

Non-state enterprises in Cuba current situation and prospects

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Defining Non-state Enterprise (NSE)

NSE = enterprise that is not *managed* by State representatives

not *directly* controlled by the State

private (simple or not) + production/workers' cooperative

Trabajadores por Cuenta Propia (TCP) and private farmers + agricultural and new non-agricultural cooperatives

* Foreign enterprises and joint-ventures not considered in this work.

Current situation of NSE in Cuba

- **precedents (up to 2010)**

- +147,000 self-employed & private businesses (TCP=“trabajadores por cuenta propia”)
- +362,000 private farmers; 30-40,000 of them not associated in coops
- +3,000 production cooperatives, with 217,000 members
- +300 mixed (75%) and foreign enterprises

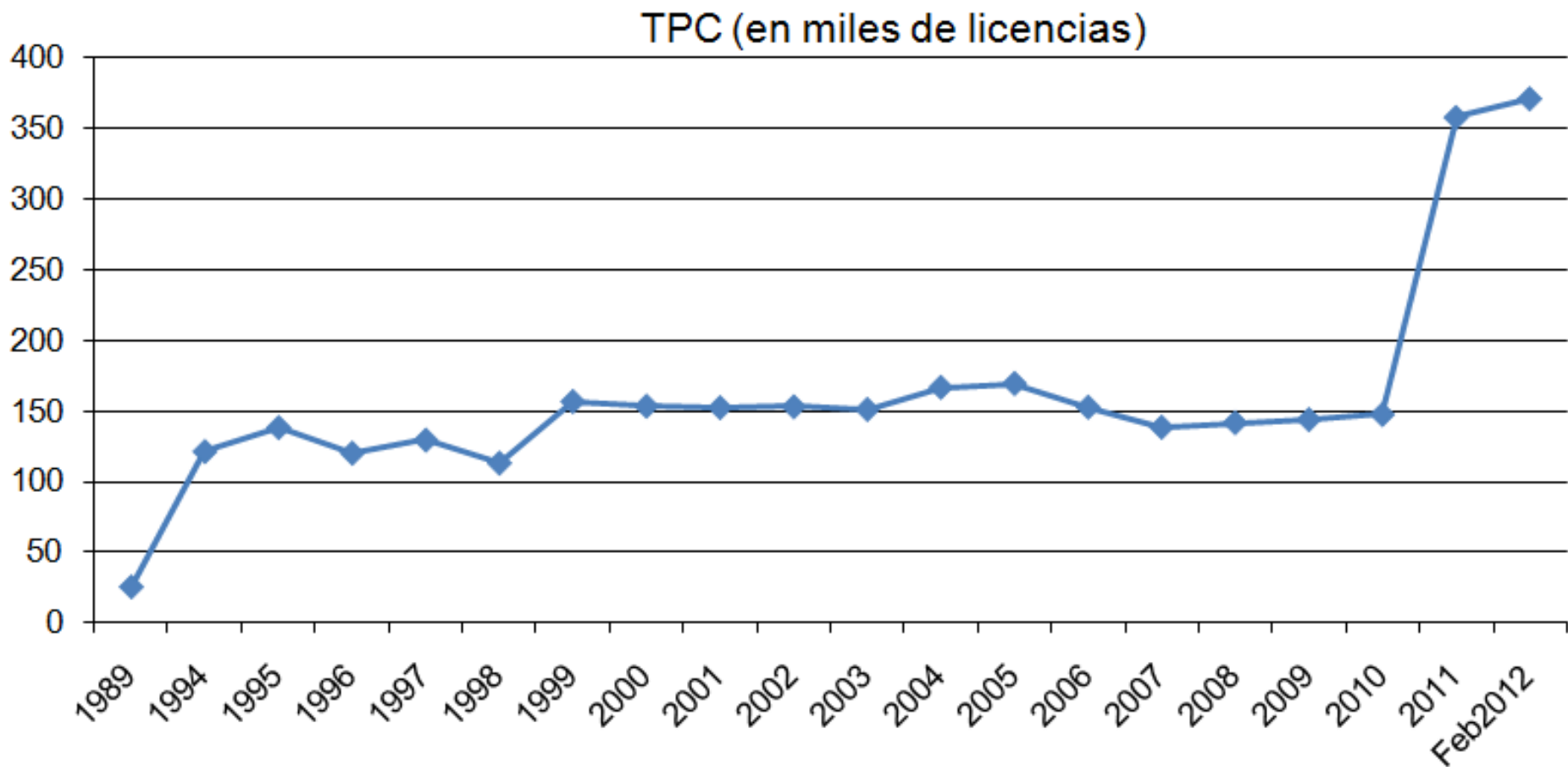
- **recent changes and experiments**

- new licenses for TCP (371,200 in Feb. 2012)
- hiring of labor : S&ME (first 5 employees with no payroll tax)
- leasing to individuals (taxis and barbershops)
- mini-industries by agricultural cooperatives

