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**Cuba's Employment Conundrum: Pushing the Limits of Debate:  
January to July 1995**

By Gillian Gunn Clissold

By early 1995, Cuba's employment reform effort had reached a crossroads (see Part One of this series, "Cuba's Employment Conundrum-Cautious Reform: 1991 through 1994" by Gillian Gunn Clissold, Cuba Briefing Paper Series no. 11, September 1996). The state had already implemented those changes which could relatively easily be rendered compatible with socialism. Only the hard choices remained. Each possible course of action threatened at least one of the three crucial elements in the Castro regime's survival strategy: economic efficiency, social equity, and political control.

The policy options under consideration, described in more detail at the end of Part One of this series, ranged from efficiency-maximizing layoffs to control-preserving maintenance of the status quo, with a variety of compromise solutions in between. In the winter and early spring of 1995 it appeared that the Cuban government was finally going to increase the priority accorded to efficiency. Significant layoffs in state enterprises and authorization of new forms of private-sector employment appeared imminent.

By July 1995, however, the government had abruptly retreated to the status quo, thereby disappointing many reformists within its own ranks. Given the policymakers' unwillingness to contemplate a drastic reduction (as opposed to a mere reshaping) of the power of the state, the decision to step back from reform was not surprising, because each reform option would have reduced central control in some manner. This issue of the Cuba Briefing Paper Series chronicles the debates and developments in the first half of 1995 that culminated in the choice to stand pat for the time being.

**Reform Spring?**

The publications of the Centro de Investigaciones de la Economía Mundial (Center for Research on the World Economy [CIEM]) are considered a rough barometer of official thinking (two former CIEM directors have been recruited for high government posts). Thus, several articles in the January-February 1995 issue of CIEM's *Economía Cubana* were particularly noteworthy. A piece by Alfonso Casanova and Juan Triana, then respectively director and subdirector of the Centro de Estudios de la Economía Cubana (Center for the Study of the Cuban Economy [CEEC]), recommended the "resizing of the state sector, diversifying its organizational and property forms, . . . rationalization [i.e., downsizing] of the excess labor force," and "the encouragement of small and medium size enterprises combining different alternatives and types of property." The latter phrase is often used by Cuban economists as a euphemistic reference to private and cooperative property relations. This cautious suggestion obviously did Casanova's career no harm, because he was appointed to a vice ministerial post shortly after the article's appearance.

In the same issue of *Economía Cubana*, Angela Ferriol, a researcher at the Instituto Nacional de Investigaciones Económicas (Institute for Economic Research [INIE]), wrote that employment was Cuba's "most complex" short-term problem and that restoring work productivity to its 1988 level would require considering as many as eight hundred thousand people "overemployed." Half this number, she added, were located in industry.

These careful remarks were followed by a surprising 1 March 1995 speech by President Fidel Castro at the Fourth Congress of the Federation of Cuban Women. He spoke of introducing "more elements of private property, capitalism, and market forces" and said that reduction of inflated workforces in state industries was "inevitable," self employment would have to expand, and "we must analyze the development of small and medium-size enterprises and the role of the state."

After this apparent blessing by Castro, reformist Cuban economists dropped much of their previous caution. At an internal government meeting held in mid-March 1995, a high-ranking official put forth the following concerns and proposals (paraphrased and reorganized for ease of reading):

The majority of industries were only operating at 20 to 25 percent of capacity. Many industries were unnecessarily large in relation to their potential domestic and export markets.

In order to revive industry, Cuba needed to attract more foreign capital, even if this meant that the state would lose absolute control over the foreigners' economic activities.

Cooperatives and private businesses should be authorized for the small-enterprise, service, and retail sales sectors. The state should focus on production that is strategic for the development of the country.'

Labor force reductions would make it necessary for many people to look for new jobs. Therefore, not only should a wider range of self-employment activities be authorized, but the free contracting of labor should be facilitated without bureaucratic obstacles (i.e., without going through the "employment enterprise" structure described in Part One of this series).

