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Cuba's changing economy workforce and challenges to trade unions

The Cuban trade union federation, the Central de Trabajadores de Cuba (CTC) reported to its 2014 Congress that, 'The economic, political and social context that Cuba is living through imposes new challenges to the organisation, these are times of important changes, demands, commitments and convictions'

In this contribution I will note some fundamental facts about Cuban union; summarise the changes in the economic reforms that most impact on unions and workers; and suggest some of the key challenges therefore faced by the unions.

Unions in Cuba

The CTC was formed in 1939, creating for the first time a unified central federation. Cuba's unions are industrial or sectoral. They enjoy legal independence. The only legal constraint on unions is the requirement that their constitutions and rules are approved democratically by their members. Unions are funded from members' subscriptions, which are collected by union reps, not by employer check-off. Membership is voluntary, and more than 90% of eligible workers are members.

As Cuba's principal civil society organisations, unions exercise power and influence at many levels. They have a constitutional right to propose laws and are routinely engaged as partners in discussions with the government on policy legislative proposals affecting workers. When it comes to employment law, unions have a virtual veto over policy and legal change. The CTC also organises the mass consultations that Cuba carries out on major policy proposals, such as the Party Guidelines that form the economic reform programme, and the new national Labour Code that sets out basic worker and union rights. These consultations involve millions of Cubans in more than 80,000 public and workplace meetings that produce extensive amendments and additions. The CTC runs a national network of schools training union representatives at all levels in labour law, negotiating, health and safety etc.

In workplaces, unions enjoy union recognition, the right to a seat on company boards, facility time and offices for representatives. Union agreement is required by law: to the pattern of the working day, any overtime or rest day working, to any lay-offs. Unions (and individual workers) can stop any work considered unsafe, by law. Unions negotiate the Collective Bargaining Agreement that is a legally required and binding agreement that must be approved by the workers assembly (by a simple

majority on a 70% turnout). Unions sit on the legally established workplace grievance and disciplinary panels that are dominated numerically by elected workers.

Unions in Cuba acknowledge their dual role of advancing Cuba's socialist development in the interests of the working class in general, and of defending workers interests at work and in society under a Constitution that defines Cuba as 'socialist state of workers'. This of course can produce tensions. For example, the CTC reported to its 2014 Congress, about the the workforce restructuring programme, 'that we supported and in which we ensured the processes and conditions so that these processes did not generate conflicts or incidents of a political character ... Nevertheless, the application of these decisions, without doubt, have come at a political cost to our organisation.'

Main features of 'updating the model' – the economic reforms – affecting workforces and unions

The principal aspects of the economic changes affecting unions and workers are the following:

Salary systems

In his first major speech as interim President, in 2007, Raúl Castro acknowledged that salaries in Cuba were not enough to live a decent life on. Cuban economists calculate that in 2008 salaries had only 28% of their purchasing power in 1989. The concept of the 'real salary', ie the inflation-adjusted purchasing power of the salary, has become a commonplace term in everyday political economy. Restoring decent salaries in a 'prosperous and sustainable socialism' is a central objective of the economic reforms but across the board increases on the national salary scale cannot yet be afforded. Some sectors may get general increases, and health workers had their salaries doubled, even tripled, recently. Otherwise, increases above the basic scales are to come either from individual payment-by-results or from profit-related company bonuses. This is also intended to restore the 'socialist principle of distribution' that incomes reflect the 'quantity and quality' of work. Payment-by-results schemes and company bonuses are now to be negotiated and set at the local level, not by ministries.

Workforce restructuring from 2010

In 2010 the government, with the CTC's support, announced a programme of mass restructuring of the labour force, to deal with the fact that hundreds of thousands of state jobs were very unproductive and mainly kept going to protect the constitutional right to work. The original objective was to redeploy half a million workers (10% of the workforce) during the first

quarter of 2011, with an eventual aim of redeploying a million. Procedures were agreed with unions to require worker assembly approval of new payroll size, and for an elected worker-dominated committee to recommend which workers, based on objective criteria, should remain in the reduced workforces.

Redeployment was to be into a few understaffed state sectors (farming, police) but most was to be into hundreds of newly legalised categories of self-employment. This process was rushed and the procedures often ignored, and unions had to confront the government, which extended the process from 3 months to five years, and instructed the re-running of redeployment processes that had failed to follow agreed procedures. By 2015 half a million Cuban non-agricultural workers were self-employed. The government expects that this sector will account for 40% of Cuba's GDP in time.