- **proposals expected to be implemented**

- leasing of cafeterias, restaurants, clubs, hostels and community services (to individuals or groups?)
- non-agricultural cooperatives

Trabajadores por cuenta propia (1989 - feb. 2012)

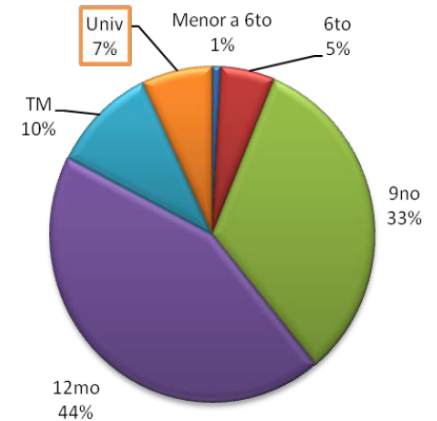


Fuente: ONE

Snapshot of TCP (August 2011)

characteristics

- 67% unemployed
- 17% retired or state employee
- 0.3% students
- 44% 9th-12th grade edu, 10%TM, 33% up to 9th and 7% university
- 24% women



most common activities or occupations

- 20% cafeterias, restaurants, food vendors
- 17% contract/hired laborer (50% for the later)
- 10% transport
- 4% producer and vendor of house supplies
- 4% B&Bs 3% street vendors....

provinces with the most TCP

La Habana (+1/2), Matanzas, Las Villas, Camaguey y Santiago - 77%

Snapshot of TCP(August 2011) (cont.)

- **new regulatory framework**

- 181 types of activities (11 more than 2010, although very limited)
- can exercise more than one activity and in any municipality
- not necessary to be a retired or state employee
- no limits to hiring of labor (payroll tax $0 \leq 5$, x2 after 10, x3 after 15)
- social security benefits, and must contribute (if not already doing so)
- can rent commercial space from individuals or the State
- can contract with the State (to be implemented)
- can receive bank credits (to be implemented)
- taxes:
 - Sales Tax of 10 %, paid monthly
 - Payroll taxes, 25 % of estimated total wages for hired workers (the same that state enterprises pay), progressive depending on the number of workers hired
 - Personal Income Tax, paid annually

