

SELF-EMPLOYMENT IN CUBA: RESULTS OF A SURVEY

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Nearly half a million Cubans possess licenses to exercise some kind of non-state work and the figure is likely to increase in the coming years. The ambiguity of official policies toward individual workers is evident from the existence of mechanisms—such as strict regulations, taxes and lack of input markets—that act to impede workers from realizing their aspirations. The bottom line is that the interest to develop self-employment clashes with the barriers built by bureaucracy. It is true that job opportunities have slightly expanded when compared to previous years, but never to the extent trumpeted by officials of the Cuban Central Trade Union (CTC) and the media, which is fully controlled by the Communist Party.

Unfortunately it is very difficult to receive accurate information on any topic of Cuban reality in a climate of constant censorship, persecution and harassment. Nevertheless, through the courage and perseverance of dozens of citizens, the Confederation of Independent Workers of Cuba (CITC), the Unitary Council of Cuban Workers (CUTC) and the National Independent Workers Confederation of Cuba (CONIC) carried out a survey of Cuban self-employed workers, an issue on which the government hides details with excessive zeal, and are making the results available to the general public.

METHODOLOGY

- Date: The survey was conducted between February 3 and April 30, 2014.
- Method: Stratified sample based on personal interviews, face to face.
- Sample size: 746 self-employed persons (384 men and 368 women, 51% and 49% respectively).

- Coverage: 14 provinces of Cuba (Pinar del Río, La Habana, Artemisa, Mayabeque, Matanzas, Sancti Spíritus, Villa Clara, Ciego de Avila, Cienfuegos, Las Tunas, Holguín, Santiago de Cuba, Guantánamo and Isla de la Juventud).

RESULTS

What follows are the most significant results from the survey.

Perspectives on Self-Employment

67% of respondents felt that self-employment will continue as a source of employment and will not be eliminated by the government. They expressed the opinion that:

- The country has no other way to guarantee employment (24%);
- Self-employment is the only option to develop the country (16%); and
- Self-employment is the only choice for those who are unemployed (21%).

The remaining 33% of respondents felt that the continuation of self-employment is not definitive and suspected that it may be eliminated as an alternative way of employment. These respondents felt that self-employment would disappear because:

- It does not solve the economic problem (13%);
- The economic conditions for it to continue do not exist (15%);
- In the future the State will be able to ensure employment (3%).

Payment of Taxes

Most respondents disagreed with the amount of taxes that self-employed are required to pay to the National Office of Tax Administration (ONAT). 78% of re-

spondents disagree with paying (the currently required level of) taxes, stating that:

- They are very high (39%);
- They are not in keeping with what they actually do (27%);
- They are arbitrary (10%).

Only 21% agree with paying (the currently required level of) taxes because:

- They consider that they are just (9%);
- They earn enough to pay them (9%);
- They have sufficient earnings (2%).

As the numbers show, half of the respondents complained about the high tax rates. Moreover, there is a perception that the government is opposed to businesses being very lucrative. One way to prevent business from being lucrative is to subject them to high taxes and stringent inspections, which often result in heavy fines, forfeitures and even a closure order for failing supposedly established standards.

Sources of Capital to Start a Business

Regarding the origin of capital to start a business:

- 48% said they obtained it through savings;
- 32% through remittances;
- 9% through bank loans;
- 4% through foreign investment; and
- 7% from other unspecified sources

The importance of family remittances from abroad in the development of self-employment is notable. Undoubtedly, businesses opened with this capital are the ones with greater prospects to succeed.

Businesses initiated through personal savings generally do not have the ability to generate a lot of revenue. In these instances, investment is minor. Gathering a significant amount of capital, unless by illegal means, is very difficult. Saving in Cuba is synonymous with great hardship.

Low wages and inflation make it impossible to gather sufficient resources to open a sustainable business.

OBSTACLES

Access to Raw Materials

Access to raw materials is a major obstacle to the development of private jobs.

- 87% of respondents stated that they do not receive any supplies (raw materials and other inputs) from the state;
- only 13% said the state guarantees their supplies.

A majority of respondents agree that the existence of wholesale markets would improve the work of the self-employed:

- 51% agree with this proposition;
- 30% thought it would be essential to have the ability to purchase inputs outside Cuba;
- 9% considered it necessary to have appropriate places to conduct business.

There are no indications that there is the intention to establish wholesale markets in the short term. For that to be so, more flexible commercial laws would have to be in place, primarily those that stimulate foreign investment. It would also be necessary to relax the internal mechanisms to enable the development of productive commercial networks that work freely.

Until various types of ownership are able to coexist, it will be impossible to have a scenario that favors the development of productive forces, that prevents the scarcity of goods and services and allows the transition to a more efficient and fair system to be implemented.

Licensing Process

The process to obtain a license still remains burdensome. Most respondents felt that it is deficient/bureaucratic. There are no looming short-term changes aimed at reversing the efficiency of these processes. Respondents felt that the licensing system was:

- Deficient: 37%;
- Bureaucratic: 23%;
- Fast (16%);
- Efficient (15%).

Although there has been some progress in terms of reducing waiting times for the legalization of businesses, there are still prevalent mechanisms that create unnecessary delays:

- 26% of respondents affirm they had to wait one month;
- 17% waited two months;
- 20% three months;
- 15% four months;

- 16% five months.

