

THE EMERGING NONSTATE SECTOR & ITS IMPORTANCE

THIS BOOK examines the “nonstate” sector in Cuba (NSS), whose importance is increasing and has the potential to transform the predominant state economy (71 percent of the labor force), which is in a precarious situation. In this chapter, we quantify the nonstate sector and identify four principal groups: self-employed workers, usufruct farmers, members of new cooperatives, and buyers and sellers of private dwellings. In the chapters that follow, we will explain each group’s antecedents based on all available information: characteristics, sizes and trends, achievements, obstacles, and impacts. The most innovative element is the results of our analysis of 80 intensive interviews conducted in Cuba, in 2014–15, to collect the NSS’s “voices.” The book’s main objective is to offer key otherwise unavailable information about the NSS: (a) its characteristics (age, sex, race, and level of education), (b) important economic aspects (e.g., level of satisfaction, occupation, profits, investment, contracted employees, receipt of remittances, microcredit and other assistance, competition, advertising, expansion plans), and (c) their perception regarding the challenges they face and what they would like to see improve or change. We compare these aspects or perceptions among the four groups, explore associations between their characteristics and a series of the groups’ responses to similar questions, and extrapolate suggestions made by the “voices” about improving the sector and further contributing to the country’s economic and social development.

WHAT IS THE EMERGING “NONSTATE” SECTOR?

In August 2006, Raúl Castro took his brother, Fidel’s, place as the leader of the Cuban government, due to the latter’s illness; in 2008, Raúl formally became the president of the State Council and Council of Ministers. Since 2007, approximately, Raúl has implemented numerous reforms, the most important of which he qualified as “structural” (July 27, 2007) because they modify aspects of the current economic system in both diverse and impactful ways.¹

One of the most important structural reforms has been the reduction in the size of the state sector and the corresponding expansion of the NSS, which had never before occurred in revolutionary Cuba. In 2010, the government announced that there was a vast surplus or unnecessary number of state employees that had to be dismissed to save resources, improve productivity, and increase salaries; 500,000 employees would be fired between October 2010 and March 2011. Another million would be dismissed in December of that same year. It was later estimated that 1.8 million positions would be eliminated by 2015. Those dismissed would find employment in the NSS, which is amply divided into two parts, “private”² and cooperative, both with differences regarding how long they’ve been in existence, property rights, their relationship with the state, the market’s role, their size, and growing or shrinking trends (see Mesa-Lago 2013).

The “private” subsector includes four groups:

1. Owners of small parcels of land (“small farmers”) that began with the 1959 agrarian reform and continue, although their numbers have been reduced by half; they own the land but have certain obligations to the state—among them, the sale of part of their harvest to the state at a price fixed by the government below the market price (procurement quota: *acopio*), which limits the sale of their products at market prices, although reforms have loosened that up a bit.
2. Self-employed workers who have experienced ups and downs since they started in the 1970s but have been experiencing significant growth since 2011 (operating in 201 state-determined occupations); most are owners of small businesses or are involved in individual economic activities (they can also be lessees of a business the government has ceded them); their products and services are sold at market price.
3. Usufruct farmers on state-owned idle lands who receive the land in order to work it, according to legal rules (including *acopio*). They began in the 1980s but have really taken off since 2008; they do not own the parcels but cultivate them and appropriate what they produce; once they have fulfilled *acopio*, they can sell whatever is left over at market price.

4. Workers hired by the three aforementioned groups; they are not owners or lessees, but salaried employees.

The cooperative subsector that occupies a midpoint between private and state property comprises three groups:

1. Agricultural production cooperatives, including the basic units of cooperative production (UBPC)—created in 1994 by the transformation of large state farms—and Agro-Livestock Production Cooperatives (CPA). Neither of the two owns the land but work it in a collective manner (the state keeps the property and authorizes indefinite leasing contracts to members). Both are the cooperatives most dependent upon the state and have decreased in number and members; the majority of their production goes to the state, which sets prices.³
2. Credit and Services Cooperatives (CCS) in which private farmers join forces to obtain credit, purchase input wholesale, and share some equipment; they are the most independent and are increasing in number and membership.
3. Nonagricultural production and service cooperatives (CNA), which include, for example, barbershops created in 2013, and which have expanded, although the membership is still low; they lease from the state, which holds on to property, but sell their products and services at market prices, which government officials say are more independent than agricultural production cooperatives.