In order to return the country to its 1989 productivity level, the state would need to employ about one million fewer workers.

A typical Cuban medical doctor was worse off in economic terms than a luggage handler at a hotel. If measures were not taken to correct the inverted salary pyramid, trained people would continue to leave their specialties to work in higher-paying jobs. In 1994, fifteen thousand professors had abandoned the educational sector.

Prices in the agricultural markets had not declined sufficiently. Suppliers were primarily from the private sector rather than the state sector. Because private peasants could maintain high incomes while only partially utilizing the land they farm, production was not rising fast enough. There should be a complete liberation of production and sales in the agricultural sector, with prices for all products set through supply and demand. The ration card should be eliminated for all agricultural products, including rice.

Government officials also began to discuss *cooperativización*, a Cuban term for privatization of the usufruct of property. Essentially this idea involved applying the principles underpinning the new agricultural cooperatives (known as UBPCs) to other parts of the economy, with the gastronomy sector deemed the most likely first candidate for experimentation. (See Part One of this series for a detailed description of the UBPCs.) Rumors leaking out of government discussions led some academics to anticipate the lifting of all restrictions on self-employment except those specific to teachers and medical doctors, as well as the authorization of some form of small private enterprises.

These proposals discussed behind closed doors were supported by an outpouring of prose in the academic world. The March 1995 issue of INIE's journal, *Cuba: Investigación Económica*, featured two startling articles on employment. In a piece entitled "Elementos Para una Reorganización del Sistema Empresarial Cubano," Luis Marcelo, Rogelio Torras, and Adriano Garcia wrote that as of 1990 the cost per peso of production was 16 percent lower and productivity 24 percent higher in Cuba's small enterprises than in their large counterparts; they concluded that "in general, the bigger the size, the less the efficiency. . . ." They also stated that 40 percent of Cuban workers are in enterprises with more than one thousand employees, whereas only 18 percent of workers in "selected developed countries" are employed in such large firms. In addition to recommending that large state firms be broken up into small ones, the authors made a veiled appeal for authorization of private enterprise, commenting that "until now, private Cuban mercantile societies have not been authorized in the strict sense, but the law does not expressly prohibit them." They went on to say that the state should be "liberated" from the responsibility "for an infinity of small activities" that should be turned over to cooperatives and a wider self-employment sector.

The other noteworthy article in this issue of *Cuba: Investigación Económica* was contributed by the previously cited Angela Ferriol. Increasing her estimate of "underemployment" to one million, Ferriol observed that "self-employment activity has not achieved the required level, in light of the fact that the state cannot maintain the rhythm of creation of new jobs in accord with the growth of the economically active population." For self-employment to become a viable job alternative, she argued, Cuban authorities would have to create a mechanism to provide a regular flow of lawful resources (inputs) for such entrepreneurs. She lamented the relatively low number of workers employed by UBPCs, but remarked that if they had an "adequate incentive" to increase production, these cooperatives could be an important job source.

In evaluating the significance of the above-mentioned articles, it should be kept in mind that INIE formerly reported directly to the Central Planning Board and now is more loosely affiliated with the Ministry of the Economy and Planning.

In July 1995, CEEC and CIEM hosted a two-day international seminar on "The Role of the Small Enterprise in Economic and Social Development" that featured scholars from Mexico and Chile. Among the participants was Osvaldo Martínez, president of the Economic Commission of Cuba's legislature, the National Assembly of People's Power. His presence reflected the degree of acceptance that reformist academics were finding among the authorities.

