SELF-EMPLOYMENT IN TODAY’S CUBA: QUANTITATIVE EXPANSION AMID QUALITATIVE LIMITATION

Ted A. Henken and Archibald R.M. Ritter

Recent events have revealed a lack of control on the part of government institutions leading to illegibilities in the exercise of self-employment, which were not confronted with the necessary resolve creating an environment of impunity and stimulating the accelerated growth of activities that have never been authorized. […] Problems should be identified before they appear and, if they raise their heads, we must act immediately and without vacillation […] which is always preferable to paying the political cost that comes from inertia and passivity in requiring compliance with the law. (Castro, R. December 2013)

By late 2013, self-employment had achieved a significant quantitative leap forward even as it continued to face major qualitative limits on its future growth, depth, and dynamism. Veteran Cuba watcher Philip Peters has perceptively called this dilemma “the hard part,” writing that as the state begins the herculean task of reforming Cuba’s large, unproductive, and inefficient state enterprises it will need “a strong private sector that generates jobs for excess state workers in larger-scale enterprises that can employ professionals and others in larger numbers, including in production of high-value-added goods and services” (Peters 2013a). He also suggests that the government seems to prefer that the newly launched non-agricultural cooperative sector play this role rather than private enterprises. Peters based this assessment on his own analysis of the depth and sequencing of the reforms to date, but also on blunt declarations from the Cuban leadership to this effect. In fact, a March 2013 speech by Cuba’s First Vice President Miguel Díaz-Canel included the following statement:

We have advanced in what was easiest, in solutions that required less depth in terms of both decision-making and implementation and now we are left with the more important aspects, more decisive for the future development of the country, and also more complex in terms of solutions. (Miguel Díaz-Canel, cited in Morales 2013a)

In fact, while the overall number of self-employed workers reached a record 455,557 by the end of February 2014, more than triple the number from fall 2010 (Cubadebate 2014; Mesa Redonda 2014), such unprecedented quantitative expansion belies a number of qualitative limitations as well as ideological and frankly political obstacles that continue to limit the sector’s growth beyond survival-oriented microenterprises. By design or default, these restrictions prevent the transformation of self-employment into a productive and dynamic small- and medium-sized business sector that could form the basis of an emergent middle class.

Specifically, in fall 2013 a set of new regulations were issued on self-employment, which—together with a series of highly unpopular official pronouncements —were aimed at reigning in “abuses” and “deformations” that had taken hold of the sector. This renewed

1. This paper is extracted from chapter 5 of the forthcoming book by the authors, Entrepreneurial Cuba: The Changing Policy Landscape (Boulder: FirstForumPress, Lynne Rienner Publishers, 2014).
emphasis on law and order was rolled out despite, or perhaps precisely because of the increasingly evident fact that such supposed “abusers” were successfully competing against the state sector—creating employment and providing goods and services at lower prices and of better quality and wider variety than state enterprises renown for the “exorbitant prices and shoddy quality” of their products (Valdés 2013; see also Frank 2013d; Rainsford 2013; Rodríguez, A. 2013; Cuba Dice 2013; García 2013; Palacios Almarales 2013; Peters 2013c).

These law and order pronouncements included the late-September prohibition on the resale of imported goods—especially clothing brought into Cuba by “mules”—and of household items acquired in the state retail sector (Gaceta Oficial 2013a). Later, in early November—afer what turned out to be a premature declaration from Fernando Rojas, the Vice Minister of Culture, favoring “regulation” over outright “prohibition” (Juventud Rebelde 2013)—Granma issued an outright ban on the previously tolerated and unregulated but highly popular private 3D cinemas and game rooms—ordering them closed immediately with the words: “cesarán de inmediato en cualquier tipo de actividad por cuenta propia” (they will immediately cease any kind of self-employment) (Granma 2013). The popular rejection of this top-down move toward greater “order, discipline, and command” exposed a fundamental dilemma faced by the Cuban government as it attempts to enact economic reforms that cede space to the private sector.

The outright prohibition of activities the government prefers to keep under state monopoly (such as the import-export business and most professions) allows it to exercise symbolic control over the population and impose an apparent order over Cuban citizens and society. However, this control comes at the cost of pushing all targeted economic activity (along with potential tax revenue) back into the black market—where much of it lived prior to 2010 as evidenced by the high proportion of cuentapropistas who are found in government surveys to have been “laboralmente desvinculados” (unconnected to the state sector) prior to becoming legally self-employed (Rodríguez, A. 2013; Dámaso 2013c). Meanwhile, the inclusion and regulation of the many private activities dreamed up and market-tested by Cuba’s always inventive entrepreneurial sector would create more legal employment opportunities, a higher quality and variety of goods and services at lower prices, while also increasing tax revenue to target inequality and fund social programs. However, these benefits come at the political cost of allowing greater citizen autonomy, wealth and property in private hands, and open competition against long-protected state monopolies (Celaya 2013a and b).