The emerging NSS also includes the purchase and sale of dwellings at prices determined by supply and demand; this started in 2011 and has been expanding, as has the construction of new, private dwellings by individuals (which is known as “population’s effort”).

The Seventh Congress of the Cuban Communist Party (PCC) held in Havana in April 2016 prepared two documents: the conceptualization of the economic model and the development plan through 2030. The former recognizes the existence of heterogeneous forms of ownership and management of the means of production, properly intertwined, such as private and cooperative property; it also accepts the role of the market⁴ within a model that gives predominance to central planning and the state enterprise. The government concentrates its action on the economy, its regulation, the conduction and control of the development process, and the management of the fundamental means of production.⁵

Private ownership of specific means of production plays a “supplementary” role to the state; the latter gets detached from the direct administration of activities that need a high degree of independence and autonomy, which in turn contribute to socioeconomic development, efficiency, job creation, and

welfare. This “provokes the growth of the nonstate sector of the economy” (NSS) and frees scarce resources; nevertheless, the management of nonstate forms of property does not imply their “privatization or alienation.” Furthermore, “the concentration of property and wealth by natural or legal persons are not permitted”; finally, “the state regulates the NSS, as well as the private appropriation of the results of another person’s labor and the profits from their businesses” (PCC 2016a: 7–9).

The Congress’s two documents specify two types of private entrepreneurship (*emprendimiento*): small businesses mainly performed by the worker and his/her family, recognized as natural persons (individuals); and micro-, small-, and medium-private enterprises, recognized as legal persons. In addition, “the types of cooperatives accepted by the model are part of the socialist ownership system” and have legal personality, through the collective ownership of the means of production (PCC 2016a: 10). The above constitutes the official legitimacy of the NSS but, paradoxically, stills rejects privatization; even more, the NSS is only conceived in a subordinate manner to the state and with additional restrictions, for instance, in the 2011 party guidelines, concentration of property was banned, and the Guidelines of the 2016 Congress added concentration of wealth (PCC 2016b).

The Congress announced a law of enterprises to regulate the NSS but it had not yet been enacted by December 2016.⁶ After stressing the relevance of the recognition of the private enterprise in Cuba’s economic system, Monreal (2016: 1–2) pinpoints the slow follow-up to legalize and regulate private enterprise and asks “whether this issue has lost its initial steam.” He adds that the educational stage of the process, key for its implementation stage, “has almost not been visible in the national communication media.”

QUANTIFICATION OF THE NONSTATE SECTOR

It is difficult to calculate the number of people in the NSS due to the lack of a figure that integrates the distribution of everyone in the sector. For several years, the *Anuario Estadístico de Cuba* (Cuban Statistical Yearbook) (ONEI) has published a table (7.2 in 2015) containing the distribution of those “employed in the economy according to their job situation,” which divides them into cooperative members (until 2012 only the UBPC, CPA, and CCS, and also the CNA since 2013), self-employed workers, and “private” employees. This last category is comprised of salaried employees in mixed enterprises with foreign capital, private owners of land, and the self-employed, until 2010. Since 2011, employees of the self-employed are included in the total number of the latter, which largely explains the huge 167 percent increase that year (table 1). It is probable that the “other private” in the table are being counted twice. Another table in the Yearbook (9.4) shows “land tenants by

TABLE 1. Employed Labor Force by Employment Situation, 2005–15 (in thousands and percentages)