In the summer of 1995, the National Assembly considered a number of reports that it had previously commissioned. At least one advocated the creation of small and medium-size enterprises not necessarily controlled by the state; these enterprises would be authorized to "associate" with foreign capital. An article by Dr. Gerardo Trueba (an adjunct economic adviser at the Centro de Estudios Europeos (Center for European Studies [CEE]) in the September-October 1995 issue of CIEM's *Economía Cubana* is said to summarize many of the recommendations that had been made to the National Assembly in meetings closed to the public. The piece argued that "the self-employed worker is an isolated producer. . . . he does not achieve a sufficient level of accumulation (as long as he is not stealing from the state) and his productivity statistics are very low." The article then suggested that self-employed workers could resolve many of these problems by passing to a "more developed form, such as small and medium-size enterprises." The employment question was also addressed during the preparation of a new law on foreign investment in the summer of 1995. According to sources close to the discussions, some officials favored permitting foreign investors to contract workers directly without going through the state employment mechanism, and indeed at one point the draft law's language reportedly permitted this.

Over the summer a new "Law on the Cuban Enterprise" was formulated, which included the provision that chronically unprofitable state industries could be declared bankrupt. Some Cuban academics consulted by the authorities proposed that the law also authorize establishment of small and medium-size private firms. These scholars argued that introduction of the principle of bankruptcy inherently required legalization of private enterprise as an alternative source of employment.

### Rising Conservative Concerns

Despite the intellectual ferment of early 1995, however, political winds had already begun to blow the reformist initiative off course. The reform proposals all concentrated on a single element of the Cuban recovery strategy: economic efficiency. Behind the scenes, anxiety was rising among the leadership that these measures would erode the other two elements (political control and social equity):

1. The conservative element was concerned that reduction of state enterprise work rosters would inherently require legalization of some form of private enterprise. Otherwise, unemployed workers would have too few alternative sources of employment, and social unrest would ensue. But opening the door to private enterprise would severely reduce the government's influence over its citizens, because staying in the state's good graces would become less critical to job retention. The proportion of jobs provided by the state had already declined from 95 percent in the 1980s to 80 percent in 1995, according to Cuban academics. Further reduction of that figure would entail additional erosion of state influence.

2. Reports by the Ministry of the Interior in the spring of 1995 warned of increasing corruption and insufficient control in enterprises operating in foreign currency. The conservative element of the Cuban Communist Party argued that this problem had occurred because reforms had proceeded too fast, and used the corruption reports to bolster its call for greater caution.

3. It was feared that permitting private enterprise would exacerbate Cuba's growing income disparities. By the summer of 1995, one Cuban economist estimated that the ratio of the real income of the richest sector of Cuban society to that of the poorest sector (taking into account black market earnings and official bonuses) had risen from 4 to 1 before the post-Soviet economic crisis to 25 to 1. As long as private companies were illegal, the government could disassociate itself from this phenomenon, claiming that it was the fault of lawbreakers rather than government policy. The conservative element believed that if widespread private endeavor were officially sanctioned, the Revolution's claim to defend egalitarianism would be brought into more significant doubt.

Contemplated employment reforms would threaten the vested interests of the conservative element. If the economy were to be partially privatized, many of the state's bureaucratic mechanisms would become less powerful, or perhaps cease to exist altogether. For those officials unable to adjust to Cuba's new semi-mixed economy, status, power, and eventually standards of living could all be imperiled. A classic case in point is the competitive challenge to the state restaurants posed by the paladares (private restaurants, discussed in more detail in Part One of this series). The paladares often provided tourists with better food and service than the state restaurants (at one-half to one-third of the state price) and consequently drained clientele away from the state. This is probably one of the reasons why the paladares were outlawed in December 1993. Similarly, the cheap and flexible private taxis were providing stiff competition for the state taxi enterprises, and this was probably a factor behind the regulation that private taxis could not solicit passengers in front of tourist hotels. In general, increased private activity could be expected to result in more competition for state enterprises. Not surprisingly, the typical Cuban state manager would rather eliminate his competition through regulation than compete in price and quality.

