the TCI. Average monthly earnings diverge at higher levels of education, a pattern that is highly suggestive of differential returns to education across groups. The main divergence is between one category consisting of Belongers born anywhere and non-Belongers born in other countries (i.e., not Haiti or TCI) and a second category consisting of non-Belongers born in Haiti and TCI. The latter two groups have a much flatter education–earnings trajectory than their counterparts.

Figure 6.5 shows that the education–employment gradient is positive for all groups, indicating that higher employment probabilities are associated with higher levels of education. Across all educational categories, Belongers outperform non-Belongers. In the hierarchy of employment probability, Belongers born in Haiti are most likely to be employed, followed by Belongers born in other countries and then Belongers born in TCI. Non-Belongers born in other countries and Belongers born in TCI come next and are indistinguishable.

Non-Belongers born in Haiti have the fifth-lowest probability of employment across all levels of education. Finally, non-Belongers born in TCI have a much lower probability of being employed than any other group. There is no discernible convergence or divergence across educational categories, which suggests persistent and structural differences in employment by Belonger status/country of birth group.

Discussion and Conclusion

This chapter examined the impact of Belonger status and country of birth on labor market outcomes in the Turks and Caicos Islands. The key findings suggest that there are labor market advantages associated with Belonger status. Belongers are more likely to be employed and

earn more, on average, than non-Belongers. Controlling for observable characteristics (such as age, gender, marriage, education, training and skills, and the island of residence) widened the Belonger–non-Belonger gaps in both earnings and employment relative to the corresponding raw mean differentials. A pay gap between two groups of individuals can usually be explained by differences in education, training, and experience but in this instance after accounting for such differences, the pay gap between Belongers and non-Belongers increases. Under these conditions, if a Belonger and non-Belonger had identical years of education, training, and experience (among other endowments), their labor market rewards would differ. This pattern suggests there are differential returns to key observable characteristics such as education. Any number of interpretations can be assigned to this phenomenon, for example, it could indicate differences in the quality of education which is not directly observed in the data or it could also support the existence of discrimination in the labor market. In addition, there are also notable gender gaps in both wages and employment.

A subsequent analysis that disaggregated Belongers and non-Belongers by country of birth also showed a Belonger earnings advantage that increased with higher levels of educational attainment. This divergence is indicative of a labor market characterized by differential returns to education, especially with respect to non-Belongers from Haiti and non-Belongers born in TCI, many of whom have Haitian heritage. Country of birth was more important for earnings at higher levels of education than at lower levels of education, which suggests the existence of frictions in the labor market or "brain waste." Non-Belongers of Haitian origin or their children TCI-born children TCI who have high levels of education are in lower paying jobs compared with Belongers and their non-Belonger counterparts from other origin countries. The earnings hierarchy suggests that two groups—those born in Haiti and those born in TCI who have Haitian parents and are non-Belongers—have a clear labor market disadvantage. While acquiring Belonger status greatly improves earnings, Haitian-born Belongers appear to have lower earnings than Belongers born in other countries, although these results are not statistically robust. The findings for employment follow a similar pattern—Belongers have an employment advantage relative to non-Belongers. However, the hierarchy of employment probabilities differs from the hierarchy of earnings. Belongers who were born in Haiti are more likely to be employed than any other group. Within Belonger status, there seems to be a preference

for foreign-born workers. Mirroring the earnings results, non-Belongers who were born in TCI are considerably less likely to be employed than any other group.

TCI is a small labor market with unique characteristics. It is dominated by immigrant and expatriate labor (members of both groups are foreign-born). Immigrants are largely from neighboring Caribbean countries, in particular Haiti, which accounts for the largest immigration stream. Expatriates are mostly from the United Kingdom, the United States, and Canada. Because being born in TCI does not confer Belonger status if neither parent is a Belonger, these migration patterns have given rise to a group of people who were born in TCI to Haitian parents but do not have Belonger status, a group that is somewhat akin to Dreamers in the United States.[4] The evidence presented in this chapter suggests that this group is subject to significant labor market disadvantages. These results are consistent with the work of Morlachetti (2017), who identified a pattern of discrimination against TCI-born children of non-TC Islander parents. He related this discrimination to the TCI constitution, which, notwithstanding its guarantee of fundamental rights and freedoms without distinction of any kind, provisions for equal protection under the law, and protections against discrimination, allows for different treatment with respect to "persons who are not Turks and Caicos Islanders." Moreover, Morlachetti (2017) found that a significant proportion of children from the Dominican Republic and Haiti were excluded from school, whether due to discriminatory practices (which are strictly prohibited by the Education Ordinance) or an overburdened education system.

Relative to Belongers born in TCI, Haitian immigrants are more likely to be employed and yet earn less, whereas expatriates earn more. Overall, the results indicate that Belonger status offers persistent advantages and that in TCI, labor market rewards are not well aligned with skills or human capital accumulation. This finding suggests a high degree of labor market segmentation and the possible existence of discriminatory practices in the TCI labor market.

[4] Dreamers were born outside the United States and migrated illegally as children.

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