SUCCESSFUL?

The government opposes the emergence of a middle class. To avoid this, it spares no expense or time. Therefore, it takes pleasure in preventing the growth of successful entrepreneurs.

When asked about the success of their companies, it is interesting to note that only 22% of survey participants considered themselves a successful businesspersons because:

- They lived better (7%);
- They planned to expand their businesses (7%);
- They have more money (6%)

At the other extreme, 78% of respondents did not consider themselves successful entrepreneurs because:

- They do not have the proper conditions to sell their output (26%);
- The state does not guarantee raw materials or supplies (30%);
- They barely have enough money to get by (19%).

Although comparatively, opportunities to increase incomes are much more viable through self-employment, apathy and disillusionment persist. There are limitations that end up affecting the earnings of the self-employed. Given this situation, it is absurd to expect significant steps in advancing efficiency and productivity.

Opinions of respondents were divided as to whether self-employment has helped to create jobs or not, which was the reason that the government provided for its broadening of self-employment:

- 48% of respondents said that the work they performed generates employment opportunities;
- 52% said that the work they performed does not generate employment opportunities.

Taking into account the number of workers who have lost their jobs as part of the so-called “rationalization of work” program carried out by the government for the last several years, the impact of this type of employment in absorbing the mass of unemployed workers is not significant.

If the restrictions to exercise self-employment are not reduced in the coming years, it could create an un-

sustainable social situation, as thousands of people who could lose their jobs would have no alternative employment. There already exists a trend towards casual employment as well as employment operating at the margins of the law. This is but a sample of what could happen in the near future, where we could see the expansion of pockets of poverty, delinquency and organized crime.

Despite the many hurdles and endless obstacles to achieve success that all self-employed face, only 8% of respondents felt that workers’ opportunities to exercise it should be limited. The vast majority of respondents (92%) was in direct opposition to that view.

Moreover, in this regard, 13% of respondents believed that there should be institutional constraints imposed on self-employment, while 87% believed that there should not be institutional constraints.

As for the monetary benefits obtained from exercising self-employment:

- 44% of respondents stated that their economic situation has improved;
- 56% of respondents stated that their economic situation has not improved.

It is logical that in a country where the average wage received in the state sector barely reaches \$20 a month, any alternative employment opportunity would be preferable.

These views demonstrate that nearly half of respondents are displeased with their incomes, which could obviously be higher if a number of obstructionist provisions were removed and at the same time intelligent and unprejudiced proposals were put in place that limited the centralism that still prevails in the minds of officials.

AFFILIATION WITH THE CTC

In reference to membership in the official trade union center (the CTC), only 25% of respondents answered affirmatively.

75% of respondents stated that they did not belong to the CTC, which means that the state has lost control over workers; it also shows the decline of one of the most important institutions of the system.

When the workers were asked whether being affiliated with the CTC was a requirement to obtain a license, 14% said that it was, while 86% responded that it was not. This confirms the statement above regarding the weakening of trade union structures of the regime. It cannot be said that they are on the brink of collapse, but their importance is falling in the face of economic transformations that are contrary to “real socialism.”

CORRUPTION

The phenomenon of corruption has boomed since the implementation of self-employment.

Numerous prohibitions, red tape, lack of a wholesale market, excessive taxation, among a string of problems arising from the lack of willingness to deepen reforms, have given way to irrational approaches and to policy paralysis. These are but two of the motives for the proliferation of corruption.

Of those interviewed, only 14% of respondents felt that self-employment has decreased corruption, while 86% felt otherwise.

With regard to the source of the products offered in their respective businesses:

- 37% of respondents claimed that they are from the commercial network;
- 63% stated their products are not from the commercial network (i.e., are from the black market).

SOCIAL INSECURITY

There is a lack of information regarding the retirement system, especially among those who have chosen self-employment.

Among those interviewed, only 14% felt that the benefits they will receive in retirement will be better than those while they worked in the state sector. However:

- 36% believe that the benefits will not be better;
- 19% are not concerned about it;
- 18% do not think about it; and
- 13% did not specify their opinion.

There are still details to be set out in legislation and this would be one of the areas that require them. In theory things should proceed smoothly, however in practice there are almost always issues that arise; more so in this case where there is no accumulation of experiences.

HEALTH AND EDUCATION

These two institutions have represented the trump card of Cuban socialism. Universal access to both health and education are shown as achievements of the one-party system.

The Cuban government regularly features in the national media examples of tragedies faced by many people around the world who do not have access to medical care.

However, given the steep decline in both sectors in Cuba, there are those who consider the decentralization of these services necessary, so that they may function with higher quality. There are others who believe that if the two sectors are removed from state control, they may become inaccessible due to very high fees, primarily in the health sector.

Among the self-employed respondents:

- 53% believe that the education and health sectors should be open to self-employment; and
- 47% oppose that persons working in these sectors have the opportunity to be employed as private workers

As for professionals, 75% of respondents stated that they have the right to exercise self-employment, while 25% rejected this option.

So far the government has refused to allow professional university graduates to practice work as self-employed. This has fostered illegalities. Despite the ban, hundreds of professionals trade the skills acquired in their respective centers of study for cold hard cash. The very poor economic conditions force them to take this risk, as the majority of the population also has to do.