Current situation of coops in Cuba

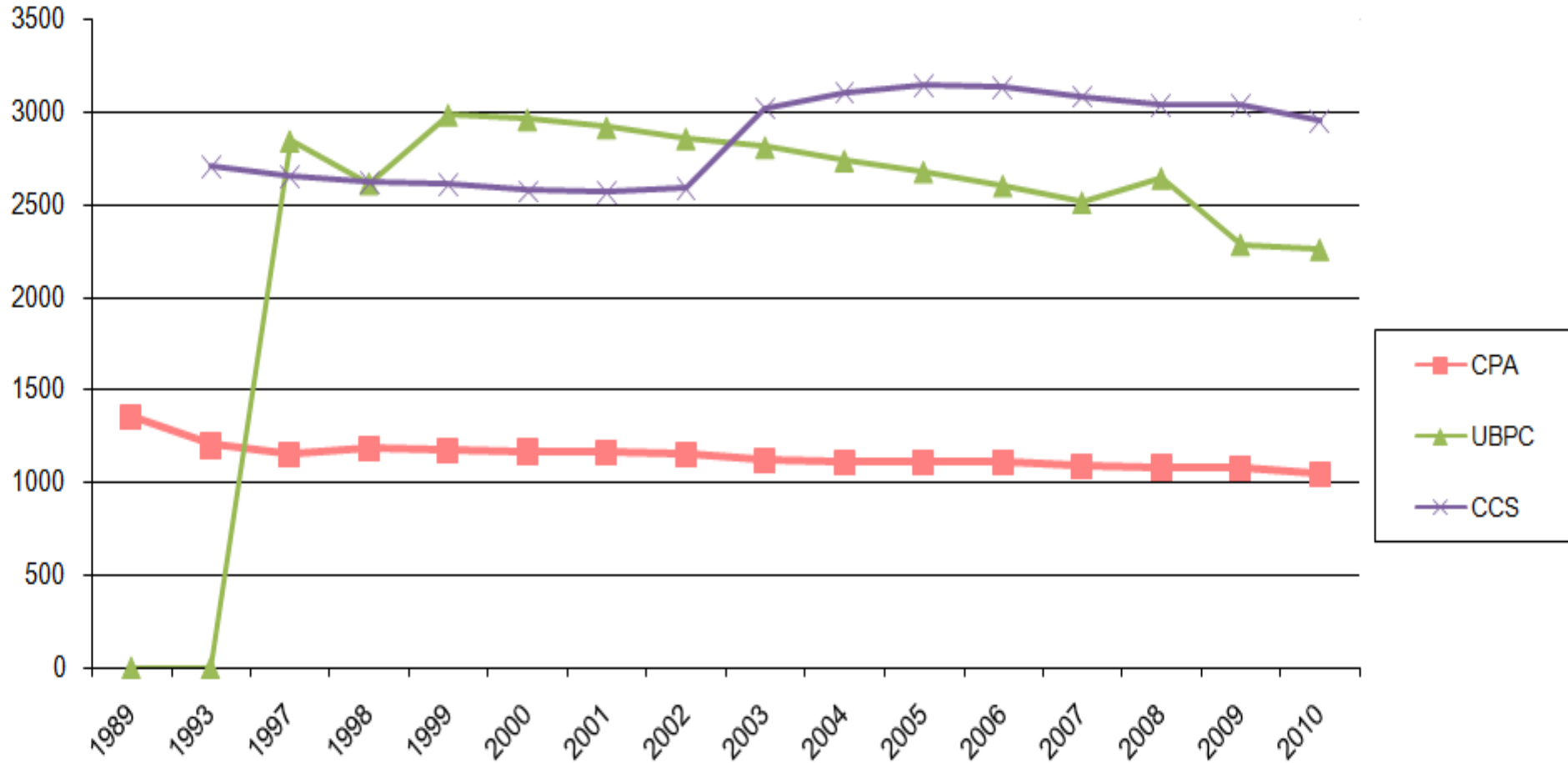
Overlook at the end of 2010

	coops	members	% of total employment	% of total agricultural land
CCS	2.949	362.440	7,15	35,3
CPA	1.048	30.000	0,59	8,8
UBPC	2.256	187.000	3,69	30,9
Total	6.253	579.440	11,44	74,0

Source: Oficina Nacional de Estadísticas (ONE)

- ✓ They produce an estimate of 77% of total agricultural production; 60% just by CCS and non-associated private farmers. However, 65% of what it is sold in markets comes from state farms.

Agricultural cooperatives (1989-2010)



*CPA + UBPC + CCS (private farmers) control 78% of agricultural land, and produce 90% of agricultural output.

Prospects for coops in Cuba

Presence in current changes

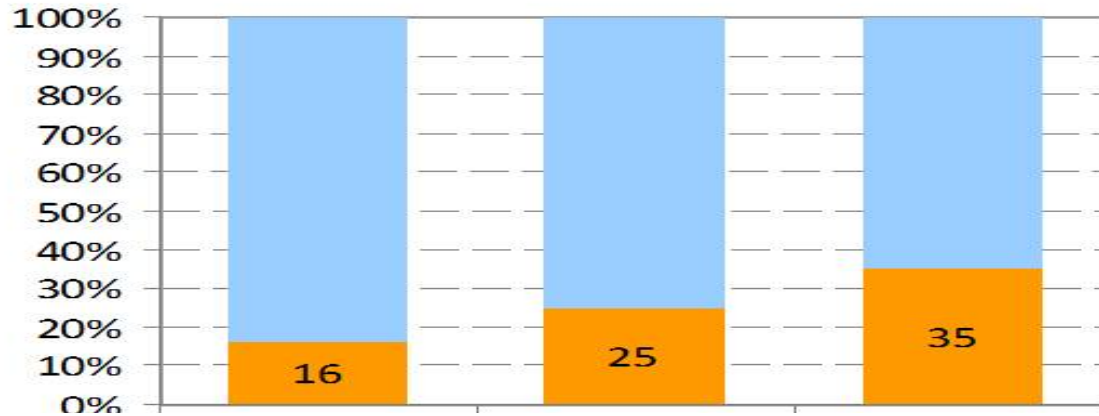
- Murillo(MEP) and Pedraza(MFP) 2010: coops are more “socializadas” than TPC, and thus will receive preferential treatment
- Murillo March 1, 2011: some state enterprise units in light industry and services would be more effective as coops
- PCC Guidelines mention coops 15 times, and devote 5 guidelines to them (25-29): coops not restricted to agriculture; 2nd degree coops
- Murillo 23/12/2011: UBPC have too many restrictions; all types of enterprises in agriculture will be granted the same rights
- Murillo 31/3/2012: a policy for the experimental creation of non-agricultural coops was approved by the Council of Ministries.
- experiments with production coops (food ... professional services, construction materials, housing, light industry) will start soon (July)
- a General Law of Cooperatives will be elaborated based on these experiments