Years	Employed labor force	State sector		Nonstate sector ^a				Total ^f			
				Cooperatives ^b	Self-employed ^c	Other private ^d					
Dec.											
2005	4,723	3,786	80.2	271	5.7	169	3.6	496	10.5	936	19.8
2006	4,755	3,889	81.8	257	5.4	153	3.2	456	9.6	866	18.2
2007	4,868	4,036	82.9	242	5.0	138	2.8	453	9.3	834	17.1
2008	4,948	4,112	83.1	234	4.7	142	2.9	460	9.3	836	16.9
2009	5,072	4,249	83.8	232	4.6	144	2.8	448	8.8	823	16.2
2010	4,984	4,178	83.8	217	4.4	147	2.9	442	8.9	806	16.2
2011	5,010	3,873	77.3	209	4.2	392	7.8	537	10.7	1,137	22.7
2012	4,902	3,684	75.2	217	4.4	405	8.3	600	12.2	1,222	24.9
2013	4,919	3,629	73.8	227	4.6	424	8.6	639	13.0	1,290	26.2
2014	4,970	3,592	72.3	231	4.6	483	9.7	664	13.4	1,378	27.7
2015	4,864	3,460	71.2	215	4.4	499	10.3	687	14.1	1,400	28.8

Notes: ^a This excludes usufruct farmers, small private farmers, and land lessees (see table 2).

^b In 2005–10, figures are limited to members of agricultural cooperatives; beginning in 2011, they include nonagricultural and service cooperative members (2,300 in 2013; 7,700 in 2015).

^c Since 2011, they include contracted, salaried employees.

^d In 2005–10, they included salaried employees at mixed enterprises, self-employed workers, and small private farmers; since 2011, those contracted by self-employed workers appear in the “self-employed” column.

^e Total of cooperatives, self-employed workers, and other private activities.

Source: Absolute figures from ONEI 2010, 2012, 2013a, 2014, 2015, 2016a; based on those sources, we have calculated the absolute numbers that correspond to the state, to others in the private sector, and to the total nonstate sector, as well as all the percentages.

TABLE 2. Estimated number of people in the nonstate sector, 2014

Categories	Total	Percentages of		Percentages of Women ^d	
		Subtotal	Labor force	Number	Percent
Self-employed ^a	483,400	41.4	9.5	142,500	29.4
Usufruct farmers ^b	312,296	26.7	6.1		
Landowners	99,500	8.5	1.9		
Cooperative members					
UBPC, CPA, CCS	231,500	19.8	4.5	31,600	13.6
CNA	5,500	0.5	0.1	1,200	21.8
Peasants	32,000	2.8	0.6		
Lessees	2,843	0.2	0.1		
1. Subtotal	1,167,911	100.0	22.8		
Private jobs ^c	663,600				
2. Total	1,831,511				
3. Labor force	5,105,500				
Percentages					
4. One-third nonstate	22.8				
State	77.2				
Total	100.0				
5. Two-thirds nonstate	35.8				
State	64.2				
Total	100.0				

Notes: ^a This includes owners (402,185) and salaried employees (81,125).

^b This includes 142,862 approved in the 1970s, and 169,434 since 2008.

^c This category is not defined; it could include salaried employees working for mixed enterprises with foreign investment, owners of parcels, and cooperative members' employees.

^d These percentage distributions exclude salaried employees.

Source: Calculated by authors based on ONEI, 2015.

natural persons,” which separates out usufruct farmers, private owners, lessees, and dispersed peasants. Nevertheless, data on this table has only been available since 2013, so it was not possible to include this group in table 2.⁷

The size of the employed labor force peaked in 2009 but afterward exhibited a downward trend (save for 2012) and in 2015 was 4 percent below the peak; this was caused by population aging and the government attempt to dismiss 1.8 million surplus state employees (36 percent of the labor force). In 2010 the firing of such employees began and by 2015, the state sector had shrunk by 718,000 workers, 40 percent of the target.⁸ State employment went down from 83.8 percent of the labor force in 2010 to 71.2 percent in 2015, 12.6 percentage points less, while the NSS grew from 19.8 percent in 2005 to 28.8

