

**EVOLUTION OF A REVOLUTION: CUBAN MARKET LIBERALIZATION
AND THE POLITICS OF PARTICIPATION**

A Thesis

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ABSTRACT

This thesis¹ examines contemporary industrial relations reorganization in the Cuban socialist system to explore the effects on, and impact of, worker participation on industrial relations transition. In arguing that market liberalization has not substantially altered Cuban socialism, I focus attention on national institutions and the process for negotiating transition. I assert that our understanding of the impact of market liberalization on industrial relations system actors can be enhanced through a better understanding of how the state and workers arrive at an agreement with respect to the underlying justification for economic change- what I call the “cognitive basis” for market reform. Key to this negotiation process is how actors direct their emotions and attribute blame for adverse consequences of reform.

¹ The “thesis” submitted here is essentially a collection of literature reviews setting up the argument presented in the introduction. Data collection is ongoing, and it is my expectation that it will result in a completed dissertation with the addition of several chapters, including a methodological chapter and an analysis of field data.

BIOGRAPHICAL SKETCH

Tamara L. Lee, Esq. was born in South Bend, Indiana in 1973. In 1991 she began her undergraduate studies in industrial engineering and management sciences at Northwestern University, where she specialized in industrial organizational psychology and ergonomic design. In 1996, upon completing her studies, she worked for the Nestle Beverage Division as a front-line production supervisor responsible for training and supporting high-performance work teams, a job she later held for Pepperidge Farm, Inc.

In 1998, she commenced her graduate studies in industrial relations at Loyola University-Chicago. Upon graduation, she served as a Labor-Management Relations Examiner for the National Labor Relations Board, a position she held from 2000 through 2008. During this time, as the District Vice-President of the NLRBU, the NLRB's staff union, she represented approximately 200 attorneys, investigators and support personnel in offices throughout the Midwest.

In 2003, she initiated legal studies at Chicago-Kent University. She received her J.D. in 2007 with a certificate in labor law from the law school's Institute for Law and the Workplace. That summer she was admitted to practice law in the state of New Jersey and the Commonwealth of Pennsylvania. In the fall of 2007, she began the MS/PhD program at the Industrial and Labor Relations School of Cornell University.

Her visit to Cuba came in 2006 as a member of a United States delegation of healthcare workers and union leaders on a professional research exchange with Cuban labor officials and workers in the healthcare industry. From 2008 through 2010 she returned to Cuba annually as a member of the National Lawyers Guild with the purpose of conducting research relating to international labor law and the protection of workers' rights in the Americas.

As part of her field research for this thesis, from September through December 2010, she attended and graduated from the Cuban national trade union university, “la Escuela Nacional de Cuadros Sindicales Lázaro Peña,” located in La Lisa province in the city of Havana, Cuba. Her study of labor education and political actualization explored themes in neoliberalism and global economic crisis, transformational union leadership, international economic integration, political dimensions of union capacity, union leaders as creators of class consciousness, methodological bases for building union capacity, the Cuban labor movement and perspectives on contemporary Cuban reality, the impact of global economic crisis on labor in the Americas, and Latin American political systems.

Her other work in Latin America includes serving as an international election observer in the March 2009 presidential elections in El Salvador, participating in the 2009 World Social Forum held in Belém, Brazil, working on a water reclamation project in Ocotal, Nicaragua, and conducting human rights work in Honduras in the summer of 2009 in the days following the coup in Tegucigalpa that removed Manuel Zelaya as head of state.

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TABLE OF CONTENTS

Biographical Sketch	iii
Acknowledgments	v
Chapter 1: Introduction	1
Chapter 2: The Cuban Political Economy and Industrial Relations System	16
Chapter 3: Comparative Industrial Relations Transition	61
Chapter 4: Comparative Transformations	79
Bibliography	97
Appendix A: Select Economic Data Cuba	124
Appendix B: Guevara's Budget Finance System	126
Appendix C: National Trade Unions of Cuba	128
Appendix D: CTC and National Trade Union Structure	129
Appendix E: Interviews	130

CHAPTER 1

INTRODUCTION

“Cuba shall never revert to capitalism.”² Those words were added to the Cuban constitution almost immediately following the dissolution of the Soviet Union, which propelled the Cuban socialist state into unparalleled economic pressures for global market integration. The study of the impact of global economic pressures on national industrial relations systems is surely not new, and this is certainly not the first study of the Cuban political economy. However, Cuba provides an interesting case in the context of comparative transitions given its identity as Latin American, socialist and a single-party state. It is also an opportune time for study of Cuban industrial relations transition and worker participation because Cuba has recently entered a new period of market liberalization, and is currently negotiating this “reorientation” with workers and their unions throughout the island.

Background

The Cuban political economy and industrial relations system are ideal for studying the impact of market liberalization not only because of their resilience in the “context of the global collapse of socialism” (Gordy and Lee 2009), but also because of the state’s strategic policy decisions throughout the recent crisis of global capitalism. Over thirty years following the declaration of Cuba as a socialist state, and more than fifty years after the overthrow of the most recent capitalist regime, Cuban economic policy continues to shift back and forth- at times in the direction of market liberalization and at times abruptly back toward recentralization. Such policy

² Constitución de la República de Cuba (as modified on July 7, 1992), Art. 3.

alternation has impacted Cuban relations in and of production, though perhaps not in ways expected or predicted from what we know about industrial relations transition in other contexts.

A fierce debate has raged in Cuban studies over the nature and extent of market liberalization since the 1990s, its impact on the political stability of the state and the consequences for workers. This discussion has been reignited in light of the September 2010 announcement from the state and the central trade union organization that Cuba is currently constructing a new economic model that will result in the shift of at least 1.2 million workers³ (of a labor force estimated at 5 million)⁴ from traditional employment in the state sector to the non-state sector, mostly in the form of increased self-employment.⁵ This announcement caught not only the attention of outside scholars, but has renewed a revolution-old internal national debate over the appropriate economic management system for Cuban socialism and the proper balance between market liberalization and social cohesion.

The process for debate and negotiation of market reform in Cuba is rooted in its participatory mechanisms. In fact, Cuban socialism, its underlying ideology and its supporting institutions make it a duty for workers to participate in discourse on the political economy and production organization. Additionally, it is incumbent on the state, formally and informally, to ensure the protection of participatory mechanisms. Consequently, as required and provided by national institutions, this debate is

³ Source: *Granma*. September 24, 2010.

⁴ Source: U.S. Central Intelligence Agency.
<https://www.cia.gov/library/publications/the-world-factbook/geos/cu.html> (Accessed on September 5, 2010).

⁵ Source: *Granma*. September 24, 2010.

currently being undertaken between the state, workers and their mass organizations in worker assemblies in work centers throughout the island. As these debates are taking place as this thesis is being written, it is an apt moment for examination of how national institutions constrain and empower actors during the process of negotiating market reform.

Theoretical Frameworks

A. Institutions

To ensure that I view the institutions, roles and identities of the actors in the Cuban system consistently with how Cuban scholars and practitioners view themselves, I employ, as do Cuban scholars,⁶ the Gramscian microeconomic production model, which holds the communist party as the intellectual creator of political culture and consciousness (Comisso 1979; Gramsci 1971). As such, it is charged with facilitating democracy for workers and ensuring that the state evolves in a politically legitimate way that binds the actors to the belief that existing institutions are the most appropriate (Lipset 1960). In such a system, institutions, such as popular participation by workers at the base, matter for economic performance,⁷ and states have a central role in the enforcement of institutionalized behavior (Deeg and Jackson 2010). In the Cuban socialist system, the Cuban Communist Party (“PCC”) is responsible for “organiz[ing] and guid[ing] common efforts toward the goal of constructive socialism” (República de Cuba 2002), while the state, workers and their mass organizations are required to work collectively to advance Cuban socialism.

⁶ Interview with Professor Martina Laza Figuerro, September 20, 2010.

⁷ Lecture on Marxist theory, Leninism and the politics of capitalism and socialism by Professor Teresa Ramón, la escuela Lázaro Peña, Havana, Cuba, September 27, 2010.

Approaching the study of Cuban industrial relations with these concepts in mind is imperative for understanding the importance to the participatory process of the framing of the underlying reasons for proposed market reform.

B. Conflict Theory

I will employ a relatively new theory of social movements and collective action, referred to as conflict theory, in an effort to better understand the politics of change in the industrial relations context. I first encountered conflict theory in a comparative post-socialist study by Crowley and Ost (2001), in which they seek to explain the weakness of Eastern European unions as social and political actors during the post-communist transitions of the 1980s and 1990s. They proposed conflict theory as a method for acknowledging the importance of emotions in political processes and for understanding the relationship between anger and mobilization.

Traditional social movements literature assumes that state elite are rational actors that pursue their interests unemotionally. To overcome this presumption of dispassionate rationality, resource mobilization theory reinserts emotion as a variable in the political equation (Ost 2004). The difference between resource mobilization theory and conflict theory is the weight given to emotions as a variable. Instead of treating emotions as just another factor, conflict theory places it at the center of politics, holding that citizens require mobilization one way or the other, particularly at times of transition. Emotions and anger then become vital and fundamental to the analysis of the strategic actions (Ost 2004) of different groups.