REINING IN RESELLERS OF IMPORTED CLOTHING, 3D CINEMAS, AND GAME ROOMS

The initial measure outlawing the resale of imported clothing was aimed at those who had been doing so under cover of the license for “seamstresses and tailors.” Likewise, those reselling household items were accused of “speculation” since they had been licensed to sell only items that they had made themselves and not to resell products originally purchased in state retail shops at a mark up. According to estimates by Marc Frank and Rosa Tania Valdés of Reuters, these changes likely led to the closure of an estimated 20,000 microenterprises by the end of 2013 (Frank 2013c; Valdés 2013). Specifically, the law added new, more precise occupational definitions that outlawed the sale of imported products and/or those acquired in state-run retail stores by six preexisting occupational categories: agricultural street vendor, food and beverage street vendor, seamstress/tailor, seller of household items, food retailer, and maker/seller of soaps, polish, dyes, etc.

While resellers of imported clothing were eventually given until December 31 to liquidate their inventory

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2. Cuba’s now ubiquitous home-based restaurants were born in the early 1990s in much the same way. While paladares were not included on the original list of 117 occupations legalized in September 1993, inventive cuentapropistas took advantage of a vague “et cetera” included on the original list in order to set up Cuba’s first paladares before they were explicitly outlawed in December of that same year. New legislation that specifically legalized them was later passed in 1995.
before having to close their doors, the new restrictions surely hurt many others active in these businesses’ extensive supply chains. For example, a bicycle repair shop may also sell imported replacement parts while a birthday party piñata maker and seller may also sell imported balloons and import the inputs for making the piñatas.\(^3\) Imported products arrive through a variety of unofficial channels such as foreign sailors and Cuban workers returning from abroad, tourism by family members visiting Cuba from abroad, or Cubans traveling abroad for various purposes. However, the majority of such items surely originate with the informal supply networks of mulas (mules) developed by Cuba’s microentrepreneurs due to the continued lack of a viable wholesale source of supplies and the prohibition against the private sector engaging in any import-export activity—a state monopoly (Alonso González 2013; Monzo 2013; Laffita 2013; Palacios Almarales 2013).

This measure has had a variety of impacts. It has forced many enterprises out of business—or at least out of registered and legal business. Already in early 2014, the casual visitor could observe the many abandoned ferias or market areas where some of these activities had been located (Alfonso Torna 2014).\(^4\) Of course, as expected, many of these now prohibited activities continue, but now as part of Cuba’s underground economy once again often through the creative use of product catalogues shared hand-to-hand. In fact, during October and November 2013, a veritable chorus of frustrated entrepreneurs and analysts began to publicly decry the government’s decision to close the market areas where some of these activities had been located (Alfonso Torna 2014).\(^4\)

For example, in early October, Reuters was witness to a public gathering of outraged clothing sellers led by Justo Carrillo, their representative to Cuba’s official labor federation. Carrillo received applause when he pleaded loudly with the government to “reconsider” its drastic decision. “We have a lot of product and money invested in this,” he reasoned. “Banning it means unemployment for these people forcing them to do whatever. They will move back into the black market, return to illegal activity” (Valdés 2013).\(^5\) Moreover, leading Cuban economist Omar Everleny Pérez Villanueva called the ban “an error,” pointing to the state’s inability to compete in terms of quality, variety, and price with the private sector. “This business certainly offers serious competition to the state shops,” he said. “The state should be competitive, not use these mechanisms” since they will only serve to push private operators back into the black market—precisely the reverse of the reforms’ supposed aims (Rainsford 2013). Later reports from independent journalists described an October 10, 2013, public protest in front of Havana’s iconic Capitolio building where perhaps a hundred cuentapropistas had gathered to demand the reversal of the ban (Palacios Almarales 2013).\(^6\)

This popular pushback was even acknowledged by a pair of Granma editorials in November 2013, penned by Oscar Sánchez Serra, the first of which reported that the newspaper was flooded with complaints from readers arguing that the proper response to imported clothing resellers would be proper regu-

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3. Likewise, the small number of increasingly popular paintball arenas—some of which have partnered with moribund state-run parks and sports arenas—rely on informal import networks to obtain supplies that are simply unavailable on the island at any price (Ulloa García 2013).

