CHAPTER 20

Dollarization, Distortion, and the Transformation of Work

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Abstract: One of the most significant changes for Cubans since the start of the Special Period has been the development of a range of new income-earning opportunities ranging from work in the formal state sector, to a newly established "private" sector, and/or in growing informal and black markets. While the significance of the increasing heterogeneity of Cuba's labour market may be difficult to imagine from the perspective of the North American labour market, which is itself based upon a great diversity of economic activity and forms of property ownership, it represents a dramatic shift for Cuban workers. This article explores the significance of the transformation of work in Cuba from the perspective of Cuban workers and asks what broader implications these changes might have for Cubans' changing ideas about work, citizenship and models of political governance.

Introduction

The Cuban economy today is in a state of flux and President Raúl Castro has already signalled his intention of continuing to implement a process of change.¹ For ordinary Cuban workers, one consequence is a constantly shifting constellation of income-earning options, including work in the formal state sector, a newly established “private” sector,² and/or growing informal and black markets. This paper assesses the choices facing Cuban workers in this new labour context, examining the options available to

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¹. For example, at the end of March, 2008, the Raúl Castro government authorized the sale to Cuban citizens of computers, DVD players and other electronic products, including air-conditioners and toasters. The government further announced that it would allow unrestricted use of mobile telephones by all Cubans and lifted the ban that prevented Cubans from staying in tourist hotels.

². This term is used loosely to connote self-employment and work for for-profit organizations. Technically, Cuban workers working for foreign enterprises are in fact employed by state-operated employment agencies and are not directly employed by the foreign enterprise. Nominally, therefore, they continue to be employed in the state sector.
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Cuban workers and the strategic decisions they must make to determine where best to devote their labour time and energy. At the same time, it asks what consequences the changing nature of “work” in Cuba has for citizen-state relationships, and how the reconceptualization of work may affect broader models of citizenship and political governance. As others have argued, “work” is tied intimately not only to individual identity but also to models of community and authority.

Workers' Choices

“Imagine a Cuban worker—we’ll call him ‘Tomás’—faced with the option of working in one of three factories,” Arnaldo Pérez García, a Cuban psychologist at the Centro de Investigaciones Psicológicas y Sociológicas, tells me.

They all produce beer. The first factory was built in the 1980’s and continues to be run by the state. Salaries are paid in pesos nacionales, there have been no capital improvements since it first opened its doors, machines break down, and there is no air conditioning. The second factory is a joint venture enterprise between a Spanish company and a Cuban state enterprise and makes a better beer. Workers are paid in pesos nacionales, but are given baskets of goods as production incentives. The building is new and the working conditions are more comfortable. The third factory is owned and operated by a Canadian corporation operating in Cuba through its Cuban subsidiary. Working conditions are even more comfortable than in the joint venture factory and wages are paid in part in pesos convertibles. Where would the worker most wish to work?

To Pérez García, the answer is obvious: Tomás would prefer to work at the old, crumbling “socialist” factory, because here it will be easier to steal beer to sell on the black market, and his income-earning potential will be much greater than in the other, purportedly higher-paying, factories.

The story is, of course, both fictitious and exaggerated. Not all Cuban workers are willing to steal to improve their economic situation,

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nor do most Cubans have the option of working for a joint venture company or foreign enterprise. However, the story helpfully illustrates a number of important transformations occurring in the Cuban labour market.

First, as any Cuban will attest, there is a significant disjunction between wage levels and the cost of living. As a consequence of what Pérez García calls the “desalarization” of employment, most Cubans are forced to seek income from a variety of sources in addition to their formal employment, whether it be remittances from family members abroad or through participation in Cuba’s “second economy.”

Second, Cubans now have the possibility of seeking work in the private sector, an option previously unthinkable under the socialist model. While the number of such jobs is very small, the fact that they exist at all is a radical departure from the state monopoly of labour that has characterized Cuba from 1959 to the start of the Special Period.

Third, wage incentives have begun to creep gradually back into the labour equation in Cuba. Indeed, in 2006 the Cuban government officially amended the labour code to tie wages directly to the quality and productivity of work performed.