Under the conflict theory framework, political leaders help citizens decide who to blame for negative outcomes, and convince them of an appropriate enemy at which

to direct anger or frustration (Ost 2004). To this end, conflict theory is used in conjunction with blame attribution theory, which holds that political leaders succeed when (1) they are able to convince citizens to accept the enemy they have designated and (2) they are able to frame failures and successes in persuasive ways (Ost 2004). For example, Javeline (2003) showed that protests were more likely to occur if blame was attributed specifically on the basis of whether an entity is the cause of an undesired condition or to blame for the inability to solve it. This allows citizens to identify the “us” and the “them” in any conflict and to determine which “we” they are going to support. Ost described the usefulness of conflict theory and blame attribution very succinctly when he wrote:

“Identifying enemies and mobilizing emotions against those enemies is the way by which political leaders get citizens to do what these political leaders want them to do- whether that means participating in a protest, voting for their party, or supporting a certain policy in an opinion poll. Political mobilization means getting citizens to respond to the narrative and target that you put forward. It means getting citizens to accept your friend-enemy dichotomy.” (Ost 2004: 229)

When examining the process of industrial relations transition, the conflict theory framework will allow analysis of the strategic actions of the state and the responses of workers during the transition process. I chose conflict theory over other frameworks for studying worker participation in the Cuban case because of the extensive use by the state of anti-imperialism, anti-U.S. sentiment and nationalism in mobilizing national pride in the successes of Cuban socialism while directing responsibility for economic failures at its ever-available enemy- the United States. Furthermore, and not insignificantly, over the course of my fieldwork, I’ve yet to

observe or converse with any Cuban- worker, union, state or party- regardless of the formality of the sector, age of the respondent, or employment status- who speaks dispassionately with respect to the politics of production or political economy. For this reason, understanding how the Cuban state manages the anger and frustrations of workers facing the negative consequences of market liberalization is critical to understanding worker participation in, and response to, market reform.

Arguments

In this section I set forth my argument with respect to Cuban industrial relations transition. I note here that it is not my intention to contend that the Cuban case is unique, though it may prove to be so. Given that the relationship between market liberalization and worker participation is understudied at this point, I offer the Cuban case as a starting point for understanding how participatory institutions influence industrial relations transition.

The main argument of this thesis is that Cuban socialism has not been significantly altered by market liberalization because its participatory institutions and practices provide a process for workers to negotiate the nature and extent of liberalization. Cuban socialism as an institution, and as an industrial relations system, is stable and adaptable because its complementary institutions are embedded with participatory processes that allow the state and workers to reach new agreement on the nature or extent of reform possible *within* Cuban socialism during transition. The key to the continued stability of the Cuban system is the process for reaching agreement on the balance between social cohesion and market liberalization, while simultaneously

redefining “Cuban socialism” to accommodate and incorporate incremental adjustments to the institution by reformers.

In practice, the state proposes a change in market policy, which triggers constitutional and statutory workplace democracy institutions, namely worker assemblies held in work centers throughout the island. These formal mechanisms for debate and persuasion, along with informal mechanisms of public discourse, including the media and public venues, set the stage for a process of negotiation between the state and labor in which the state seeks to convince workers that the underlying justification for its market reform is one it shares with workers- which in this case is the survival of Cuban socialism. I refer to the underlying justification for transition as the “cognitive basis” for market reform. Simply stated, if the state can convince workers that they share a “cognitive basis” for reform, it is more likely that the workers will support or at least collaborate with the state during the participatory process.

The major way in which the Cuban state has accomplished and sustained popular support for its market policies, regardless of the direction of market liberalization and despite the nature, extent or sequence of reform, is through successful blame attribution for any adverse consequences workers suffer as a result of reform. Specifically, the Cuban state has been able to create an “us” versus “them” atmosphere where blame for most of the social and economic failures of the Revolutionary government have been assigned to an enemy- the United States and its imperialism- while credit for social goods provisions has been assigned to the institutions of Cuban socialism. In other words, under conflict theory, the Cuban state

has solved the blame attribution problem by successfully targeting the U.S. as the major cause of adverse effects of domestic economic policy. This blame attribution has allowed the state to experiment with market liberalization with the support of workers and without sacrificing political stability. In creating the “Cuban socialism” vs. “US imperialism” frame, the Cuban government has at once solved its own collective action problem (i.e. keeping its anti-imperialist social movement afloat) and kept any potential opposition leaders from solving theirs (e.g. mobilization leading to pluralistic political democratization).

If my argument holds, as long as the state is successful during the participatory process in convincing workers that the policies it wishes to enact share a cognitive basis in the survival of Cuban socialism, and that someone else it to blame for the necessary hardships that accompany market liberalization, it is possible to make significant changes to political economy and industrial relations while maintaining political legitimacy and stability and delaying significant worker protest.

Although this thesis does not seek to predict the future of Cuban socialism, I would suggest that the success of the Cuban state, while stable at present, is less certain if workers or opposition groups are able to redirect blame at the state for not solving the societal and economic problems facing Cuban workers. Whether there will be significant worker protest or collective action related to recent, or future, economic reforms will be a question of whom ultimately solves the blame attribution problem more persuasively during the participatory process extended to workers under the Cuban socialist system.

Alternative Arguments

I have argued that the reason Cuban socialism remains relatively stable despite market liberalization is because its industrial relations system contains participatory processes that allow workers to negotiate reform with the state. As will be clear from the literature review on comparative transitions,⁸ there are very few studies focusing on the relationship between market liberalization and worker participation. However, Mary Gallagher (2007) does offer a theory for the impact of market liberalization on the political stability of one-party states that has direct implications for my argument and leads to the research question driving this thesis. Below I discuss her theory regarding the stability of single-party “authoritarian” regimes during market liberalization, and explain the differences in our arguments. In the end we are left with a question as to the importance of participatory institutions to the impact of market liberalization on industrial relations outcomes- exactly the research question that my argument purports to answer.

In arguing that market liberalization can actually strengthen single-party states, Gallagher (2007) challenged traditional theories which predicted that (1) economic growth, development and global market integration lead to political pluralism; (2) there is a convergence towards an idyllic political economic model of market capitalism and pluralistic democratization; and (3) global market pressures lead to a reduction in the role of the state. Comparing the Chinese transition to those in other socialist states, she found that the resilience of Chinese communism could not be completely explained by existing arguments. She argues convincingly that the

⁸ A review of literature on comparative industrial relations transitions is presented in Chapter 3 of this thesis.

commonly accepted notions- which predicted that the gradual pace of reform and rapid economic growth lead to political stability- were only partially explanatory because other socialist transitions in Eastern Europe and the Soviet Union also implemented market reform gradually to very different ends (2007: 9).

Instead, Gallagher focuses on a state's strategic choices in the (1) type of economic reform, (2) pace for implementation and (3) sequencing of reform (2007: 9). She places heavy emphasis on the Chinese use of extensive foreign direct investment ("FDI") liberalization as a "laboratory" for experimenting with economic restructuring (2007: 6). The sequencing of reform, starting with the test case of FDI liberalization, followed by privatization, then state-enterprise reform allowed China to radically grow its non-state sector without dealing with the social backlash that could have erupted from simultaneous widespread privatization (2007: 10). Gallagher argues that the measured pace of reform in China increased political stability by slowly dismantling the social contract between the state and the workers in order to delay worker perspicacity of a "full assault" on socialism (2007: 11).

In support of her theory, Gallagher points out that Eastern Europe and the Soviet Union focused on domestic enterprise reform initially (Marangos 2004)⁹, as opposed to China's strategic choice of rapid non-state development through FDI liberalization at the outset. In terms of type, pace and sequence, Cuba's economic restructuring would likely fall somewhere between the Soviet Union and China in that Cuban market liberalization has been limited to the economy, leisurely, mostly

⁹ The Soviet focus on state enterprise reform was so intense that Clark (1992) stated that "it is not the state which is privatising the soviet enterprise, but the soviet enterprise which is privatising the state" (1992: 5).

directed at state-owned enterprise reform, with restricted FDI liberalization. If the sequencing of the reforms is determinative or key, as Gallagher asserts, and gradualness lacks the importance that traditional literature claims, then one would expect Cuba's outcome to more resemble that of the Soviet Union's than China's, yet Cuban socialism survives and maintains popular support among workers. What might also be key in explaining the stability of the Chinese and Cuban one-party states?

To explore this question, I bring attention to Gallagher's assertion that it was the need for political legitimacy that drove the Chinese central government's desire to achieve rapid growth rates (2007: 58). Other scholars have noted similarly that China recruited more foreign investment because its political legitimacy was predicated on economic growth (Dickson 2007). According to Gallagher (2007), the state itself was responsible for equating its political legitimacy with economic development by framing economic growth as a necessity for the advancement of Chinese nationalism and the country's "entry into the realms of industrialization and modernization" (Gallagher 2007: 7). In the lexicon of conflict theory, the Chinese central government mobilized workers in support of reform by successfully framing the public debate about market liberalization from whether the reforms were capitalist, to whether it was in the nation's best interest- in other words from a debate over "liberalism" to one of "nationalistic developmentalism" (Gallagher 2007). Evidence that the reframing was successful was that it fueled a competition between local government officials for recruiting more FDI for their regions. "[L]ocal initiatives in attracting FDI followed the incentives set by the central government. The competitive drive for FDI was a

natural result of ... the political and economic importance given to FDI by the central government” (2007: 57).

Keeping Gallagher’s comments on political legitimacy in mind, I believe the argument I set forth in the introduction of this thesis can help explain more clearly the stability of both the Chinese and Cuban states, as well as suggest an explanation for variation in worker responses. I suggest that the Chinese and Cuban regimes were able to maintain or strengthen their political rule despite market liberalization because each was able to convince its citizens that the “cognitive basis”- which I defined previously as the underlying justification- for reform was one they shared. In the Chinese case, the state successfully presented the foundation for reform as the pursuit of Chinese nationalism through developmentalism. Similarly, the Cuban state persuaded workers that market liberalization was justified because it was the only way to save Cuban socialism. However, in the Chinese case scholars have noted an increasing amount of worker protest directed at local state officials (Lee 2007), particularly in firms with FDI (Gallagher 2007). But there have been no reports of significant worker protest as of yet in the Cuban case.