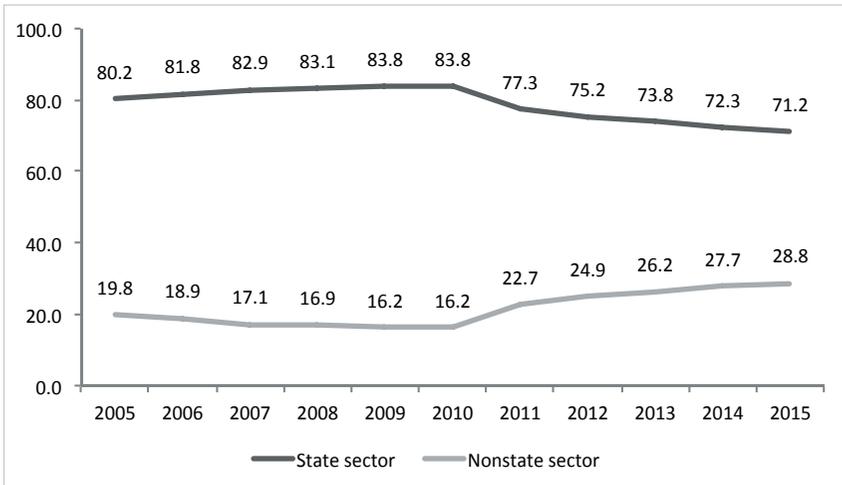


FIGURE 1. Evolution of state and nonstate sector, 2005–14.

percent in 2015, and this is not counting landowners, lessees, and dispersed peasants (fig. 1). Despite this notable growth, the state sector shrank less than planned because the NSS expanded at a slower rate (see Mesa-Lago 2014: chaps. 2–5).

In table 2, we bring together these diverse figures to calculate the number of people in the NSS and calculate their proportion of the labor force. In addition, we estimate the percentage of women in the three available categories. Due to previously explained problems regarding the “others private” category, we decided to calculate the state sector, both in absolute numbers and as percentage of the labor force, with and without the “others private.” Respectively, the absolute figures are 1,167,911 and 1,831,511 (the 663,000 difference represents “others private”), while the NSS percentages relative to the labor force are 22.8 percent and 35.8 percent, respectively.

A serious problem with the previous figures is that when the total number of NSS persons in 2014, including “others private” (1,831,511), is added to the number of employees in the state sector (3,592,000), the total, 5,423,511 equals 106 percent of the employed labor force, which confirms that there is a double counting, probably in “others private.” If the latter are included, the target of 1.8 million people in the NSS in 2015 appears to have been met but, in reality, it has not, as there were already one million people in this sector in 2010. Thus, the cipher that was truly added was less than 800,000, or 44 percent of the target.

Women are a minority in the three NSS categories: 29.4 percent in self-employment, 21.8 percent in CNA, and 13.6 percent in agricultural production cooperatives (we will contrast that with the interview sample); no distri-