New Guidelines on economic policy 2011

In 2011 the Party Congress adopted the (much amended) Guidelines that form the economic reform package. A central feature is the decentralisation of managerial authority to state enterprises. In a more market-orientated system, local enterprises are subject to stricter profitability criteria, with investment coming out of retained profits, and with the threat of bankruptcy for failing enterprises. Payment-by-results systems are negotiated locally, and annual bonuses available depending on profitability.

Non-agricultural cooperatives 2012

New legislation in 2012 enacted the possibility of forming non-agricultural cooperatives as the favoured, and socialist, form of non-state economic management. Co-ops could be formed, if agreed by the workers, either by groups of workers proposing a new co-op, or by the transformation of existing small-state enterprises in services or small manufacturing into co-ops. To date between 15,000 and 20,000 workers have become members of about 400 such co-ops. These co-ops enjoy tax and bank loan privileges.

New Foreign Investment Law 2014

In 2014 a new Foreign Investment Law was passed. This was a major policy shift to give more generous tax and profit-repatriation provisions to foreign investors in mixed private-state enterprises in strategic sectors. The policy shifts the emphasis from short-term income from foreign investment to long-term development in key sectors and in technological progress and expertise in the island, with an increase of Cuban workers in the sector, and even the use of migrant labour if needed (eg to complete building projects

from which insufficient Cuban labour is available, given that half of Cuba's building workers are said to have gone into self-employment).

The result of this set of changes is to rapidly increase existing processes of decentralisation and diversification in the world of work in Cuba. These pose some significant new challenges to the unions.

Some challenges

Salaries

As noted above, the restoration of decent salaries in a 'prosperous and sustainable socialism' and the associated recovery of the 'socialist principle of distribution' are principal objectives of the economic reforms. This general challenge will be of the greatest importance for the future legitimacy of the Cuban state. Removing Cuba's dual currency system and its varied exchange rates will not make any difference in this respect. With little prospect of major increases in the basic national scales, the main instruments being used to raise earned incomes in the state sector are performance-related pay and profit-related enterprise bonuses. The design and negotiation of both performance-related pay systems and enterprise-level annual bonuses is decentralised by the reforms and associated legislation.

This diversification, together with the varied national minimum salaries in state/cooperative and mixed economy sectors (and the absence of a minimum income guarantee for the self-employed who are not 'contracted workers') is a potentially extensive challenge to the constitutional principles of equal pay for equal work and to the 'socialist principle of distribution'. Many factors independent of the individual worker's contribution can be seen as potentially, indeed probably, determining income from performance-related pay and enterprise profit-related bonuses: the skill of local union negotiators responsible for the collective bargaining agreements that include performance-related pay systems; the competence of management; the profitability of enterprises that will reflect many factors unrelated to individual effort. As the CTC 2014 Congress Report noted, 'Inequality between some sectors and on occasions within the same sector can be observed'.

A further challenge arises from the rapid expansion for the private sector of self-employed and micro-enterprise workers. The reforms have an ideological aspect here, with a concerted effort by state and unions to defend such workers not, as often previously portrayed, as a petty bourgeois fifth column, but as workers providing valuable services and goods to Cuban society, some of whom may indeed be, or become, employers. The unions have accepted the challenge, as a former CTC General Secretary put it, to

keep these workers 'in the side of the revolution'. The figures of union density among such workers have varied but the CTC recently reported an overall 46%, well down from claims of over 80% earlier in the period since the 2010 reforms. On the other hand, while there is no move to create a separate union in this sector and the self-employed are recruited into the appropriate industrial or sectoral union, there are over 1000 union branches within those unions with exclusively self-employed membership. This challenge is heightened by the explicit US intention, included in Obama's 17th December speech, to promote 'independent' trade unions in Cuba. The private sector is the obvious target for such US strategies to corrode the cohesion of Cuban civil society and create instruments of 'regime change'. This challenge was behind union responses to the Labour Code draft that resulted in a new condition on the previously unimpeded right to create a union. The 2014 Labour Code includes the condition that new unions arise 'in conformity with the founding unitary principles', which suggests a mechanism for the CTC or the state to oppose breakaway unions.

Whether as workers or employers, the self-employed are subject to the constitutional 'socialist principle of distribution' that incomes reflect the 'quantity and quality' of their work. Apart from the absence of any methods or mechanisms for measuring such dimensions of their work, a key challenge is the efficiency of tax collection. Raúl Castro has spoken of such taxation becoming the principal instrument of redistribution in Cuba. But the CTC recently reported that 69% of the self-employed were underestimating their tax liabilities. 'Tax evasion' is another term in popular political economy that has entered Cuba discourse in the reform period. No surprise there but if the diversification of work, payment, and taxation is not to undermine the constitution of Cuba's 'socialist state of workers', the unions, among others, have a lot of unfamiliar work to do.