I suggest that the variation in labor outcomes calls attention to differences in national participatory processes. As will be discussed in more detail in Chapter 4, market liberalization in China has been linked to the absence of worker participation institutions (Li 2004; Gaochao 2004), which has been found to be a factor in increasing levels of worker fragmentation and dissatisfaction, as well as growing feelings of marginalization (Gallagher 2007). Throughout its transition, the Chinese state has dismantled participatory mechanisms and increased managerial control over

production (Li 2004) leading to “passionate” worker protests directed at local leaders because of perceptions of unfairness in the administration of new legal institutions or for violating the social contract established between the worker and state under Chinese communism (Lee 2007). In contrast, the Cuban state employed national participatory institutions to allow the Cuban workers to debate the nature and extent of reform and the new boundaries of Cuban socialism. In fact, scholars have found that since the transition, the Cuban state has “liberalized” its participatory process (Fernandes 2003), allowing Cuban workers to redefine Cuban socialism to include the reforms it feels necessary to save it.

The distinction between my theory and Gallagher’s poses a related question of why the Cuban state would choose to employ participatory institutions instead of just dismantling them like the Chinese. Accepting Gallagher’s assertion that China’s strategic choices were based in its need for political legitimacy, I bring in the post-socialist work of Mitchell Orenstein¹⁰ to help establish a link between political legitimacy and a state’s “cognitive basis” for reform. Under Orenstein’s “democratic policy alternation” theory, he argues that political legitimacy was conditioned on the strict adherence of post-socialist governments to new democratic institutions. Thus, a state’s strategic action during economic transition is constrained by national

¹⁰ The literature review in Chapter Four contains a more detailed account of Orenstein’s policy alternation theory in the context of post-socialist market liberalizations. The limited discussion of his theory here is used only to highlight variation in the Chinese and Cuban cases that point to the need for focusing on the importance of participatory institutions in the national processes of negotiating market reform.

democratic institutions, forcing governments to take popular demands into account in order to delay voter protest.

Unlike the 1989 democratizations in Eastern and Central Europe that formed the basis of Orenstein's study, Cuba is not in the midst of a transition to a pluralistic political democracy; however, Orenstein's democratic policy alternation theory can be used in conjunction with my "cognitive basis" argument to explain why the Cuban state is "forced" to respect national participatory institutions during transition. Specifically, the Cuban system establishes national workplace democracy institutions,¹¹ which constrain the state and "force" it to negotiate political and economic reform with workers. During this process the state must convince workers that the cognitive basis for reform is a value shared by workers and the state. Since the Cuban government chose the preservation of Cuban socialism and its institutions as its cognitive basis, its political legitimacy is predicated on strict adherence to the workplace democracy institutions that form the structure of Cuban socialism.

In sum, Gallagher's work on the stability of one-party states during market liberalization provides a good explanation for why the Chinese state has maintained, if not strengthened its "authoritarian rule." However, heavy emphasis on the type and sequence of reform does not fully explain the stability of Cuban socialism. Decreases in participatory mechanisms and rising worker protest in China as compared to the Cuban case leads us question the importance of participatory institutions to the impact

¹¹ A detailed discussion of the existing theoretical and empirical knowledge of Cuba's participatory mechanism is contained in Chapter 2 of this thesis. Fieldwork will be necessary to address the effectiveness of the institutions, though there is no question that they exist and that they are employed. I expect field data to support arguments that they are in fact democratic institutions (Fuller 1992).

of market liberalization on industrial relations outcomes- the very question this thesis attempts to explore.

Summary

I have argued that Cuban socialism remains stable in the face of market liberalization because the institutions governing industrial relations provide participatory mechanisms that establish a process by which workers and the state negotiate the nature and extent of reform possible under Cuban socialism. The key to the continued stability of the Cuban state is predicated on its use of participatory institutions to negotiate an agreement on the balance between market liberalization and social concerns, while simultaneously adapting Cuban socialism to include incremental adjustments to the institution itself. During the process, if the state can convince workers that they share a “cognitive basis” for reform and can attribute blame for negative consequences of reform elsewhere, it is more likely that workers will support the state during the transition process, which could lead to a delay in worker protest.

In the next chapter, I review existing literature on the Cuban political economy and industrial relations system. In Chapter 3 I review existing literature relating to the relationship between market liberalization and industrial relations transition. Chapter 4 sets forth the literature on comparative transformations in the Latin American, post-socialist and Sino-Vietnamese regions.

CHAPTER 2

THE CUBAN POLITICAL ECONOMY AND INDUSTRIAL RELATIONS SYSTEM

Introduction and Theoretical Debates

This chapter seeks to synthesize relevant Cuban studies literature with respect to the Cuban political economy and industrial relations system. This is not an easy task. Cuban studies since the Cold War has been characterized by paradigmatic dissonance in the form of contrasting ontology, epistemology and methodology, leading to a poor understanding of the reality for Cuban workers. These contrasting perspectives occur in both theoretical and empirical studies and paint very different pictures of Cuban society, institutions and the relationships between the actors (Tuchlin, Prieto, Bobeo and Hernandez 2005). In fact, the field is so polarized that the choice to study Cuba is considered a political choice in and of itself, and the questions the author asks, as well as whether that researcher is geographically located within or outside of the island, often defines his or her politics (Tulchin, Prieto, Bobeo and Hernandez 2005; Fernández 2004).¹² International relations scholar Damian Fernández explains the considerable problems with Cuban studies:

¹² Damian Fernández (2004) describes five types of epistemology characterizing Cuban studies that lead to different theoretical approaches, topic selection and politics in the field. They are: (1) the “epistemology of geography” referring to the prejudgment of a scholar’s work depending on whether he or she is “from *allá* or *acá*,” (he or she resides on or off the island); (2) the “epistemology of exceptionalism,” describing the tendency of some scholars to treat Cuba as an outlier with no comparison; (3) the “epistemology of political imperative,” assigning a political position to an author simply because he or she writes about Cuba; (4) the “epistemology of teleology,” describing the tendency to see the 1959 Revolution, or its transition from it, as inevitable and (4) the “epistemology of *tabula rasa*” (clean slate), which views Cuban society as starting with the Revolution.

“Since the 1960s, the study of politics in Cuba seemed to require taking sides not only theoretically or methodologically, but also ideologically in a much narrower political sense as if scholars were at the vanguard of the revolutionary process or its opposition. A generation of U.S. scholars influenced by the revisionism of the New Left and the Civil Rights movement has had time to study Cuba. At the same time, the first wave of Cuban scholars in the United States, many of whom had left the island quite young, turned their attention to Cuban matters. Suspicion of them/us studying Cuba never ceased, not even after post-structuralism and feminism all but decapitated the rational, objective, detached observer” (Fernández 2004).

Scholars have described these strict dichotomies in the field as “ideology versus reality, theory versus practice, pragmatism versus idealism” (Gordy 2006).¹³ It is critical, then, that a dialogue is established between opposing interpretations that have resulted in no clear consensus with respect to life on the island or predictions for its future (Tulchin, Prieto, Bobeo and Hernandez 2005). It is my hope that this thesis is a step in that direction.

One of the major methodological and theoretical debates in the Cuban studies literature concerns Cuban “exceptionalism” and the appropriate, if any, comparative cases. Some scholars both within and outside the island have viewed the Cuban case as so unique as to preclude or seriously limit country and regional comparison (Whitehead 2007). This perspective has been described by Damian Fernández (2004) as the “epistemology of exceptionalism,” found to be based on ideological considerations rather than analytical principles (Armony 2005). Ariel Armony (2005)

¹³ See John Kirk and Peter McKenna (1999) for a good description of the ideological biases that penetrate Cuban studies.

urges researchers to remove such ideological “straightjackets” and probe into the admittedly tricky question of a suitable typology for comparative work, which likely will carry many limitations, but could be more valuable than not. However, consensus on typology has been difficult to achieve and has yet been reached, with some scholars suggesting a typology based on political regime, which would situate Cuba in a class with certain Asian, African or Middle Eastern states (Armony 2005), while others suggest that Cuba must be analyzed in comparison to “Latin America, Eastern Europe, and the Third World” (Tuchlin, Prieto, Bobeo and Hernandez 2005). This thesis looks briefly to comparative industrial relations transformations in Latin America and Eastern Europe, but suggests that due to similarities in historical legacies, critical junctures and political regime discussed in this chapter and Chapter 4, the most logical comparative cases are likely the single-party communist regimes in China and Vietnam.

A second debate concerns the conceptualization of transition and transformation in the Cuban political economy. Helen Yaffe (2009) divides the two major camps into “Cubanologists” and “Cubanists.” Cubanologists tend to view Cuba from the perspective that the 1959 Revolution was a “rupture” in Cuban history; that political transition is inevitable; and that Cuba lacks democracy. They tend focus on questions concerning the necessary and precipitating factors of political and economic transition (Tuchlin, Prieto, Bobeo and Hernandez 2005) and view transition as proceeding in one direction from revolutionary politics to capitalism.¹⁴ U.S.

¹⁴ Prominent Cubanologists include Haroldo Dilla, Luis Suárez, Rafael Hernández and Mayra Espina.

politicians are thought to have had a hand in supporting this line of academic study (Yaffe 2009) for use in its “aggressive promotion” (Fernandes 2004) of the “liberal free-market democratization” (Gordy and Lee 2009) through legislation establishing the economic embargo and restricting the travel of U.S. citizens and researchers to the island.¹⁵ A point that Cuban scholars and officials are quick to point out in political and economic debates with its own people or with outsiders.