4. This shift was confirmed by observations during a March 2014 visit.

5. Even the well-known pro-government blogger Yohandry Fontana reacted negatively to the ban Tweeting: “Bad news. Wouldn’t it be easier, I ask, to approve the sale of imported clothing by the self-employed than push this activity into the black market?” (Valdés 2013).

6. This was followed by a March, 2014, protest and near riot of an estimated 500 people in Holguín after an altercation between cuentapropistas and police as authorities fined and attempted to close down some of the banned businesses. The Miami Herald quoted Eduardo Cardet, a Holguín physician and member of the opposition Christian Liberation Movement, as saying: “It’s no longer the opposition protesting. Now, it’s the people” (Tamayo 2014; Martinoticias 2014; Freire Santana 2014; Cave 2014; El Universal 2014; DDC 2014c).
lution and licensing, not prohibition (Sánchez Serra 2013a and b).7 Unfortunately for both these entre-
preneurs and their customers, this recognition of a “diversity of opinion” by Gramma has not translated into any major policy modifications (Dilla Alfonso 2013; Tamayo 2013; Orsi 2013; Xinhua 2013; Ko-
zlowska 2013; Vega 2014) beyond the granting of a “liquidation window” of two months to clothing re-
sellers, during which time all cuentapropistas would be visited systematically by the authorities with the purpose of “gaining their understanding” (Valdés 2013).

To the extent that this measure is implemented rigor-
ously, it will hurt many cuentapropistas who sell im-
ported products as their main business or on the side through products containing imported inputs as a supplementary activity to their main activity. It will also hurt the extensive network of citizens from all walks of life who had come to rely on the goods and services provided by these microenterprises. Indeed, writing at the proudly pro-revolutionary blog La Jo-
ven Cuba, Harold Cárdenas Lima openly called the measures “a step backward,” specifically criticizing the government for reverting to its typical “throw the baby out with the bathwater” approach to economic problems.

A wide social network depends on these stores, from the salesperson to the truck driver, even the person who rents out their home. Behind each establish-
ment there are six people whose livelihoods depend on it and now they are out in the street. But it’s not just the supply side that’s impacted. The citizens de-
mand it as well. Their offerings are more varied and less expensive than in state stores. Whoever takes such measures should think about who is being im-
pacted, and in this case it is a good portion of Cu-
ban society (Cárdenas Lima 2013).

Apart from the crackdown on clothing resellers, the newly clarified definitions of each self-employment occupation included specific restrictions on the exer-
cise of a whole range of jobs. For example, radio and television antennas were restricted to receiving do-
mestic signals only; metal polishers, jewelry repairers, and art restorers were restricted to performing ser-
vices only and could not sell the products they ser-
vice; and event planners could not operate night clubs. Likewise, those licensed to “operate recrea-
tional equipment” were now specifically prohibited from operating any aquatic equipment.8 Given this specifi-
cation, it would seem that entrepreneurs who had been providing a wide array of recreational activities to the public (such as paintball, private cinemas, and video games) could now breathe a sigh of relief as long as they stayed away from said “aquatic equip-
ment” (Gaceta Oficial 2013a, Resolution No. 42, Annex: 261).

Thus, it came as quite a shock to the operators of small private movie houses, many of which featured both 3D films and video games, when the national newspaper Juventud Rebelde carried a lengthy story on October 27, 2013, entitled, “Life in 3D?” Perhaps most surprising and unsettling for the entrepreneurs who were then operating home-based 3D cinemas was the fact that the article stated over and over again that they operated without licenses and that there was a debate among Cuba’s cultural and economic commissars about how to deal with them. This, de-
spite the fact that most such cinemas did in fact have licenses, usually the aforementioned “operator of recre-
tional equipment” ones, often acquired from local

7. Some of this outpouring of debate over self-employment has taken place on video. For example, the independent organization “State of Sats” (Estado de Sats) recently recorded an hour-long discussion entitled, “Self-Employment in Cuba: Reality or Illusion?,” September 12, 2013. Likewise, a ten-minute segment of the October 9, 2013 episode of Cuban state television’s weekly show Cuba Dice (Cuba Says) focused on the popular debate over the new self-employment regulations. Other recently produced videos relating to self-employ-
ment include a two-part episode, Situación actual del Trabajo por Cuenta Propia as part of the official state television series Mesa Redonda (“Round Table”), March 19–20, 2014; a short video entitled “Cubans in the New Economy: Their Reflections and the U.S. Response” from a day-long conference hosted by The Center for Democracy in the Americas, November 13, 2103; a panel video from the confer-
ence “Cuba-U.S. Relations in the Second Obama Administration: The Cuban-American Community and Changes in Cuba,” spon-
sored by Cuban Americans for Engagement (CAFE) and featuring Abiel San Miguel Estévez, proprietor of Paladar Doña Eutimia in Old Havana, March 15, 2014; and a video explaining the work of the Cuba Emprende Foundation at its website, March, 2014.