Layoff Jitters

An important contributor to the political dynamic in the spring of 1995 was a wave of reports that generated anxiety about massive pending layoffs. A 26 April broadcast of the state-controlled program "Radio Rebelde" warned that 20 percent of the economically active population would be unemployed by the end of the year due to workforce rationalization in state enterprises. The official Central de Trabajadores de Cuba (Central Trade Union Organization of Cuba [CTC]), in its 1 May llamamiento (call) for its Seventeenth Congress due to be held the following year, referred to "indispensable rationalization of the labor force"; at the same time, the CTC sought to reassure the population that layoffs would be accompanied by "the enforcement of the revolutionary principle that no worker will be left destitute."

A major article in the 9 June 1995 issue of the widely read magazine Bohemia reflected both the government's effort to prepare the population for layoffs and the extremely negative public reaction: "Polemical, thorny, vital, the theme of employment is climbing up the hit parade of Cuban economic and social conflicts. Obtaining and retaining a job in the 1990s is no longer a simple issue. . . ." The piece warned that one million workers needed to be relocated and quoted Ferriol's assertion that the past decision not to cut salaries or implement layoffs as productivity declined in the early 1990s had achieved social consensus, "but now has more negative than positive effects." The authors carefully explained how paying salaries to workers who do not produce simply decreases the value of the peso and hurts the real income of all workers. The article further stated that underemployed workers not only fail to produce enough to cover the cost of their salaries, but disrupt the work of others. "The famous inflated work rosters are the breeding ground for labor indiscipline," the Cuban management specialist Guillermo de la Cuesta remarked to the magazine's reporters. A crane operator at a thermoelectric plant was quoted as follows: "There are too few Indians and too many chiefs. . . too many leaders and administrative personnel earning a salary without productive result."

According to Bohemia, "The Cuban population does not appear to have any notion of the magnitude of the phenomenon." A poll conducted by the magazine found that only about a fifth of those surveyed believed there were too many employees at their workplace. The majority considered the workforce to be either just right or too small. Even more worrisome for the government, only 9 percent of those surveyed said that they would accept their own layoff as fair, while 20 percent had not thought about it, and almost 40 percent felt that it would be "unfair."

To illustrate the economic benefits of layoffs, the article cited an ironwork plant in Guanabacoa that had doubled its production while reducing its workforce to 750 workers from 1,150 in 1992. Also mentioned was the joint venture of the Cuban state cosmetics company Suchel with the Spanish company Camacho, which had reduced its workforce from 600 to 270 while doubling production and almost tripling productivity per worker. The article conceded that the required changes could be traumatic, especially when those affected were not directly responsible for the problem. "However," it concluded, "the process is inexorable, if the country wishes to raise its head." In an accompanying interview that reflected the regime's growing political unease, Conrado Valladares,

director of labor at the Ministry of Labor and Social Security, refused to comment on how many workers might have to be laid off, except to say that the ministry did not believe the claim that it would be five hundred thousand or more. He added, "We are not interested in this statistic, because the rationalization will not be abrupt, but gradual." Sources close to the ministry report that as of July 1995 its officials thought only one hundred thousand workers needed to be reassigned.

The need to manage the public reaction to layoffs was not the only challenge confronting decision makers attempting to restructure specific industries. There were also conflicting practical imperatives. For example, Cuba has a five-million-ton annual cement production capacity, divided among five separate plants. The cement industry has never produced more than three million tons and as of 1995 was producing only one million tons. Cuban academics estimate the country probably needs to produce two million tons. Officials repeatedly encountered obstacles, however, as they tried to decide which plants to close. One of the plants was a joint venture with Mexico and therefore could not be touched. Another was critical because it supplied Havana. The plant in Cienfuegos had the best technology. Yet another was Cuba's only producer of special "white" cement. The fifth plant, near Moa, had the best port and few employment alternatives, leading planners to fear that redundant workers would migrate to the already overcrowded capital.

Similar practical tangles were encountered in other industries. Consequently, decisions about closings were postponed, even though a 1994 study indicated that only 20 percent of industrial capacity was utilized (with the figure for light industry reaching only 10 percent).