The other side of the debate, composing the camp to which Yaffe would refer to as the Cubanists, has grown out of the failure of the Cubanologists to accurately explain the lack of transition in Cuba. Yaffe (2009) asserts that such failure has led to the Cubanist approach to the study of Cuba that sees “Cuba as a country, not a doctrine.” Scholars in this camp tend to view most of the economic transitions as mere hiccups, or adjustments, in the long-term transformation to socialism. However, she admits that this school of Cuban studies suffers from political and social biases as well.

From this battle between Cubanologists and Cubanists comes a third line of theorists, of which I am one, that view Cuba as having options other than pure capitalism or pure socialism. Agreeing that Cuban socialism remains intact, Katherine Gordy

¹⁵ The U.S. position is explicitly stated in legislation such as the Cuban Democracy Act of 1992 (also known as the Torricelli Act, accessible at http://www.state.gov/www/regions/wha/cuba/democ_act_1992.html) and the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996 (also known as the Helms-Burton Act, accessible at <http://www.ustreas.gov/offices/enforcement/ofac/legal/statutes/libertad.pdf>) . The Obama administration is currently considering lifting the travel ban (See “Obama May Ease Cuba Travel Ban” at http://www.huffingtonpost.com/2010/08/17/uscuba-travel-ban-may-be-_n_684440.html), but there appears to be little to no indication of lifting the economic embargo.

(2006) points out that the tendency of researchers to think of the transition in terms of a competition between market and revolution leads to an obscuring of other options within socialism. Similarly, Max Azicri (2000) has studied change in Cuban politics since the revolution, and he concludes that what is taking place is not a transformation to market economy, but rather a “radical reinvention” of Cuban socialism.

Despite the epistemological presumptions and political leanings of the literature, the empirical studies from these three main theoretical approaches to capturing the realities of transition in the Cuban political economy and industrial relations system have provided a starting point. The literature reviewed in this chapter comes from a cross-section of these theoretical perspectives and sets the stage for contextualizing the Cuban case for consideration under existing theoretical frameworks for understanding Cuban industrial relations transition. I first describe the Cuban political economy and the transitions occurring from the early moments of its post-revolutionary development until present day. I then set forth the Cuban industrial relations systems and its supporting institutions, noting the impact of market liberalization on the system and its actors when known.

The Political Economy

A. Background

The Republic of Cuba has a current population of roughly 11.5 million and a GDP estimated at \$111.1 billion USD.¹⁶ Important economic sectors today include

¹⁶ Source: U.S. Central Intelligence Agency.
<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html?countryName=Cuba&countryCode=cu®ionCode=ca&rank=64#cu> (Accessed on July 14, 2010).

agriculture (4.3 percent of GDP; 20 percent of labor force), industry (21.6 percent of GDP; 19.4 percent of labor force) and services (74 percent of GDP; 60.6 percent of labor force).¹⁷ Currently its largest industry and most important sector¹⁸ is tourism, officially employing approximately 100,000 workers (EIU 2008) of a labor force estimated at 5 million,¹⁹ with an unknown number assumed to be working in the informal sectors surrounding the industry (EIU 2008). As of 2009, the Cuban unemployment rate²⁰ was estimated at 1.7 percent, the 8th lowest in the world.²¹

Cuba has spent much of the last fifty years in economic and political isolation from the United States, under whose economic blockade it has been severely limited in direct or extensive global market participation.²² Despite such external political and economic interference, at the end of the 1980s, Cuba was one of only two Latin

¹⁷ Source: U.S. Central Intelligence Agency.
<https://www.cia.gov/library/publications/the-world-factbook/geos/cu.html> (Accessed on September 5, 2010).

¹⁸ For more economic data on Cuba from 1989 through 1990, see Appendix A at the end of this thesis.

¹⁹ Source: U.S. Central Intelligence Agency.
<https://www.cia.gov/library/publications/the-world-factbook/geos/cu.html> (Accessed on September 5, 2010).

²⁰ The Cuban state and union do not use the world “unemployment,” particularly when referring to the approximately 1.2 million workers that will be shifted from state employment. Instead, they describe these workers as “disponibles,” meaning “available” to work in a more productive capacity- namely in the sector called “trabajo por cuenta propia,” which is self-employment.

²¹ Source: U.S. Central Intelligence Agency.
<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2129rank.html?countryName=Cuba&countryCode=cu®ionCode=ca&rank=8#cu> (Accessed on September 5, 2010).

²² U.S. sanctions against Cuba were first imposed in 1963 by President Kennedy under the Cuban Assets Regulations issued shortly after the Cuban Missile Crisis. (<http://www.ustreas.gov/offices/enforcement/ofac/legal/regs/31cfr515.pdf>). They were reinforced and toughened in 1992 with the Cuban Democracy Act and again in 1996 with the Helms-Burton Act.

American economies whose per capita incomes were higher at the end of the 1980s than at the beginning (Gordy 2006). However, the collapse of the Soviet Union, along with the disappearance of subsidies and favorable trade treatment from it and its Eastern European trading partners, plunged Cuba into a severe economic crisis (Bertelsmann Stiftung 2009a) leading to the market liberalization reforms that are a subject of this thesis. What follows now is a description of the development of the Cuban political economy from the 1959 revolution until present.

B. The Cuban Revolution and Socialist Transformation

Unlike the military coups that preceded it, Fidel Castro's July 26th Movement, which started as a small guerrilla group, succeeded largely because of massive popular support from Cuban workers and peasants suffering under the dictatorship of Fulgencio Batista (Alexander 2002). The 1959 Cuban Revolution has been given different meanings and significance by researchers from different fields. For instance, it has been described in terms of its roots, with scholars labeling it both as a "popular movement" (Gordy and Lee 2009) or a "guerrilla movement" with popular support (Fernandes 2003). It has also been described in terms of what it is thought to have achieved. For example Sujatha Fernandes (2003) describes it as an achievement of nationalist goals as well as the attainment of a socialist state. Finally, it has also been described as an ongoing process of social and political change (Fernandes 2003) and continued socialist transformation (Ludlam 2009). As will become evident later, these distinctions in conceptualization become meaningful in the examination of the past, present and future responses of industrial relations system actors to global economic pressures and economic and industrial transition.

Despite the fact that the 1959 guerrilla-led seizure of the Cuban government was not a communist revolution at its inception (Yaffe 2009; Alexander 2002),²³ there is no question that the resulting revolution sparked a radical break from existing capitalism on the island. Although Cuba had not yet officially declared its revolution to be communist, or even socialist, at least some members of the movement held such a political ideology and were members of the communist and socialist parties (Alexander 2002). Before 1959, Cuban capitalism had been more developed than any other Caribbean or Latin American country, as well as that of the Soviet Union (Yaffe 2009). However, the revolutionary leaders immediately eliminated the capitalist market economy through agrarian reform and the expropriation of foreign-owned property and private enterprises (Mesa-Lago 2004, Alexander 2002).

As revolutionary leader Ché Guevara's knowledge of Marxist-Leninist theory grew in the years immediately following the revolution, so did his influence on the new political economy of Cuba (Yaffe 2009). More specifically, Guevara sought to construct a Cuban brand of socialism that involved not only a transformation of the economy, but also the creation of a new Cuban society and the building of a new class consciousness in workers (Guevara 1967). Economic historian Helen Yaffe (2009) asserts that after studying many country models, including the Soviet system, Guevara rejected Soviet-styled economic management in favor of one that at that time was distinctly Cuban. One reason for this was his belief that Cuba and Russia had different starting points with respect to the development of capitalism in their

²³ But see Eusebio Mujal-León (2009), describing China, Vietnam and Cuba as each having intertwined nationalist and communist revolutions.

respective revolutions and that the Soviet model prioritized industrialization over the political and ideological development of workers (Yaffe 2009). Consequently, because an acceptable economic model for simultaneously increasing productivity and working class consciousness could not be found (Yaffe 2009), Guevara ultimately found inspiration within Cuba's own borders.

Guevara's Budget Finance System

Impressed by what he believed were the technically and managerially superior foreign-run enterprises that existed in Cuba prior to the revolution (Yaffe 2009), Guevara ultimately developed an economic management system premised on the theory that capitalist management techniques and advanced technology can, and should, be used for socialist ends (Guevara 1967). In her book about Guevara's role as political economist, Yaffe (2009) suggests that for Guevara this posed no philosophical or ideological conflict under Cuba's brand of Marxism-Leninism:

“There was no contradiction in basing a socialist economic management system on capitalist corporate structures, and Guevara realized the logic of this process as his Marxist analysis deepened. Marx had argued that communism would arise out of the fully developed capitalist mode of production and he showed how the tendency to the concentration of capital, to monopoly, was inherent in the system. Therefore, monopoly form of capitalism is more developed than a ‘perfect competition’ or ‘free market’ stage of development. The Soviet system was built upon early and underdeveloped capitalism, incomparable to the technologically and administratively advanced firms in Cuba. Guevara was certain that a socialist economic management system that emerged out of monopoly capitalism would also be more advanced, efficient and productive (Yaffe 2009).

Guevara went on to develop a centralized system of economic management that imported and developed the most advanced management techniques and technology, whether capitalist or socialist, with the goal of increasing productivity while simultaneously transferring production decision-making to worker control at the enterprise level (Yaffe 2009). Guevara's system, known as the Budget Finance System ("BFS"),²⁴ used both material and moral incentives to establish productivity and efficiency as an obligation and social duty of the Cuban worker, creating a new relationship between the state and the worker. Although Guevara enjoyed popular support among workers and political elite, his ideas about economic management were strongly debated within Cuba. These internal differences in opinion over whether Guevara's BFS system or a Soviet-style system was more appropriate for Cuban socialism have been recorded in history as "The Great Debate" of 1963-1965 (Pérez-Stable 1974).