Exploitation of man by man

The Cuban constitution prohibits the 'exploitation of man by man', in other words, in socialist terms, it prohibits the accumulation of capital through exploitation of waged labour. Such capitalist exploitation is a result, by definition for Marxists, of the private employment of labour. While such forms of work have existed before in revolutionary Cuba on a very small scale, there has major expansion since the 2010 restructuring of the workforce introduced the 'contracted worker' category of self-employment. This category of self-employment is reported to be the second largest (after catering services) and reportedly involves some 150,000 workers.

Cuban unions and labour lawyers have provided a number of protections for such workers. Their minimum rights in terms of salary, hours, holiday entitlement and health and safety at work, for example, are enshrined in the new Labour Code. The CTC's consultation on the Labour Code draft

produced an amendment requiring that such workers be given written contracts. As workers, the Code also gives them the right to collective bargaining agreements and worker participation. The pursuit of these rights is a challenge to the unions, which have identified private workforces with as many as 200 workers. So far, there are no private sector collective bargaining agreements, although the CTC is apparently getting some advice in this area from union allies abroad.

In the co-op sector, protection has been incorporated in the new legislation. Workers employed by profit-sharing co-ops are required to be offered membership of the co-op after three months work, or released (the National Assembly has since heard of an intention to extend this period to 12 months, and it is not difficult to imagine that such workers themselves may have expressed support for the longer period of job security). No more than 10% of the working time of a co-op can legally be performed by 'contracted workers'. Cuba's concept of the non-agricultural co-ops is that they are working co-ops, not co-ops employing others to produce their products and profits.

In the Foreign Investment sector, unions have successfully insisted, as in the past, that Cuban workers remain employees of Cuban employment agencies, not of foreign capitalists, and are protected like all other Cuban workers, by the Labour Code. The new foreign investment legislation also specifies, as noted, a higher minimum salary rate for workers in this sector and a policy of referring in salary negotiations to average salaries elsewhere in the region (presumably Central America, Mexico and the Caribbean). All the same private capitalists will be profiting from Cuban workers' labour in Cuba, so the issue of 'exploitation of man by man' is present here too.

The simple way to resolve this contradiction, as some have proposed, is to reform the constitution. But is the removal of the prohibition on capitalist exploitation of labour consistent with a 'socialist state of workers'?

Right to work

The Cuban constitution guarantees 'the right and duty to work'. That is why so many Cubans retained their jobs through the Special Period when there was often little or no work to do given the shortages of energy supplies and raw materials. However, the labour restructuring has changed the context of this guarantee, by ending decades in which the state itself provided jobs for all, or almost all. On current projections, it is expected that around a third of Cubans will be finding work outside of the state sector. And the employment benefit system has also been reformed, so that earnings-related unemployment benefit, previously regarded as virtually indefinite given the state's role in finding people work, is now limited to a period of between 1 and 6 months. In other words, there is now a much greater responsibility on

workers themselves to find work, in an economy in which enterprises are expected to review their staff payrolls on an ongoing basis, such that redundancy becomes a more common experience (albeit that the belt-and-braces protective role of unions remains a legal component of the procedures).

Conclusion

Unions and workers remain major and active participants in the management of the Cuban economy at all levels, but they now do so in a world of labour that exhibits more of the challenges associated with market forces, notably job security, diversified and market-influenced salary systems, taxation systems for the self-employed, and a rapidly-expanding sector of private employment and self-employment. Cuba's unions are well aware of these challenges and have conducted nationwide training programmes on, for example, collective bargaining, have initiated new legal services to workers with grievances in the labour restructuring process, regular educational material in the unions' national paper *Trabajadores*, including a new monthly supplement dealing systematically with issues like performance-related pay, and written contract rights.

Arguably, the balance of the unions' dual role will shift, paradoxically, away from mobilising behind the government, to a more aggressive pursuit of workers particular interests, if they, unions and workers, are to play the key role now confronting them in sustaining the political legitimacy of the Revolution, as economic diversification and the shift in US 'regime change' strategy create new inequalities within the formal state and non-state economies.

Cuban unions need international solidarity as much as ever, and of course they need solidarity in particular to end the crippling US blockade with all of its dreadful impacts on their economy and their human rights.