Finally, and perhaps most significantly, the story of ‘Tomás’ illustrates the dramatic shift that has taken place in the Cuban labour market towards what Pérez García characterizes as “la multiespecialidad económica,” or the growth of multiple economic spaces. Where the state previously employed 95% of the Cuban workforce, it now employs around 79% of the working population, a reduction of about 687,000 workers (Locay: 6). Many of those still working for the state, moreover, are severely underemployed and supplement their wages through informal and black market activities. The significance of this change from a largely homogenous to a more heterogeneous labour market is difficult to imagine from the perspective of the North American labour market, which is itself based upon a great diversity of economic activity, forms of property ownership, and employment. Yet it represents a dramatic shift for the Cuban market, which was founded on precepts of monopoly and national control. Moreover, it is a shift which is affecting not only owner-

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4. Moreover, Pérez García might frame the story differently today, given the steps taken by the Cuban government to crack down on corruption.
ship over means of production and control over the workplace, but also the way in which workers think about the value of work and their relationship to the state. Because of the close relationship between work, identity and citizenship under Cuban socialism, the transformation of Cuba's labour market has significant implications for Cuba's evolving political and economic transition.

Is the “New Socialist Man” Getting Old?

The significance of Pérez García's story can only be understood in relation to the ideal of work and worker central to the Revolution. The deeply symbolic role of “worker” in Cuban socialism is established in the first article of the Cuban Constitution, which states: “Cuba is a country composed of workers, peasants, and other manual and intellectual laborers” (Article 1, Constitución de la República de Cuba, 1992). This provision effectively puts workers at the heart of the country's ideological, social and moral design. The powerful role of the worker in Cuban socialism and its deep ties to the Revolutionary movement was perhaps most clearly articulated in Ernesto Ché Guevara's conceptualization of the “New Socialist Man” (el hombre nuevo) in the 1960's. The new socialist man implied more than a productive worker or an individual dedicated to revolutionary ideals; he also signified the forging of a new morality and consciousness (Pérez: 340). He was disciplined, self-sacrificing, and motivated not by personal gain but by the collective good.

Most importantly, the new socialist man represented an absolute identification between worker and state. With the exception of a very small number of subsistence farmers, the state owned all forms of production, and workers participated in labour production not for personal gain or monetary incentive, but as a social contribution. Thus, Ché Guevara wrote in his influential Man and Socialism:

Man dominated by commodity relationships will cease to exist...Man will begin to see himself mirrored in his work and to realize his full stature as a human being through the object created, through the work accomplished. Work will no longer entail surrendering a part of his being in the form of labor-power sold...but will represent an emanation of himself reflecting his contribution to the common life, the fulfillment of his social duty. (Ché Guevara 1966)
Work was considered an end unto itself, the means by which to purge persisting bourgeois vices and bring about the Revolution (Pérez: 340).

Fast-forward to Cuba in 2008. The tale of Cuba's economic collapse in the early 1990's is by now well known. The dramatic contraction of the economy following the disintegration of the Soviet Union and the resulting shortage of the most basic industrial and household goods brought the island to a near standstill. Since the collapse of the Soviet block, salaries have declined over 45 percent; in 1998, the average monthly salary was around 232 pesos, or $10 USD (Ritter 1995:5). According to one report, as a result of the high cost of food and low salaries, food purchases now take up to 66 percent of the average Cuban salary (Sinclair & Thompson: 162). In a desperate attempt to stabilize the economy and avert the breakdown of the socialist state, the government instituted radical economic and political reforms—liberalization policies termed by many in the government as “necessary evils”—to cope with this new, drastically different landscape.

One of the most important of these liberalization measures was the legalization of the US dollar, resulting in the bifurcation of the Cuban economy into a peso socialist economy and a dollar market economy. Despite Cubans' dramatically decreased consumer power, most consumer goods are sold through state-run “dollar stores,” where prices are marked up around 140 percent from world levels (Ritter 2006:7). As a result, for those Cubans who do not receive remittances from abroad, the incentives to seek out work in the dollar economy are almost irresistible. Inevitably, the bifurcation of the Cuban economy has therefore been accompanied by the growth of an extensive “second economy” comprised of informal and black market activities (Ritter 1995).

It is within this context of dollarization and distortion that ‘Tómas’ and his labour market decisions must be examined. While deep-rooted models of work, productivity, volunteerism and collectivism remain, they are coming increasingly into conflict—or at the very least contact—with resurgent concepts of commercialization, individualism, autonomy and efficiency. The result is a shifting conceptualization of the worker as a

5. This is not to say that concepts such as volunteerism have not retained any value for Cubans, or may not have an impact on the labour market strategies they adopt.
vehicle of the Revolution to a reconfiguration of the worker as increasingly disassociated from the state.

The Desalarization of Employment and Diversification of Income

One key dimension of Pérez García's story is the motivation of ‘Tomás’ in obtaining a job at the “socialist” factory. As a result of the dollarization of the Cuban economy, most salaries are inadequate for basic economic survival. As Cuban economist Carranza Valdés has pointed out, the disjunction between wages and consumer power has “had a very negative impact on a workers’ society, not only in economic terms but also in ideological terms, given that the wage—the economic and social reason to work—ceased to be the fundamental route for obtaining individual and family well-being”(Carranza Valdés: 15).