The Great Debate of 1963-1965

The Great Debate was a process of national discussion within Cuba as to the best manner of managing a socialist political economy. Silverman (1971) describes it as a debate between those, like Guevara, who wanted to create institutions to ensure the development of socialist consciousness in workers through an emphasis on moral incentives, and the "economic rationalists" who favored the Soviet-model of heavy material incentives in building Cuban socialism. As will be shown in the discussion on the transitions within the socialist transformation and swings in economic policy

²⁴ Yaffe's (2009) summary of the key components and philosophy of the BFS system can be found in Appendix A of this thesis.

from the 1990s through present, the process for debating the right mix (Gordy 2006) has been continually renewed in Cuba at times of political and economic importance,²⁵ and is being forged anew under new president Raúl Castro. Sociologist Linda Fuller (1992) believes that this process was the result of the “institution and consolidation of socialism in Cuba” and that it explains in part how workplace democracy became an important part of the state’s response to economic crisis.

C. Socialist Transformation

The socialist principles of the economic management system that emerged following the Great Debate were codified in the 1976 Constitution of the Republic of Cuba (República de Cuba 2002), in which Cuba first officially declared itself a socialist state. Making the worker responsible for efficiency and productivity, it provides for the economic system to be based on the social ownership of the means of production (Alexander 2002), and all relevant actors are presumed to work together for the same collective goals (Fuller 1992). In the Cuban political economy, institutions are formed to assist the actors in attaining these collective goals. Thus, through what Cubans refer to as “socialist legality,” Cuban actors and institutions are obligated to serve dual purposes of regulation and transformation of society (Evenson 2003).

From the Great Debate of 1963-1965 to the contemporary debate being held at the time of this thesis, a pattern of economic policy emerges in which the state

²⁵ Katherine Gordy (2006) notes that the debate reemerged in the 1970s with respect to the state’s 10-million ton sugar drive, later when implementing the Soviet economic model, and again in the late 80s with the state’s “Rectification Campaign of Ideological Errors and Negative Tendencies,” which is discussed in a later section of this thesis.

initiated periods of economic reform that shift back and forth from market liberalization to recentralization. This section draws from Helen Yaffe's (2009) description of the "*Guevarista Pendulum*" used to refer to the variability in economic policy between "what is desirable and what is necessary" for Cuban socialism. The swings are a result of the process of negotiation between the actors in the Cuban system, with the goal of securing consensus at each stage. Each swing represents a period of market liberalization followed by a reversal of reforms in favor of political and social concerns.²⁶

Sovietization: 1976-1985

This period marks a shift toward market liberalization. From the 1970s through the 1980s, the Soviet Union granted Cuba subsidies in the form of well-below-market pricing for petroleum, as well as preferential trade arrangements (Zimbalist 1988). Economists estimate that subsidization of Cuba represented 23 to 26 percent of Cuba's national income at that time (Ritter 2004). With the subsidies came increased Soviet influence on Cuban political economy, leading to the adoption in 1976 of the Soviet-style economic management system that had been previously rejected under Ché Guevara (Yaffe 2009).

Under Soviet economic influence, from 1971 through 1985, the Cuban state showed its first signs of movement toward market liberalization with the legalization

²⁶ Yaffe's (2009) periods do not directly line up with those used in this thesis, but they are not in conflict. It is noted that she characterizes the swings as "away" and "towards" Ché Guevara's BFS system, while I describe them as swings to and away from market liberalization. In that way our swings are reversed. Yaffe's periods, according to her nomenclature, are: 1970s (swing away); 1986 (swing toward); 1991 (swing away); 2000 (swing towards).

of peasant markets, limited introduction of self-employment and foreign-investment possibilities, and some decentralization measures (Ritter 2004). Some scholars have suggested that these measures led to the best economic growth under the revolutionary government until that date (Mesa-Lago 2004). Others have suggested that the Cuban economic model was inhibited by a lack of diversity in exports, still highly dependent on agricultural products (Pollitt 2004; Ritter 2004). In any event, the liberalization reforms were short-lived. After living conditions improved for the Cuban population under the measures, the leadership desired to retreat from Soviet-style market liberalization and return to “some dear revolutionary institutions” (Mesa-Lago 2004).

Rectification of Errors and Negative Tendencies: 1986-1990

The “Rectification of Errors and Negative Tendencies” is the name of the period beginning in 1986, shortly after Soviet restructuring under Gorbachev (Mujal-León and Busby 2001). This period is generally thought to represent a move away from the Soviet model (Yaffe 2009), which meant a reversal of market liberalization policies. The Soviet *perestroika* had led to changes in Cuban-Soviet relations, most importantly the reduction in grants and favorable prices (Mujal-León and Busby 2001). During this period, the Cuban state initiated a rectification process to reverse growing inequality, halt threats to the revolutionary pride and enthusiasm and prevent political instability (Mesa-Lago 2004), suggesting that the state’s political legitimacy was based in part in the social provisions of Cuban socialism. Consequently, it reversed reforms it had made during the “sovietization” period and initiated a recentralization of major economic decision-making (Gómez 2001), closed farmers’ markets and placed restrictions on private manufacturing (Pérez-López 1992). It also

banned private manufacturers and street vendors (Jeffries 2001) and reinstated moral incentives for workers (Yaffe 2009). The reversal of economic reform during this period has been characterized as “anti-market,” “idealistic,” and the cause of an economic recession to be compounded by the impending democratization of the Soviet Union (Mesa-Lago 2004).

Special Period in the Time of Peace: 1990-Present

The collapse of the Soviet Union in the late 1980s resulted in the loss of subsidies from Cuba’s most important trading partner, a 30 percent drop in GDP between 1990 and 1993, and the collapse of three-quarters of its international trade (Bertelsmann Stiftung 2009a). An economic crisis of such magnitude led to emergency measures in Cuba, the most debated being the economic restructuring which occurred during the era known as the “Special Period.”²⁷

Shortly after the dissolution of the Soviet Union, Cuba enacted a series of market liberalization policies. Much academic and political attention has been devoted to the Special Period reform process, sparking a debate over the nature of the reforms and what they signal. Some scholars view the reforms as a signal of an inevitable transition to capitalist free-market economy (ASCE 1991-2008; Snodgrass 2001; Jatar-Hausmann 1996; Montaner 1990), while others assert that the reforms are but necessary adjustments in the continuation of socialist transformation (Ludlam 2009; Gordy 2006). Though no consensus exists on the nature of the transition, there

²⁷ It is generally accepted that the Special Period commenced in 1990, though whether the Special Period has ended is the subject of debate both within and outside of Cuba. For the purposes of this thesis, and to capture all relevant reforms related to those at the onset of the Special Period, I will treat it as continuing to date. This is not meant as a political judgment of any kind.

is general agreement that the policies were driven by a sudden, involuntary exogenous shock (Fernandes 2003) from the collapse of socialism in Eastern Europe and enacted mostly in response to “the deteriorating international economic environment” (Mesa-Lago 2007; Pérez Villanueva 2002; Pérez-López 1992). To meet the daunting economic crisis, Cuba considered new economic solutions to replace the international support it had lost (Evenson 2003).

Specifically, the state modified its development strategy through institutional and policy changes, which included the legalization of the U.S. dollar, self-employment, foreign direct investment, agricultural worker cooperatives, the decentralization and reorganization of the state enterprise and flexibilization.²⁸ Most of these economic reforms were in place by 1996 (Ritter 2004; Amaro 1998). What follows is a description of the major reforms and what is known or suspected about their impact.

1. Dollarization²⁹

The 1993 reforms included Law-Decree 140, which legalized the possession of the U.S. dollar (Gordy 2006). The motivation behind the law was to alleviate the need to have police and the courts devote time to fighting the illegal attainment of scarce goods on the black market (Gordy 2006). The dollar sector consists of specialty shops and the tourist sector, and sales by local suppliers in the dollar economy have steadily

²⁸ Other reforms included the limited establishment of export processing zones, banking reforms and privatization (Ritter 2004).

²⁹ In November 2004, the U.S. dollar was again removed from circulation in favor of the Cuban Convertible Peso (“CUC”) (Gordy 2006). However, there remain dual currencies establishing dual economies on the island- one for those with access to convertible currency and one for those who rely solely on national currency.

increased since dollarization from 25 percent of total sales in 1996 to 61 percent in 2000 (Brundenius 2009).

The dollarization policy essentially created a dual economy that has been tied to growing inequality and potential class divisions among Cuban workers. Specifically, Cubans with access to this “hard” currency (usually those with family in the United States and those exposed to the tourist sector) are able to purchase scarce goods in stores that only accept dollar currency, while those Cubans who rely solely on state salaries paid in *moneda nacional* cannot (Gordy 2006). Consequently, this policy has been described as causing a “severe division in a society that was previously egalitarian” (Gordy 2004). Although most scholars acknowledge that one of the effects of the policy is that workers in state enterprises make less than those paid in dollars (Ritter and Rowe 2002), the significance and extent of class division as a result of the policy is unknown. However, some scholars have contributed race-based effects to the policy. “With increased reliance on dollars and fewer relatives from abroad from whom they can receive them, Afro-Cubans have found themselves forced to participate in the more illegal aspects of the black market, prostitution and petty theft” (Gordy 2004).