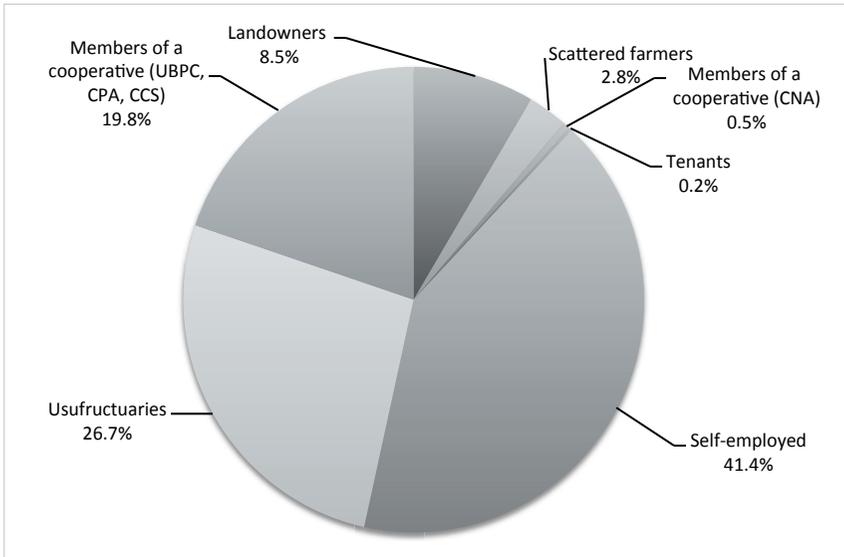


FIGURE 2. Distribution of nonstate sector by its components, 2014.

bution by gender is available in the remaining categories (table 2). A review of the licenses authorized to the self-employed in 2010–13 reveals that women had an average of 34 percent of the total. In addition, a general trend was observed: the number of males getting licenses increased, even in categories such as home decoration, music instruction, and hairdressing, while there was also a raise in the percentage of jobs traditionally assigned to women, for example, clothing pressers (Díaz and Echevarría 2015).

The distribution of people by group in the NSS (excluding “others private”) is as follows: 41.4 percent self-employed workers, 26.7 percent usufruct farmers, 19.8 percent agricultural production cooperatives, 8.5 percent small landowners, 2.8 percent diverse-dispersed peasants, 0.5 percent CNA members, and 0.2 percent lessees (fig. 2). We lack data about the last three groups. The sum of self-employed workers and usufruct farmers totals 68 percent, which makes these two groups crucial for the interviews. There are very few CNA members compared to the number of agricultural-livestock cooperative members, but the latter numbers are declining, whereas in 2013 the CNA began to increase their membership. As a new type of cooperative and part of the structural reforms, the government considers CNA to be important and gives them benefits that self-employed workers and usufruct farmers lack. This is why we decided to include CNA in our interviews. Table 2 excludes buying and selling of private dwellings because there is little data, but this private activity plays an important role in the reforms. It is estimated that there were 133,000 transactions in 2011–14, another reason to include them.

There are no statistics about the proportion of Cuba's gross domestic product (GDP) generated by the NSS; in 2011 it was projected that it would reach 35 percent of GDP in 2015, but no figure was given in that year.

Participants in the emerging NSS are primary players in the reforms and have the potential of substantially changing Cuba's economy and society in the medium term. We lack adequate information about perceptions on important issues from the four identified NSS groups: the degree of satisfaction in each group regarding their work and earnings; the number of employees they hire and their salaries; the taxes they pay; net profits they make and how they are allocated between investment and consumption; the potential reception of foreign remittances, government micro-credit and/or assistance from family in Cuba or abroad; the sources to buy their inputs; competition or the lack thereof; publicity channels; challenges they face; and improvements and changes they would like to see implemented.

STUDY METHODOLOGY AND BOOK STRUCTURE

The ideal way to obtain the NSS data would be a scientific survey done throughout all of Cuba. However, only the government and the party (PCC) conduct regular opinion polls, and their results are not published. The ONEI (2015) cites the "Survey of Self-Employed Workers" as the source of some statistics, but we were not able to access it. Cuban social scientists need to be authorized to conduct surveys.⁹ Therefore, it was impossible to conduct a national survey as it would have been quite difficult to get state permission and carry it out free of risk.