#### The Labor Ministry/CTC Perspective

Meanwhile, the Ministry of Labor and the CTC had their own perspectives. Interviews conducted in July 1995 with high-ranking officials in both of these institutions indicated a profound ambivalence about employment reform. On the one hand, most endorsed the idea that inefficient state enterprises needed to be restructured and excess workers laid off. They consequently supported the legalization of small and medium-size private companies, regarding such a move as a logical outgrowth of self-employment, a necessary step to provide employment for "rationalized" workers, and an action that would enhance the "multiplier effect" of foreign investment. Many also advocated that private Cuban companies be allowed to set up joint ventures with foreign companies.

At the same time, they were concerned about the potential impact on the state sector. A high CTC official remarked:

We have to preserve workers in those state enterprises that are essential for the economy. If we legalize private companies overnight, some of our best workers will leave. That's already happening, with highly trained engineers working in hotels. And educational personnel are our top resource. We can't afford to lose them.

Officials associated with labor policy were also increasingly concerned about the reputation of the CTC. Tales abounded of union "passivity" in the face of injustice to workers at the hand of joint-venture managers. Most of the reports encountered by this author could not be fully verified. They illustrate the popular mood as the government contemplated employment reform, but should be considered anecdotal rather than factual. Among the accounts were the following:

Hotels were laying off workers arbitrarily, without providing them with the opportunity to be retrained for another job as required by law.

Hotels were favoring whites over blacks and "attractive" women over "ordinary" ones. A CTC leader at the Habana Libre Hotel was fired when, at the behest of the workers, he resisted management-decreed layoffs and new work rules (including removal of cafeteria privileges). The CTC had not defended the right of the workers to select their own representative.

Joint ventures and Cuban enterprises operating in hard currency were filling vacant posts by going outside the official pool of union members and hiring nonunion staff. For example, of the nine hundred workers employed by Almacenes Ultra, only forty-two were original members of the union. Of four hundred employees recruited for the newly opened Meliá Cohiba hotel, only two hundred came from the labor pool, with the rest being arbitrarily selected by the Cuban and Spanish managers.

Managers were constantly recycling "apprentices" (who are paid a low wage for the first three months while becoming familiar with their jobs). In order to keep wage rates down, managers would unfairly declare the apprentice unsuitable at the end of the three months and hire a new one.

The workforce at a dolomite mine was reduced from seven hundred to seventy-three, and initially those laid off were offered no alternative employment. A new union leader was selected, who was able to bring some workers back for "secondary production," but many remained at home.

The complaints were not directed only at joint ventures. A participant in internal CTC discussions commented:

Cuban managers are often worse than the foreign managers, including in the 100 percent Cuban firms. At least the foreign manager is used to the idea that he must negotiate with the union. The Cuban manager is accustomed to doing things unilaterally. Now that so many state enterprises are under pressure to make a profit, they want to get maximum work in return for a minimum salary.

A high-ranking CTC official interviewed in July 1995 said that even though many of these accusations turned out to have "more smoke than fire," some irregularities had

occurred. He added: "The role of CTC leaders is to defend worker rights. If we don't, we will lose the support of the workers."

Another participant in internal CTC discussions was still more blunt:

The CTC has to learn how to defend workers or they will turn to independent unions. There is a strong tendency in Cuba toward the formation of nongovernmental organizations and professional associations. These could divide the CTC and make it weaker. . . . Unfortunately, there has traditionally been a large weight of bureaucratism in union work, and it still has an effect.

Even the magazine *Bohemia* addressed the issue in its 9 June article, challenging Ministry of Labor official Valladares about "union passivity." He responded that the CTC "has a fundamental role to guarantee equity and social justice in the process."

The worker complaints reached a crescendo in the late spring of 1995, just as the state was trying to prepare the population for more severe layoffs. Clearly, the CTC leadership did not see this as a time simply to accept layoffs without being able to offer members plausible assurances that they would find other jobs. The growing power of the conservative sector, and the question mark hanging over the legalization of small and medium-size private enterprises, made the CTC leadership extremely anxious. As one reformist economist explained:

The CTC is now resisting restructuring because the workers sense a lack of clarity about the future of self-employment and private enterprise. Workers are afraid they won't be able to make a living. Many CTC officials don't really care if their members work for a private Cuban company or a private foreign company. They just want to be sure they have a job. When they realized there was no consensus, they started to resist layoffs.