2. Self-Employment

Law-Decree 141 legalized self-employment in at least 117 occupations (Gordy 2006).³⁰ The state considered the policy to be necessary for increasing the production

³⁰ Pérez-Villanueva (1998) reports that self-employment regulation at that time allowed 140 occupations. On September 24, 2010, the official party newspaper, *Granma*, published an article saying that the new “reorientation” process will allow licenses in 178 categories. However, in an interview on November 25, 2010,

of goods and creating jobs (Pérez-Villanueva 1998). The text of the law established that the practice would be heavily monitored in order to prevent “the values of entrepreneurship from contaminating those values and practices fostered by socialism” (Gordy 2006).³¹ Shortly before the self-employment law was enacted, approximately 95 percent of Cubans were formally employed in the state sector, while only 3.3 percent were working formally in the non-state sector (Gómez 2001). As of 2009, approximately 78 percent of the labor force was employed by the state and 22 percent in the non-state sector,³² not including those working informally.

3. Agricultural Worker Cooperatives

UBPCs are financially autonomous from the state, elect their own management, with earnings based on collective performance (Jeffries 2001). Land transferred to UBPCs is still owned by the state, though some of it can be set aside for private consumption by the cooperative (Jeffries 2001). The state transfers ownership of the equipment and the plant to the cooperative (Jeffries 2001). Although the state continues to centrally decide prices and production quotas (Corrales 2004), the cooperatives are granted the right to sell any production above state quotas to third parties (Jeffries 2001). Because production decisions are made by the state enterprise and subject to state planning (Jeffries 2001), some scholars claim that UBPCs lack

Professor Digna Pérez, a professor at the Lázaro Peña national trade union school in Havana, informed the author of this thesis that the number has been increased to 183.

³¹ According to the September 24, 2010 issue of *Granma*, in the contemporary liberalization, the state will remove most of the heavy restrictions for receiving licenses for self-employment in its efforts to “reorient” over a million workers from the state sector to non-state work, including self-employment.

³² Source: U.S. Central Intelligence Agency.

<https://www.cia.gov/library/publications/the-world-factbook/geos/cu.html> (Accessed September 5, 2010).

autonomy (Mesa-Lago 2007). However others acknowledge that UBPCs have increased the space for both participation and for managerial autonomy of the collective (Pérez Rojas and Echevarría León 2001).

4. Foreign Direct Investment

Under Law-Decree 50, enacted in 1982, foreign direct investment (“FDI”) in most sectors of the Cuban economy had been prohibited (Gordy 2006), except for heavily restricted joint ownership between state-owned enterprises and foreign investors (Suchlicki and Jorge 1994). The first foreign project was not completed until 1990, and FDI grew slowly until the brunt of the Special Period crisis in 1992 (Travieso-Diaz and Trumbull 2003). By 1992, the economic crisis was so severe that even the Cuban communist party favored greater promotion of foreign investment, at least in projects that would contribute to the achievement of national development plans (Travieso-Diaz and Trumbull 2003).

Subsequently, in 1994, the state made an important change to the 1976 constitution with respect to property rights, providing specific authorization for foreign ownership (Suchlicki and Jorge 1994). In 1995, the state replaced Law-Decree 50 with Law-Decree 77, permitting foreign investment in most sectors, with the exception of education, health, and the armed forces (Gordy 2006; Travieso-Diaz and Trumbull 2003; Jeffries 2001). The new law established three permissible types of FDI: joint ventures, international economic associations and companies with totally foreign capital (Travieso-Diaz and Trumbull 2003). This would be the first occasion following the revolution when up to 100 percent foreign ownership was possible (Corrales 2004).

The text of the law sets forth the state's position that foreign investment was the only way that Cuba could preserve the achievements of the revolution in the context of global economic pressure (Gordy 2006). This is a frame for national debate over the political economy that the state has consistently employed in times of market liberalization as well as in periods of retreat. Some scholars have posited that the state's underlying reasons for the escalation in FDI in the 1990s were that it considered FDI necessary to help domestic companies meet international quality standards, and that FDI was essential for jumpstarting the economy and inserting Cuba into the global economy (Pérez Villanueva 2002). Another reason suggested for the allowance of FDI was to support the broader development strategy of import substitution (Pérez Villanueva 2002).

Although there is general agreement that this was a significant market liberalization policy, there were some signs that the policy was designed to be limited. The law allows foreign investors to provide capital, technical resources and managerial skill (Travieso-Diaz and Trumbull 2003), but requires all FDI enterprises to hire workers from a state-provided and maintained list (Corrales 2004). In addition, the state maintains control over labor relations by selecting, hiring, promoting, dismissing and paying all Cuban employees in joint ventures (Bertelsmann Stiftung 2009a; Pérez-López 2005). Further, any investment resulting in direct competition with domestic industries is prohibited (Pérez-López 2005; Travieso-Trumbull 2003; Jeffries 2001), and the state normally holds a majority of shares (Pérez-López 2005). As recently as 1999, Cuban officials declared that foreign investment partners would be selected by the state for only those projects that are "really justified" (Pérez-López

2005) in areas of economy that it seeks to grow, and heavy restrictions and controls have always existed on the presence of FDI on the island (Pérez Villanueva 2002). Further, authorization is often approved by the state for a limited period of time, with revocations of prior approvals being a common occurrence (Pérez-López 2005).

An example of one of biggest hindrances faced by potential foreign investors is that the president of Cuba sits on the committee that grants ultimate approval to: investments of total value (including the Cuban contribution) exceeding \$10 million USD, 100-percent foreign-owned enterprises, investments in public works or involving natural resources, investments requiring the conveyance of state property, and any investments involving a business owned by the state armed forces (Travieso-Diaz and Trumbull 2003). Another hindrance on FDI is the requirement to invest in other areas for the state's development plans. For example, foreign investment in the biggest tourist destinations generally requires the investor to invest in other areas of the country so that the state can avoid concentrating the effects of FDI in any one particular area (Pérez Villanueva 2002).

Currently, the largest foreign investors are from Spain, Canada, Italy and France- mostly in the sectors of basic industry, tourism and construction (Travieso and Trumbull 2003). However, 75 percent of all investment has been limited to less than \$5 million USD per investment project, a result that has been attributed to the heavy restrictions on FDI (Travieso and Trumbull 2003). Between 1988 and 2000, more than 530 joint ventures were formed in Cuba, but only 392 of those were still active by the end of 2000 (Pérez Villanueva 2002). In 2002, FDI in Cuba amounted to only \$100 million USD, which is just 5 percent of FDI in Vietnam (Mesa-Lago 2007). To

make this distinction in policy between the countries more clear, in 1997 Vietnam, a country that commenced FDI liberalization at roughly the same time, was able to bring in \$2 billion due to favorable FDI laws that gave FDI a protected and foreseeable structure. Meanwhile declining FDI in Cuba has been attributed to a lack of inducements, as well as government restrictions and the revocation of contracts (Mesa-Lago 2007, Travieso-Diaz and Trumbull 2003).³³

5. Decentralization and Restructuring of State Enterprises

Carmona (2004) regards the 1997 decentralization and managerial restructuring of state enterprises, a policy known as *Sistema de perfeccionamiento empresarial* (“SPE”) as Cuba’s most radical Special Period market reform. The policy was implemented to improve profitability, efficiency and quality while also reducing bureaucracy (Mesa-Lago 2007). However the process is not entirely free from central control. Enterprise management in participating enterprises is allowed to develop its own economic and production plans (Peters 2001). The relevant ministry of the sector in which the business operates controls entrance of a state-owned enterprise into the SPE program. Once an enterprise is selected, the ministry conducts a financial audit and requires the enterprise to develop, in consultation with the union and workers, a business plan for final approval prior to implementation or registration in the program (Peters 2001).

³³ As discussed in the introduction of this thesis, the differences in approach to and use of FDI is deemed critical by some scholars as an explanation of the stability of one-party regimes during market liberalization (Gallagher 2007), making the consequences of Cuba’s limited approach an important feature in terms of comparative study.

Some have billed the state enterprise reform as the enabling of enterprise managers to “conduct business as if the Cuban economy was based on private, market capitalism” (Carmona 2004). However, in practice its use appears to be somewhat limited. The SPE program began in earnest in 1998, with 98 applicants. By 2000 there were 1412 total applicants, only 19 of which had received final approval of their business plans by the central government. By 2001, 244 enterprises had received final approval,³⁴ but by 2002 only 409 out of 3000 total applicants (13.6 percent) had received final approval from the central government and were up and running (Marquetti in Pérez Villanueva 2004), and as of 2009, the central government retains the ability to determine production plans for all state enterprises regardless of participation in the SPE program (Bertelsmann Stiftung 2009a).

6. Flexibilization

The final major Special Period market reform was the introduction of flexibilization. There is not much research regarding the specifics of labor market flexibility in Cuba. However, the SPE program described in the previous paragraphs grants the enterprise manager certain types of internal and external labor flexibility, including the right to hire workers (through a state agency), the right to develop a compensation plan based on pay-for-performance, and freedom from national regulations regarding experience qualifications. Changes to numerical external flexibility include the right to hire employees on short-term contracts, and changes to

³⁴ All data is from Philip Peters’ *State Enterprise Reform in Cuba: An Early Snapshot*. Arlington, VA: The Lexington Institute. (2001).

numerical internal flexibility extended the rights of the SPE manager to create working time arrangements (Peters 2001).

As discussed more fully in the next section, flexibilization in Cuba is limited by national institutions, which require worker and union participation at each step of the process (Peter 2001). Zimbalist and Eckstein (1987) found that flexibilization was implemented subject to extensive worker participation, allowing worker and union involvement in production decision-making. In addition to the participatory institutions, some aspects of internal flexibility, including pay schemes and internal labor markets, remain under the control of the state and are regulated by national institutions such as labor legislation and the state constitution (Pérez-López 2005), which provide social security benefits including salary and retraining during unemployment.