8. The exact words are: Instala, opera o alquila equipos para la recreación de la población. No incluye los equipos náuticos.
authorities with the expressed intent of opening 3D cinemas (Rodríguez Milán 2013; Pérez 2013). Furthermore, while Cuba’s Vice Minister of Culture, Fernando Rojas, seemed to want to reassure his readers by saying, “What, then, are we to do: prohibit or regulate? I think that it is about regulation, starting from a fundamental premise: Compliance by all with what is established by the cultural policy.” Both he and Roberto Smith, the president of Cuba’s State Film Institute (ICAIC), made clear the cultural authorities’ paternalistic if quixotic intention to continue to control the programming even of private entertainment venues given the supposed fact that private 3D theaters promoted “a lot of frivolity, mediocrity, pseudo-culture, and banality, which are counter to the policy that demands that cultural consumption for Cubans prioritize quality only” (Juventud Rebelde 2013; Cubadebate 2013; Álvarez 2013a; Uno de Guanajay 2013; Espacio Laical 2013).

Clearing up any doubt as to the legality of such cinematic operations—and putting to rest any questions about the Revolution’s cultural policy or the relative “banality” or “quality” of the 3D films shown in private spaces—Cuba’s all-powerful Executive Committee of the Council of Ministers, headed by Raúl Castro himself, issued its now infamous Nota informativa sobre el trabajo por cuenta propia in Granma on November 2, 2013, which included the following phrases printed in bold: they “have never been authorized” and “they will cease immediately.” Such a message following Rojas’ expressed preference for regulation over prohibition sent a mixed, chilling message to Cuba’s cuentapropistas to say the least.

Clearly then, the issue at hand was never the supposed banality of the programming in private theaters given that both state television and state-run theaters are filled with banal offerings—both those pirated from Hollywood as well as others produced in Cuba—to say nothing of the banal and pirated content of the CDs and DVDs legally hawked on Cuba’s streets by thousands of other licensed cuentapropistas (in open violation of international copyright laws) (Pérez 2013; Palacios 2013; Álvarez 2013b; Azor Hernández 2013; Kozlowska 2013; Espacio Laical 2013). Instead, the real issue is protecting the state film production and exhibition monopoly together with its paternalistic control over private spaces lest they be used for undue enrichment or to propagate ideas at odds with the Revolution (Dilla Alfonso 2013).


The number of people employed in the microenterprise sector reached 391,500 by the end of 2011, up from 333,206 in September 2011 (Vidal Alejandro and Pérez Villanueva 2012). By March 2014 (the latest date for which official numbers were available), this number had grown to 455,577 (Cubadebate 2014; Mesa Redonda 2014; Cuba Central Blog 2014). This has indeed been an impressive quantitative increase relative to the 138,400 employed in the sector in 2007 and it represented a clear and significant increase over the 147,400 employed in the sector in 2010. Put another way, Cuba’s once moribund entrepreneurial sector has grown more than 3-fold in a little over three years (late 2010—early 2014) (Figure 1). This is to say nothing of the increase from 178 to 201 in the number of occupations in which it is now legal to become self-employed between fall 2010 and fall 2013.

This expansion represents a remarkable increase compared to the Cuban context between 1993 and 2006. However, the 455,577 licensed cuentapropistas of early 2014 are less than the 600,000 that were initially anticipated by the government by the end of 2012. Added to this is the often underreported fact

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9. On Cuba journalist Tómas E. Pérez even interviewed a 3D cinema operator who showed him a signed, stamped official permission form from the local municipal authorities authorizing him to erect a sign advertising his business. “If the sign says ‘Cine 3D El Marino,’” the man told Pérez bitterly, “what do you suppose my business is? A café?” Thus, despite the insinuations of both the Juventud Rebelde article and the later Granma clarification on November 2, such businesses were not something that operators sneakily “got away with” but instead activities that they “applied openly to do.” Another operator explained to Pérez that she was asked for and provided photos of her operation when she applied for her license, indicating the dimensions of the theater, the size of the television, and the style and number of seats to be used (Pérez 2013).
that more than 400,000 one-time cuentapropistas have decided to close their doors and hand in their licenses over this same period (Peláez, et al 2014; DDC 2014b; Cartaya 2014; Torres Hernández 2014; Tamayo Batista 2014). Still, the true expansion of employment in this sector has likely been higher than the official numbers would indicate due to the hiring of unregistered full-time or part-time workers. Such hiring is suggested only by anecdotal evidence as there of course are no reliable estimates or headcounts on such employment due to its clandestinity. We would estimate that up to one-half of the small enterprises employ at least one unregistered worker. The motivation for this on the part of the owners of the small enterprises is to avoid the tax on the employment of labor. For the unregistered worker, the incentive also is to avoid tax payments.10