Often, this means that a worker’s employment strategies are influenced less by a job’s formal salary than by its potential for more indirect means of “earning” an income—whether by legal or extra-legal means. Moreover, as a result of the “desalarization” of employment, workers must now look to a variety of sources to cobble together a monthly income outside of their formal workplace. Some Cubans may receive remittances from family members abroad, but many more seek income through informal and black market activities. For example, burning and selling CDs, selling homemade desserts or running an informal hair salon are common activities to increase household income. State employees may also make use of their workplace facilities to carry out private, for-profit work, either during or after work hours. A car mechanic, for example, may make use of the state-run workshop where he or she is employed to fix privately owned cars for personal profit. An office worker may similarly use an office photocopy machine or computer to carry out services for a small fee: for example, sending e-mails, printing documents, or making photocopies.6

Since the informal activities associated with a worksite provide a greater source of income than official wages, the desalarization of employment and the growth of the second economy are intimately intertwined. Thus, the existence of the black market, while not an official “employment option,” cannot be ignored in any analysis of the contempo-
The Creation of a Private Sector

A second, prominent feature of the story of ‘Tomás’ is the existence of employment options in the “private” sector, an option previously unthinkable under the prior socialist model. Employment in foreign-owned or joint venture enterprises, for example, is highly coveted. Working conditions are considerably better than in state-run enterprises and employees frequently enjoy a more open and flexible schedule than their counterparts in the state sector. Most importantly, employees may earn a significantly higher income in the form of salary, incentives, and under-the-table benefits. Anecdotal evidence suggests that in some cases qualified employees have even entered into profit-sharing or share-holding arrangements with foreign management. Such arrangements are strictly prohibited, of course, and are formed under the strictest secrecy (Personal Communication; June 2005).

Another work option in the private sector is self-employment, or \textit{trabajo por cuentapropia}. As with employment in joint venture and foreign-

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6. It is worth noting that the inappropriate use of computers and other “communication media” is now specifically prohibited under the Labour Code. Pursuant to Regulation No. 188/2006 on internal disciplinary regulations, all internal disciplinary regulations must include, among other things, a prohibition against “irrationally making use of the entity’s communication media in matters unrelated to the labour activity that he performs.”
owned firms, cuentapropismo is a highly desirable, but limited, work sector. Both the number of licenses and the number of trades in which self-employment can be practiced are very carefully controlled, and in 2004 there were only about 100,000 licensed cuentapropistas on the island—about half as many as there were in 1997. Although constituting a relatively small component of the work sector, the creation of cuentapropismo has been an important—and symbolically fraught—development (Phillips 2007; Henken 2008). As the first Cubans to work for profit and to control the means of production since the start of the Revolution, cuentapropistas raise the spectre of the growth of a petit bourgeoisie (Núñez Moreno: 44). Cuentapropistas set their own schedules, determine how much they wish to earn, based to some degree, on their own level of effort or initiative, and are monetarily rewarded for their entrepreneurialism and creativity.

The development of a private sector is not a comfortable development for the Cuban government. As Lilia Núñez Moreno, a Cuban sociologist, observes, “Of all the changes introduced by the current reforms, the extension of private activity is perceived by many as the change that has the greatest capacity to dissolve Cuban socialism” (Núñez Moreno: 41). Numerous restrictions govern the private sector, controlling both the number of people who can enter it and their earning potential. For example, in the case of employees of foreign and joint venture companies, the government has reserved for itself the screening and control of human resources. Rather than allowing foreign enterprises to hire Cuban workers directly, the company notifies a state-run employment agency of its staffing needs, and the agency recruits the necessary employees (Law No. 77). Salaries are paid in hard currency to the employment agency, which

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8. The triangular employment relationship between the foreign enterprise, the state employment entity, and the employees is structured differently, depending on the nature of the foreign or mixed enterprise. As provided in Article 33 of Law No. 77, workers in mixed companies, with the exception of the members of management, shall be contracted by an employing entity proposed by MINVEC and authorized by the Ministry of Labor and Social Security. In totally foreign owned companies, Cuban workers are hired through a contract between the company and an employing entity proposed by the MINVEC, and authorized by the Ministry of Social Security. In the case of "international joint venture contracts," workers are hired by the Cuban entity (Mercader Uguina 2006a: 4-6)
then pays employees a portion in national pesos. Professional qualifications are, however, often the least important factor in whether a particular individual gets hired for the job. As Yovani, a former employee of an Italian company operating in Cuba observes,