D. Impact of the Special Period Reforms

Whether the Special Period liberalization policies were considered a success or not appears to depend on whether the analyst is measuring success by GDP, political transition, or social impact. Case in point, the Special Period reforms have been referred to by some commentators as “capitalist reforms” “in response to popular pressure” (Snodgrass 2001), “major adjustments (Mujal-León 2009) representing “Castro’s last stand” (Montaner 1990) and the revolutionary government’s strategy for “survival” (Mujal-León 2009). Other scholars characterize the changes more modestly as limited to economic policy, rather than implying political transition with economic transition. For example, Katherine Gordy (2006), suggests that “[t]he texts of these laws made clear that they were not decisions reflecting shifts in the ideology

of the Cuban people or in the nature of the system as a whole but policy responses to changes in the global economy and, to a lesser extent, people's behavior." Steve Ludlam (2009) asserts that the reforms represented Cuba's hope to morph into a new form of socialism capable of safeguarding its fundamental principles while at the same time increasing productivity and efficiency. Indeed, Carlos Lage, Vice-President of the Council of State had stated in 1994, "We will make reforms, but only to save socialism."³⁵

In terms of the economy, the Special Period reforms stimulated modest growth (Snodgrass 2001), and led to a decrease in budget deficit from 33.5 percent of GDP in 1993 to 1.9 percent in 1997 (Gómez 2001). GDP growth resumed in 1994 due to improvements mainly in the agricultural and tourism sectors, and was very positive between 1996 and 1999 (Jeffries 2001). Katherine Gordy (2006) found:

"With the important economic changes, the government has been able to weather the 1990s with the majority of the revolution's achievements intact. Even according to the World Bank's 2001 edition of the World Development Indicators (WDI), Cuba has not only maintained the revolution's achievements in low infant mortality rates, primary education and health care, but improved them despite the presence of the U.S. trade embargo and the collapse of the Soviet trading Block...Much of this has to do with high levels of public spending" (Gordy 2004).

As will be discussed in more detail in the section on Cuban industrial relations, the Special Period economic reforms also had a direct impact on the industrial relations system, leading to an overhaul of the national labor code in 2005 (Ludlam

³⁵ *El País*, June 19, 1994.

2009) and a refocus on the role of collective bargaining and human resource systems during the period described below as “The Battle of Ideas.”

Battle of Ideas,³⁶ Raúl’s New Great Debate and the “Vietnamese Solution”³⁷

The period marking the “Battle of Ideas” in Cuba saw a retreat from market liberalization and a reversal of market mechanisms introduced during the Special Period. Yaffe (2009) describes the period as one of “political regeneration,” and claims that state investment in infrastructure and social programs during this period was “to reverse the marginalization and inequalities provoked during the previous decade.” Reversals included the reduction of joint ventures by 41 percent from 2002-2006 (Mesa-Lago 2007). Specifically, Cuba went from 403 joint ventures in 2002 to just 236 in 2006, accounting for less than 1 percent of employment (Yaffe 2009). Another reversal occurred in 2003, when managers in state enterprises participating in the decentralized SPE program were required to obtain approval from the central bank for purchases as low as \$5000 USD (Bertelsmann Stiftung 2009a). This recentralization of decision-making and retraction from market liberalization has been justified by the state as a protocol needed to control corruption, rectify inequalities and

³⁶ The Battle of Ideas is often thought to have commenced in 2005 (Yaffe 2009); however, retreat from market liberalization appears to have started as early as 2002, as evident from empirical information presented in this section.

³⁷ As of the time of the writing of this thesis, Cuba has entered a new phase of market liberalization, which was announced in August 2010. The internal debate over this issue began in 2007, a new phase of which is occurring simultaneously with the submission of this project. However, data is currently being collected for use in my resulting doctoral thesis. I note that this recent shift toward market liberalization, as of this moment mostly in the form of reduction of state employment, does not alter the main argument of this thesis.

re-energize revolutionary morale (Mesa-Lago 2007) by returning to the building of class consciousness (Yaffe 2009).

In 2007, the Cuban state commenced a debate with Cuban workers over the future construction of Cuban socialism. Helen Yaffe (2009) suggests that the 2007 mass consultations³⁸ were initiated by the state in order for workers to “contribute to a new Great Debate about Cuba’s socioeconomic problems.” Approximately 1.3 million complaints and proposals were collected and reviewed (Yaffe 2009).

This process of mass consultation, was followed by an August 2010 announcement of a new round of market liberalization reforms that will likely have a direct impact on workers. Some commentators have referred to this new shift in Cuban economic policy as the “Vietnamese Solution,” apparently referring to economic reform absent political change (Castañeda 2008). As part of the reforms an official announcement has already been made of the “reorientation”³⁹ of over 1 million redundant workers in the public administration sector, who are to be shifted mostly to self-employment (Weissert 2010). Other reforms are expected to include another stab at decentralization of decision-making to the enterprise (Weissert 2010). Although writers have referred to these newly announced changes as “significant steps in a country where the state dominates nearly every facet of the economy” (Weissert 2010), they are not unlike the reforms implemented during the early stages of the

³⁸ Mass consultations are one of several participatory processes in the Cuban political and industrial relations system. These are discussed in more detail in the section on the Cuban industrial relations system appearing later in this chapter.

³⁹ In the September 19, 2010 issue of *Granma*, there were at least four different words used to describe the industrial relations changes in the new economic model, including: *reajuste* (readjustment), *redimensionamiento* (redimensioning), *reordenamiento* (to put back in order), *transformación* (transformation).

Special Period. Marino Munillo, a high-level economic official, referred to the changes as a “modification of the Cuba economic model,” but stated that “the values of socialism come first, not the market” and “[w]e will continue following centralized planning, but we will loosen up on a group of things.” (Weissert 2010).

In summary, the Cuban socialist political economy has been in constant motion toward and away from market liberalization since almost its inception. Although there has been debate among academics as to the meaning of these market swings, there is almost universal agreement that they represent limited liberalization, particularly in comparison with market liberalization policies in other contexts, including the simultaneous political and economic liberalization in Latin America and the post-socialist cases, as well as those in China and Vietnam- countries who, like Cuba, have maintained a single-party political system, but who, unlike Cuba, have not swung away from the market liberalization that has grown their economies.⁴⁰ In addition, Cuba’s history of increasing worker participation during market liberalization and economic crisis pre-dates its official socialist declaration, starting with the Great Debate in the early 1960s, and renewing continually at critical economic junctures. Although the 2010 reforms that are occurring at this moment have been billed as the “Vietnam Solution,” the liberalization policies appear to be of the same nature as in previous swings toward market liberalization, though the extent of the reforms is yet to be seen.

⁴⁰ These comparative transitions are discussed in more detail Chapter 3.

In the next section I describe the Cuban industrial relations system and its institutions, followed by a discussion of the impact of market liberalization on the industrial relations system and workers.

National Institutions and the Industrial Relations System

The Cuban socialist system is formed by its national institutions, which give structure to the participatory process that is the subject of this thesis. Although Cuba is not a pluralistic political democracy, the following section details the mechanisms of its workplace democracy institutions and the popular participation of workers in matters of political economy. First I discuss the political system and actors, then the complementary institutions, followed by a description of the process providing for worker participation in matters of both political economy and production. This section concludes with a discussion of what we know about the impact of market liberalization on the Cuban industrial relations system and worker participation.

A. The Cuban State and the Political System

Cuba currently has 14 provinces representing 169 municipalities (Central Intelligence Agency 2010), with legislative assemblies at the municipal, provincial and national levels. Article 69 of the constitution describes the National Assembly of People's Power as "the supreme body of state power" that "represents and expresses the sovereign will of all the people" (República de Cuba 2002). Fifty percent of the representatives to all levels of Cuban legislative assemblies are directly elected by secret ballot (Evenson 2003). The remaining fifty percent of all assemblies, including the National Assembly, are selected by the several official mass organizations, including the central trade union federation, the women's federation, neighborhood

organizations, farmers' organizations, university students and the armed forces (National Lawyers Guild 2002). There are no direct elections for the national president; However, Article 74 of the constitution (República de Cuba 2002) provides for indirect election of the President of the Republic of Cuba through direct election by the National Assembly (Central Intelligence Agency 2010). The role of popular participation was expanded during the Special Period through a 1992 constitutional amendment that permitted citizens to directly elect the National and Provincial Assemblies.⁴¹

B. The Communist Party

Traditional communist states provide that the communist party has a leading role in society. The Communist Party of Cuba ("Partido Comunista de Cuba" or "PCC"), like the communist parties in the Soviet Union (Kramer 2003) and China (Li 2004) does not deviate from this basic structure. The PCC is established by Article 5 of the constitution as the "highest guiding force of society and the State, which organizes and guides common efforts toward the goal of constructive socialism and the advance toward a communist society" (República de Cuba 2002).

Approximately one million Cuban citizens are estimated to be members of the communist party (National Lawyers Guild 2002). Cuban officials have explained that the PCC's roles include uniting the interests of the trade unions and the state, increasing economic productivity, and the political and ideological oversight of the enterprise (National Lawyers Guild 2001). As such, it publishes the official newspaper on the island, *Granma*, which communicates correspondence of both the

⁴¹ República de Cuba (as modified on July 7, 1992), Arts. 71, 135.

state and the unions,⁴² as well as national news and cultural events. Debra Evenson (2003), scholar of the Cuban legal system, finds that although the PCC does not govern, administer or legislate, there is an intimate and mutually dependent relationship between the communist party, the state and the unions.