Table 1. Non-Agricultural Self-Employment as a Percentage of Total Employment, 2000–2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment as % of Total Employment</th>
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<tbody>
<tr>
<td>2000</td>
<td>3.6%</td>
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<tr>
<td>2002</td>
<td>3.7%</td>
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<tr>
<td>2004</td>
<td>3.8%</td>
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<tr>
<td>2006</td>
<td>3.9%</td>
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<tr>
<td>2008</td>
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<td>2010</td>
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<td>4.2%</td>
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<td>2014</td>
<td>4.3%</td>
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If a large amount of unregistered employment exists in the legal microenterprise sector, then in 2014 the government may well be approaching or even surpassing the 600,000 employment target for the end of 2012. However, it is impossible to tell if the government’s encouragement of non-state employment since late-2010 has created such jobs or only served to uncover previously existing clandestine activities. In terms of employment by economic activity in 2014, 57,776 or 12.7% of Cuba’s officially registered private workers were in food service (restaurants, cafeterias, and street vendors), another 47,733 or 10.5% were in transportation, and 29,952 or 6.6% operated “bed and breakfasts.” Another 91,978 or 20.2% were in fact employees working in the microenterprises of others rather than being the owners of microenterprises themselves (Cubadebate 2014).

The major justification given for the promotion of microenterprise was to generate employment for workers who were considered redundant in the state sector. Judging from the limited statistical information available, this objective has not been fulfilled. Of the 333,206 employed in the microenterprise sector as of mid-2011, only 17% had come from the state sector. Some 16% were retirees. And another 67% had been outside the labor force, and presumably were either housewives, working in the underground economy, students entering the job market for the first time, or perhaps out of the labor force on disability pensions (Vidal Alejandro and Pérez Villanueva 2012: 47). Official statistics from March 2014 indicate that this trend has only continued, with 18% coming from the state sector, another 14% previously retired, and a whopping 68% declaring that they had been unemployed prior to registering as a cuenta-propista (Cubadebate 2014).

On the one hand, the microenterprise reforms have been a major success in that self-employment has grown to unprecedented levels, providing a wide variety of goods, services, and employment opportunities to Cuban citizens. On the other hand, part of this growth to date seems to have been driven more by the formalization of previously clandestine operators and less by incorporation of laid-off state workers, which was the government’s stated goal. Moreover, given the near prohibition on professional

employment in the small enterprise sector, most of
the growth in non-state employment has been in
lower-technology though nonetheless important ser-
vice occupations and not the higher-technology, val-
ue added professional activities that could contribute
to more broadly to greater economic efficiency and
productivity.
The relatively small number of laid-off state sector
workers in the microenterprise sector suggests that
absorbing large numbers of redundant state sector
workers into microenterprise activities will not be
easy. For example, when workers in former state en-
terprises are informed that their place of business has
been selected to be part of a transfer to the non-state
sector—allowing the workers to become self-em-
ployed if they wish—the other alternative is for them
to become unemployed (Freire Santana 2012; Frank
and Valdés 2014). State sector downsizing also has
been difficult to implement in practice. This is in
part because few Cubans volunteered to serve on the
committees that would identify their fellow workers as
_disponible for layoff (Alfonso 2012; Diversent
2010; Perera 2010).
Thus, this expansion of self-employment can also be
seen as an unloading, abandonment, or discharge of
thousands of workers, many of whom are unprepared
to become effective entrepreneurs. Indeed, as with
the creation of non-agricultural cooperatives (Frank
2013a; Frank and Valdés 2014), there is a difference
between self-made entrepreneurs who create their
own businesses and state workers who are bureau-
cratically converted into “entrepreneurs” when their
only other option is to become _trabajadores dis-
ponibles (Carrillo Ortega 2012; Trabajadores 2012a;
Trabajadores 2012b; Peters 2013b).

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will lose their status as employees and will be considered as available workers) (2012). Cuban sociologist Neili Fernández Peláez cap-
tured this sentiment well when she criticized the government’s new “embrace of self-employment” in an e-mail to us as more an aban-
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