First of all, they are looking to make sure that the person is reliable—not someone who is anti-Revolutionary or a criminal. A person who has a good reputation in his neighbourhood. And also, at the end, they will look to see if this person has the skill to do the job that they are asking for—but that's the last criterion.9

Yovani’s impressions are confirmed in Article 29 of Resolution No. 3/96, which requires workers to “act according to the best interests of our society,” to “subordinate his/her acts and decisions to the best interest of our people,” and to “neither accept from, nor ask the persons above or around him/her for any payments, gifts, handouts or preferential treatment contrary to the adequate labor and personal behaviour expected from our cadre and workers.” As such, notes Spanish labour lawyer Jesús Mercader Uguina, workers in foreign investment companies are evaluated in part on the basis of their ability “to maintain social conduct worthy of his/her fellow citizens' respect and trust,” primarily “by not allowing any conspicuous signs or privileges, and by keeping a lifestyle in line with society” (Mercader Uguina 2006: 7-8).

In this way, employees of foreign investment companies are required to play dual roles, capitalist and socialist, each with equal dexterity. On the one hand they must be skilled workers capable of moving in and out of the international, globalized economy, on par with their North American or European counterparts, while on the other they must avoid all signs of conspicuous consumption or material motivation.

9. Personal communication, translation by author, June 2005. Similarly, the “voluntary” nature of membership in the state-organized union is illusory because of the constant pressure to show support for state socialist policies. Yovani recalls being frequently called upon by his union to participate in activities and protests and feeling unable to refuse. “You have to participate in every political institution...You have to go, whether you want to or not, otherwise they mark you.”
Wage Incentives

A third feature of the story of ‘Tomás’ is the reappearance of wage incentives as part of labour relations. One of the key features of labour and production under the socialist model was the belief that work should be performed for the collective and not the individual good. Incentives should not come in the form of personal economic gain, but from the fulfilment of the Revolution and the collective good.

This model has been under strain for some time, even prior to the collapse of the Soviet bloc. In 2006, however, the Cuban government made an explicit ideological departure from the ideal of the new socialist worker when it introduced the General Regulation on Wage Organization (Resolution No. 27/2006), which establishes that wages should reflect the quantity and quality of work performed, and encourage more efficient and higher quality work product (Mercader Uguina 2006b:2). According to Article 2 of the Resolution, these changes were effected in order that:

efficient and higher quality labour would be better compensated. The wage level depends on the complexity and responsibility of the work performed, on the yield, time worked, conditions under which the work is performed and on its results, as well as other authorized additional payments.

Art. 2, Resolution No. 27/2006

Article 4 establishes the principles that govern the new wage policy. Wages should: (1) compensate the work according to its quality and quantity; (2) stimulate productivity, labour efficiency and contributions of the State; (3) stimulate professional qualifications and excellence; and (4) guarantee that equal wages will correspond to equal labour (Art. 4, Resolution No. 27/2006; Mercader Uguina 2006b: 2).

The amendment of the wage policy establishes a new framework in which production and efficiency, rather than contribution to the Revolu-

10.Material incentives were briefly introduced in some sectors, for example, in the early 1970's to boost production. Workers were allowed to work overtime at a higher wage range and more workers could earn the right to purchase refrigerators, air conditioners, and other appliances.
La multiespecialidad econó mica 

tion, are established as the new goals for the Cuban worker. Workers themselves are evaluated individually as well as collectively in terms of their productive capacity (Mercader Uguina 2006b: 3). Neoliberal terms more typically associated with capitalist enterprise, such as “productivity,” “competition,” “efficiency,” and “human resources” have been incorporated into the language of Cuban labour relations (Mercader Uguina 2006b: 1), and for the first time since the Revolution, Cuban workers are explicitly directed to work for monetary gain.

La multiespecialidad econó mica 

The fourth, and perhaps most important, aspect of Pérez García's story is the fact that ‘Tomás’ is faced with a variety of work options involving different employers and economic activities. These “multiple economic spaces” represents a fundamental shift in the Cuban political and economic model from a more homogeneous labour market dominated by a state monopoly of employment, to a more heterogeneous marketplace characterized by choice and inequality. The very fact of differentiation—the notion that workers carrying out the same kind of activity but for different employers may receive vastly different remuneration—is anathema to the ideal of egalitarianism at the centre of Cuban socialism.