The CTC also began to speak out on behalf of workers more than it had in the past. At a meeting of the hotel workers' union, for example, the CTC accused both Cuban and foreign enterprises of violating the law. It specifically claimed that the high profits generated by foreign managers were based on labor exploitation. The CTC also publicized its previous interventions in the National Assembly, where, in the words of a CTC official, it "convinced them [the National Assembly delegates] to exclude salaries from the new taxes. We pointed out that they had not consulted the workers and that if they increased taxes, they would have to increase salaries too."

### "Consolidation" Prevails

The worries among the more conservative members of the leadership about the possible negative consequences of a single-minded pursuit of economic efficiency have already been described. Ironically, however, the most important political factor in mid-1995 was what one economist termed the "triumphalism" generated by official statistics indicating that the economy was on course for a 2.5 percent growth rate for the year. Although this figure may have been overly optimistic, it was nevertheless clear that the economy was no longer declining precipitously.

The new numbers greatly strengthened the position of the Communist conservatives. As long as it had been clear that the economy was declining sharply, reformists could plausibly argue that the risks inherent in reform had to be faced, because a failure to increase efficiency (and a resulting increase in hungry, ill-housed, unemployed Cubans) would represent an even graver threat to political control and social justice. Now, however, the conservatives could use the encouraging new statistics to argue that any further improvements in economic efficiency could safely be postponed in favor of addressing other concerns.

Thus, the impetus for major employment policy reform began to wane in June 1995. Cuba had entered a phase of "consolidation" and "review." Although some employment reforms were implemented, they were pale versions of what had been previously contemplated.

Rather than lifting all or most restrictions on self-employment, on 8 June the authorities added nineteen activities (including document translation, sports coaching, sign painting, valet parking, boiler room management, and teaching languages, music, and other arts) to the list of permitted work categories. The paladares were relegalized on the same day, but they were allowed to seat no more than twelve people, could not employ anyone other than family members, and would have to pay at least three hundred dollars a month in taxes if they charged in dollars. The changes brought the total number of self employment categories up to 140.

The most significant statement, however, came on 26 June, when Minister of Labor and Social Security Salvador Valdés Mesa announced that 17,000 public-sector workers would be "rationalized" in 1995, bringing the number laid off since early 1994 to 110,000. This was a modest figure compared to the numbers of excess workers quoted by reformist economists. At the same time, Valdés affirmed for the first time that self-employment was now considered an "employment alternative" rather than just a "supplement" to a state job. Most important, he announced that further rationalizations would await the completion of a nationwide employment study, to be conducted from June to August 1995. In an interview published in the 26 June issue of the official CTC newspaper *Trabajadores* he remarked that the "diagnostic study" was required for development of an employment plan in the future; the process would involve detailed discussions between the ministry and the CTC; there was no "defined period" to carry out the layoffs; and the layoffs would not be precipitous.

When asked which sectors would be rationalized at the outset, Valdés implied that industries with guaranteed markets and inputs would be rationalized first because they had the potential to become efficient; he cited the nickel sector as a prime example. On the other hand, "sectors that have suffered a lot in the Special Period, such as light industry, local industry, and services" would receive gentle treatment. In such cases, he said, "it really is not possible to take decisions. . . because this would throw people into the street. In these cases we need to find alternative useful work or the development of

other production where we can employ these workers." Valdés did not explain how these other activities would be generated.

The inclination to implement layoffs in firms capable of rapidly achieving efficiency while retaining workers in the hopelessly inefficient firms was not unique to Valdés. Many other government officials, economists, and union representatives expressed similar views to this author in interviews conducted in July 1995.