Prospects for coops in Cuba

Expected roles

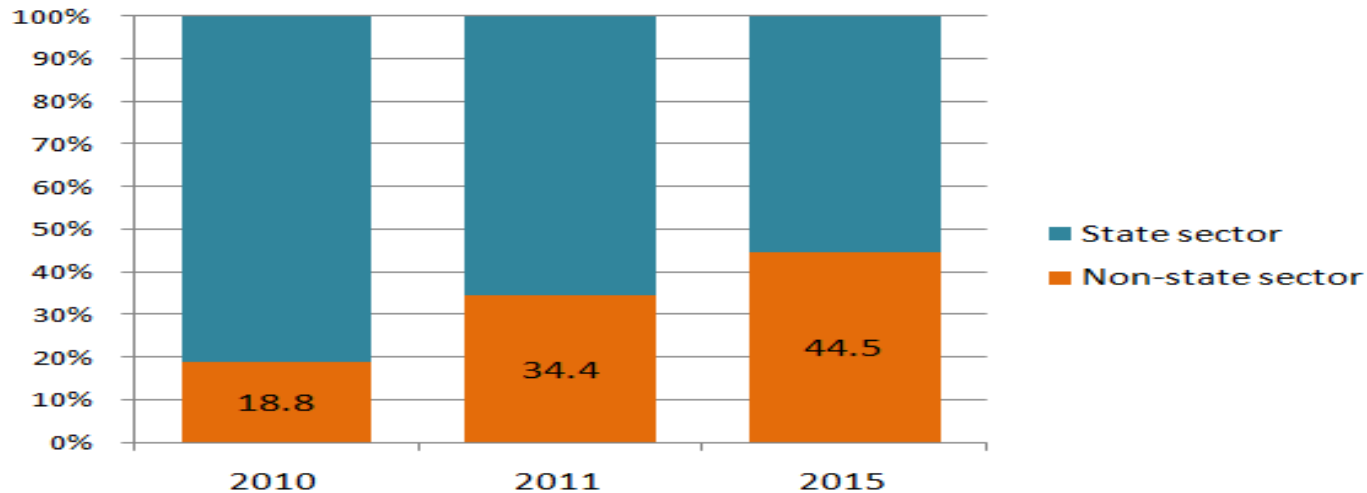
- **traditional cooperatives** (full autonomy)
 - production coops (services, industrial, agricultural = new gen CPA, ...)
 - cuentapropistas' consumption coops
 - consumers' consumption coops (housing, food, savings)
- **promoted by local govts.** (autonomy limited by type of leasing or contract)
 - production coops that provide transportation, communal services ...
 - consumption coops that manage community stores/markets
- **production coops promoted by state enterprises** (idem.)
 - service units that support enterprises' main activities (maintenance, safety)
 - production units that are key to enterprises but more effective as coop
- **2nd degree production coops** (autonomy ... state control or social coord.?)
 - created by traditional coops
 - created from non-strategic state enterprises subdivided into coops

Expected development of NSE (2011-2015) employment and PIB (%)



Estimate with 1,8 million workers more in the non-state sector (MFP) and 5% increase in labor force due to new Social Security Law by 2015.

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Estimate given by Ministry of Economic and Planning, Alfredo Jam, February 2011

Thanks

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