A viable alternative was to conduct interviews in one geographic area. The self-employed have been the subject of several interviews with a diverse number of interviewees, dates, activities, and locations: 60 in 1999–2001 (half of them were re-interviewed in 2002–9 and an undefined number in 2011), targeted on *paladares*, taxi drivers, and private lodging in Havana, by two North American experts (Ritter and Henken 2015); an undetermined number were interviewed in 2007–8 by a U.S. anthropologist (Armengol 2013); 35 in 2010, about gender, in Havana (Díaz and Echevarría 2015); 72 in 2011, by three Cuban academics (Díaz, Pastori, and Piñeiro 2012); 25 in 2012, by a U.S. economist (Feinberg 2013); 419 in 2013–14 in 57 self-employed activities, mostly in Old Havana, which asked a large number of important questions (Pañellas, Torralbas, and Caballero 2015); and a survey done in January–April 2014, conducted with 746 self-employed workers, based on a stratified, national sample, which provided multiple choice answers (Padilla Pérez 2015).¹⁰ Most of the interviews did not publish the questionnaires and tabulated responses, and five of them were carried out before the expansion of self-employment or just as it was starting. In 2014, a Cuban sociologist

conducted interviews in 29 CNA in the province of Havana and analyzed their results (Piñeiro 2014). To the best of our knowledge, there have not been interviews with usufruct farmers and dwelling buyers and sellers.¹¹

To conclude, despite notable advances made on the self-employed, there is no overarching, integrated, and recent study using detailed methodology to generate systematic and adequate information that captures the perceptions among the four selected groups about their work and desires, and their views on the reforms. To fill the existing void and give voice to the protagonists, standardized interviews were conducted in a number of municipalities mainly in Havana province, which was where the greatest number of these groups' members were concentrated. It would have been much more difficult and costly to conduct them in other provinces. The interviews were done by two Cuban social scientists living on the island and trained in social communication, sociology, and political science.

A total of 80 interviews were conducted between September 2014 and December 2015, 25 each with self-employed workers, usufruct farmers, and dwelling buyers, sellers, and realtors. Only five were done with CNA members due to difficulties getting authorization to carry out the interviews with CNA transferred from state enterprises, which is the majority. As much as possible, a certain degree of diversity was sought with regard to age, gender, race, education, occupation, and location. Interviewees were selected using nonprobabilistic methods. The sample was chosen by the interviewers based on their contact with interviewees, who took them to other people, producing a snowball effect; therefore, the sample is not representative and the results cannot be generalized to the universe and should be considered as indicative.

The interviewees were informed that the interview was anonymous and for an independent, scientific study. They also were told that they did not have to answer a question if they didn't want to, so some questions remained unanswered and no one insisted otherwise. In some cases, such as regarding profits, interviewees did not provide quantities. Each questionnaire had about 20 questions, some common, for the purpose of comparison, and other specific ones adjusted to the characteristics of the group. Most questions were open-ended, and none offered specific options prior to the responses. Thus, interviewees had complete freedom to speak out during the interview period that took between one-and-a-half to two hours. No interviewee refused to participate and very few questions remained unanswered, although there were times when answers were imprecise, probably due to apprehension. Appendix 1 contains the full questionnaires for each one of the four groups. A pilot with the questions was carried out to be sure that they worked well and some adjustments were made to them thereafter.¹²

This study offers comprehensive, concrete, and empirical information regarding the structural reforms in Cuba as seen through their principal protagonists; it should be useful to anyone interested in Cuba: scholars, policy makers, foundations, and others.

For this English edition, statistics, information, and leaders' important speeches were updated to November 9, 2016, which included key events such as the Seventh Congress of the Communist Party held in April 2016, the National Assembly of People's Power (ANPP) meeting in July 2016, the Five-Year Plan (2012–16) Guidelines released in August 2016, the Long-Term Plan through 2030, and so forth. In addition, we included whatever data was available from ONEI Statistical Yearbook 2015 at the time this study was completed.

The book is organized in six chapters. After this introduction, there are four chapters that examine in a similar manner the four chosen groups. It offers antecedents (size and trends, characteristics, progress, obstacles, and impact) and then presents and analyzes the tabulated interview results, with examples of the most relevant and interesting answers (Vera Rojas and Pérez-Liñán 2015). Chapter 6 offers the conclusions, the results of comparing interviewee characteristics among the four groups with common responses, and the voices of change: problems, desires, and suggestions. Information in the antecedents is current to November 9, 2016.