Such an approach might surprise observers in the West, where hopelessly inefficient operations are usually the ones targeted for sweeping layoffs. Havana's policy is rational, however, if one views the situation through a Cuban prism. Each laid-off worker represents an economic and political problem. He or she probably cannot find other employment, will have to be paid a state stipend equal to 60 percent of his or her former salary, and will be resentful. From the perspective of the Cuban government, it is better to pay the price of a given number of unhappy laid-off workers to obtain a satisfied foreign investor and a profitable plant (resulting in an increase in capital inflow and export revenue) than to pay the same price to obtain only the shutdown of an inefficient plant without any revenue increase.

#### New Options for Professionals

On 30 June 1995, Valdés announced long-awaited new regulations on self-employment by professionals. University graduates had long complained that despite a sharp decline in their real wages, they were deprived under existing law of the opportunity to improve their financial situation through self-employment. A joke circulating in Havana about a top surgeon illustrated the penurious circumstances of many professionals: the doctor's wife told his colleagues he was having "delusions of grandeur" because he now believed he was the luggage handler at the Habana Libre hotel. The point clearly was to ridicule the huge wage gap between a doctor (with a top salary of five hundred pesos per month) and a hotel employee (who could earn more than a thousand pesos per month due to his hard-currency tips).

The government had long resisted altering its restrictions, claiming that because university graduates had been educated at the state's expense, they owed it to society to concentrate only on their chosen professions. As thousands of professionals left their employment to work as bartenders, maids, and taxi drivers, however, the government adjusted its view. In the heady days of early spring 1995, economists anticipated that the government would lift restrictions on all professionals except doctors and teachers.

The new regulation stopped far short of such expectations. It allowed university graduates to work in the currently approved self-employment categories, but not to pursue private work in their own professions. The graduates also had to obtain the permission of their work center, to which they had to continue to fulfill all their previous

obligations. Political and administrative leaders, armed forces personnel, government officials, judges, prosecutors, and those with "similar" public responsibilities were still excluded from self-employment. In an interview published in the 1 July issue of Granma newspaper of the Cuban Communist Party, Valdés explained that in the case of professionals, self-employment was not a job alternative but merely a means to supplement their wages. Because the state had educated them and guaranteed them employment, they had a "social duty to put their knowledge at the service of society."

Many professionals were furious. An architect said that he did not want to work as a "dog hairdresser," one of the authorized occupations. He pointed out that Cuba was paying foreign architects large sums of money for tourist hotel designs that were not always well adapted to the local culture and climate. Cuba would benefit far more, he argued, if Cuban architects were allowed to work for foreign firms. The island's architects would increase their earnings and gain experience, the cost to the Cuban state would be far less, and the designs would be more suitable. Although the government officials did not explain their position particularly well, the retention of some restrictions could be justified. If professionals were allowed to operate privately, a whole array of social services, including schools and hospitals, might collapse overnight unless the state could offer a competitive wage. As in previous decisions to back away from substantial reforms, choices that protected political control were also partially motivated by the desire to maintain the "social consensus."

#### In Sum

By the end of July 1995, it was clear that far-reaching adjustments in employment policy were not imminent. The government had explored the various efficiency-promoting measures proposed by reformist economists and concluded that the reduction of state control and damage to social equity entailed in each was unacceptable. Evidence that the economy might grow by 2.5 percent in 1995, in contrast with the 0.7 percent growth rate of 1994, encouraged the authorities to believe that they could slow the reform process without seriously jeopardizing economic recovery.

Many of Cuba's economists were less sanguine. One warned that, although the slowing of reform was in large part motivated by a desire to protect workers, the interests of workers would actually be damaged over the long term. Another remarked that the Cuban economy was now "pregnant" with reform, and that sooner or later significant adjustments were inevitable.

The employment planning issue became more complicated in early 1996 after the Cuban military shot down two unarmed private planes piloted by Miami-based exiles. The diplomatic and economic repercussions of this incident (including the impact of the U.S. Helms-Burton Act) and the current prospects for employment liberalization will be explored in Part Three of this series of articles.

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