An important result of la multiespecialidad económica and the breakdown of the state monopoly of employment is that Cubans are increasingly forging economic and contractual relationships on their own, without the intermediary of the state. As one cuentapropista commented:

Before, the state provided you with the necessities of life. Now, the trabajador por cuenta propia can acquire things, and we control ourselves. The state doesn't interest us, because it doesn't do anything for us. We even have to pay to do our work. What it does do is sell us things at a high price, and at the same time imposes more taxes and sends more inspectors. [The government] realizes that they are losing control of trabajo por cuenta propia, although we don't have any kind of capitalist mentality....And so it seems to me that that's what the government fears, not that we have a capitalist mentality, but that we don't depend on the state for anything, nothing more than to pay our $163 each month. (Personal communication, Malecón Market, August 1999)
Whether it is by seeking out a job in the private sector, renting DVDs from a private individual, or hiring a neighbour to teach English to a school-aged child, Cubans are forming commercial relationships which cut the state out of the picture. This is, of course, precisely the situation the state wishes to avoid, since it loses control over both productive activity and the revenue it generates.

**Conclusion: Implications for Individuals and State**

The growth of multiple economic spaces and the increasing heterogeneity of the labour market is having a transformative impact on the way Cubans are thinking about work, the workplace and their relationship with the state. Rather than regarding themselves as simply members of the collectivity, workers in the new labour paradigm must assess a variety of state, informal, private and illegal work options, develop strategies for economic survival—often involving more than one work option—deal with new forms of property, and make independent decisions unnecessary under the socialist system. This new level of individual autonomy, risk-taking, and decision-making has implications far beyond the workplace, extending to other realms of social and family life. As Pérez García observes, “the impact [of the measures] has not been limited to a specific sector, but has embraced all ambits of social life (family, labour, recreation) and all levels of daily life (individual, group, and social) in a very short period” (Pérez García: 136).

Scholars have noted how particular sites of governance, such as the school, welfare office, or workplace, are integral to the exercise of governmental power (Rose: 31). Worksites, in particular, are a powerful mechanism for the exercise of power and the construction of subjectivity. By structuring workers' time, activities, aspirations, economic remuneration, and social interactions, worksites play a formative role in conditioning the interests and desires of workers to align with those of the employer and the state (Rose: 157). As Cuban sociologists José Luis Martín Romero and Armando Capote González observe, the bond between individual and workplace:

> generates a set of relations which are incorporated, as part of the individual's experiences, into the existence of the person and, as such, into his or her subjective internal world...Through this bond, people con-
struct a form of existence which converts employment into a social condition necessary for self-realization... (Capote González & Martin Romero: 41).

Self-evidently, the introduction of new forms of property, economic activity and employment has important implications for this process.

In Marxist regimes, the link between work, governmental power and the construction of citizenship is particularly clear because of the state's monopoly over employment and its ideological position as the voice of the workers. The legitimacy of the state depends, at least rhetorically, on its identification with workers' interests; reciprocally in a “workers’ state” workers are presumed to be in accord with state policies encouraging productivity and efficiency. The state, moreover, has direct control over worksites to ensure the implementation of these policies. The omnipresence of the state as employer in socialist states thus reinforces the importance of worksites as a “governable space” (Rose: 31) for the dissemination of state power and the construction of identity.

The central role of work in the construction of identity thus makes the conception of labour, both that held by the individual and held by the state, a particularly important factor in periods of economic and political upheaval. With the diversification of employment and forms of property, the individual no longer exists purely as a member of the collectivity but must begin to explore new spheres of individual decision-making and self-reliance. The rise of market relations, in particular, requires workers in the new labour paradigm to make independent decisions unnecessary under the socialist system, requiring a greater degree of self-reliance and autonomy. As worker subjectivities are reconstructed to encompass a growing range of individual choices and opportunities, new ideas evolve about who is a productive member of society and how citizen-state relationships should be mediated. This in turn has an impact on how new models of governance are envisioned and within what parameters. Work—both in official discourse and in day-to-day practice—thus becomes a battleground for the development of new governmental powers.

Cuba’s state sector has not collapsed, and many workers continue to devote a large portion of their time and effort to their formal work and state-sponsored volunteerism. Yet as the state loses its monopoly over
ownership of property, human capital, and labour relations, the systems of power that have defined Cuban socialism for over forty years are increasingly in flux. As the first article of the Cuban constitution states, “Cuba is a country composed of workers, peasants, and other manual and intellectual laborers,” but as these workers’ ideas change about what constitutes productive work, how work should be remunerated, and who should control the processes of production, Cuba’s social and political model will be fundamentally altered.
Conclusion: Implications for Individuals and State

Bibliography