C. Mass Organizations

The 1976 constitution officially recognizes and authorizes several mass organizations, including the central trade union federation, *Central de Trabajadores de Cuba* (“CTC”) (Evenson 2003). Although the 1976 Cuban constitution was adapted from that of the Soviet Union and other socialist states, Evenson (2003) argues that one of the reasons it remained uniquely Cuban is because it “reflected extraordinary national character and contained important innovations not found in its models, such as constitutional recognition of, and grant of authority to, national social organizations, least of not which was the national union.” These mass social organizations have the constitutional right to propose legislation through their elected representatives, participate directly in the decision-making bodies at all levels (municipal, provincial and national) of governance and approve any legislative proposals affecting workers (Ludlam 2009; República de Cuba 2002).

Scholars have used the phrase “democratic centralism” to describe the Cuban system of communist party oversight of the mass organizations through which Cubans participate in creating socialism (Rosendahl 1997). It should be noted that there are some scholars that have questioned whether official mass organizations in Cuba are independent forums for political participation (Fernandes 2003), though this is a

⁴² The union also publishes its own weekly newspaper, *Trabajadores*.

common concern of commentators suspicious of the dual roles played by unions and other worker organizations in most one-party communist systems (Evenson 2003), including China (Kong 2006; Xiaoyang and Chan 2005) and Vietnam (Kong 2006). However, Dilla (2009) adds that the CTC and other mass organizations have begun to show “critical distance” from the state by creating new roles since the Special Period (Fernandes 2004; Fuller 1985).

Central de Trabajadores de Cuba (“CTC”)

The CTC was created in 1939, twenty years prior to the most recent Cuban revolution, as a central organization of the twenty national unions⁴³ (Alexander 2002). However, the CTC has transformed since its pre-revolutionary form. Its relationship with the Batista dictatorship immediately prior to the revolution has been described as volatile and compromising (Alexander 2002). The CTC was also not favored by Fidel Castro’s July 26th Movement because it failed to support the revolution until it after victory was secured (Alexander 2002). Upon the successful overthrow of the Batista administration, the new revolutionary government replaced the leaders of the CTC with members of the July 26th Movement and other supporters from the political parties that supported the revolution (Alexander 2002).

The CTC is the only constitutionally recognized trade union federation (Evenson 2003), although formal authorization from the state is not necessary to create a labor organization in Cuba (National Lawyers Guild 2002). The CTC is obligated to share and adhere to the goals and policies of the Cuban communist party (República de Cuba 2002), and as mentioned previously, in addition to its close relationship

⁴³ A complete list of the national trade unions can be found in Appendix C.

with workers, it also shares a close relationship with the state and party. For example, it is not unusual for its leaders to simultaneously hold high-level state government posts (Evenson 2003; National Lawyers Guild 2001), and at least one scholar has noted that there appears to be some communist party influence in the election of provincial and national officers (Evenson 2003). However, Evenson (2003) asserts that without the right to dues check-off or union security, the CTC remains financially autonomous, and has been found to maintain a separate role in the industrial relations system, at least since the 1970s (Fuller 1992). The CTC is independent from state subsidy and union membership is voluntary. Dues average about 1 percent of wages, which the union must collect on its own accord (Evenson 2003).

The CTC, as a constitutionally recognized mass organization for workers, has the power to propose legislation at the municipal, provincial and national levels.⁴⁴ In addition to representation in the National Assembly, the CTC, like other mass organizations, is permanently represented in Cuba's Council of State (República de Cuba 2002), a 31-member legislative body, which includes the President of Cuba (Central Intelligence Agency 2010). CTC leaders are elected at the CTC Congress, scheduled to be held every 5 years (Evenson 2003).

In addition to its role in the participatory processes discussed later in this section, the CTC also serves as a cultural hub for worker social events by providing union members with access to sports and leisure activities for very nominal fees (National Lawyers Guild 2007). The CTC also has a history of maintaining a role in

⁴⁴ Article 88 of the constitution endows the CTC with the power to propose laws (República de Cuba 2002).

enterprise productivity. For example, in 1976, the Secretary General of the CTC officially created the National Association of Innovators and Inventors (“ANIR”) to provide technical assistance to all economic sectors of the country (Camnitzer 2003). The organization was founded in honor of Ché Guevara and the groups he organized and is comprised of groups of technical experts and academics with the duty of solving problems related to scarcity of resources through innovation (Camnitzer 2003).

National Trade Unions

The CTC functions in a fashion similar to that of the AFL-CIO in the United States. It is currently comprised of 20 national unions, representing approximately 98 percent of Cuban workers (Evenson 2003). The national trade unions are organized by sector and structured so that one national union has jurisdiction over all of the workers in a particular industry, regardless of classification or craft (National Lawyers Guild 2002).⁴⁵ All but two of the national unions, The Union of Hotel and Tourism Workers and the Union of Science Workers, have been existence for approximately twenty years or more (National Lawyers Guild 2002).

Trade unions are structured at grass roots (local), municipal, provincial and national levels corresponding to the CTC’s structure.⁴⁶ The lowest level of union organization is the section (*sección*), which is often organized within departments or shops (Evenson 2003) at the workplace and sub-workplace level. The rank and file elects all section leaders directly by secret ballot every 2 ½ years (Evenson 2003).

⁴⁵ A full list of the 20 national trade unions can be found in Appendix C.

⁴⁶ An organization chart of CTC and national unions can be found in Appendix D.

Also on the local level, each enterprise generally, though not always, has its own local organization, known as a bureau (*buró*), which is equivalent to union locals in the United States (National Lawyers Guild 2008). Bureau leaders are professional union staff paid by the union, and they are responsible for negotiating collective bargaining agreements and handling disciplinary matters for workers (Evenson 2003). They, too, are elected every 2 ½ years by secret ballot by members of the various sections (Evenson 2003). In addition to section and bureau union officers, shop stewards serve at the enterprise level and are elected directly by the rank and file at the shop in which they work.

D. Complementary Institutions

Labor rights are embedded structurally in the constitution, the national labor code and in complementary legislation (Martínez-Navarro 2009). Labor and social security are treated by the state as one concern and come under one agency. The Ministry of Labor and Social Security (“Ministry”) oversees the Institute for Labor Relations and Studies, the Institute of Labor Rights and Studies, the CTC and its trade unions, and the treatment of human and financial resources (Ministerio de Trabajo y Seguridad Social 2010). The most recent national labor code was constructed in 2000 (Evenson 2003), and a major revision was commenced in 2005. That revision is currently in its 26th draft as of 2009 (Martínez-Navarro 2009), without yet being codified.⁴⁷

National Pay Scale

⁴⁷ The last known codification of the Labor Code was in 1984 (LWBUL 2009).

The Ministry sets the national pay scale with input from the CTC (National Lawyers Guild 2004; 2001). In a 2008 meeting,⁴⁸ the Secretary General of the CTC at that time, Salvador Valdez, stated that the salary scales are divided into 22 groups, with the minimum wage set at 225 Cuban pesos/month (approximately \$10 USD/month) and the top salary for leaders set at 750 pesos/month (approximately \$34 USD/month) (National Lawyers Guild 2008). The average Cuban base salary is about \$20 USD/month.⁴⁹ Valdez further explained that workers advance in pay by 30 to 40 percent based on seniority (National Lawyers Guild 2008). In addition to this base salary, bonus incentives are available for meeting individual and collective productivity goals, often paid in convertible currency as opposed to the national currency, which could lead to a doubling of the monthly salary (National Lawyers Guild 2008). This is because the exchange rate between the national currency (the Cuban peso, “CUP”) and the convertible currency (“CUC”) is about 29 to 1.⁵⁰

Dispute Resolution

Cubans refer to worksite conflicts as “contradictions,” which assumes that conflicts can be resolved “within the parameters of socialism” (Fuller 1992). Methods for workplace dispute resolution are set nationally under Law-Decree 176, passed in 1977, which established the grievance procedure (CTC 2006). Article 5 of Decree-Law 176 (MTSS 1997) establishes a “Grass Roots Labor Justice Board”

⁴⁸ The author of this thesis was a member of a group of U.S. attorneys that interviewed the CTC officials.

⁴⁹ BBC News. “Cuba to Abandon Salary Equity.” June 12, 2008. Available at: <http://news.bbc.co.uk/2/hi/7449776.stm> (Accessed on September 7, 2010).

⁵⁰ Conversion as of September 7, 2010. <http://www.flightpedia.org/exchange-rate-1-cuc-cup.html>

(Organa de Justicia Laboral de Base, or “OJLB”), which is an enterprise-level grievance mechanism. The OJLB has been described as the basic forum for resolving grievances on the shop floor, and it is the gateway into the court system on appeal from any party to the dispute (National Lawyers Guild 2001). It has jurisdiction over disciplinary actions, violations of collective bargaining agreements, as well as any discrimination claims under Article 42 of the constitution (MTSS 1997). The OJLB has three permanent members: one representative of enterprise administration, one union representative and one rank and file member selected by the workers (MTSS 1997). Hearings of the OJLB are held at the worksite and are open to the public (National Lawyers Guild 2001).

Now that I have laid out the actors and the complementary institutions of the Cuban industrial relations system, I turn to the institutions that are the subject of this thesis- the Cuban workplace democracy system.

E. Worker Participation Institutions

From the Cuban perspective, the way to ensure that workers are owners of the means of production is to create structure at all levels of society to facilitate high levels of worker participation (Evenson 2003) through a multiplicity of forums (Fuller 1985). The institutions through which workers engage in popular and workplace participation are legally mandated (Fuller 1986), and by law, the implementation of any labor legislation requires prior worker and union participation (Evenson 2003) and worker consensus (Ludlam 2009). It has been argued that the Cuban participatory institutions have no match in the Eastern European socialist countries and remain unmatched in most of the Western hemisphere (Evenson 2003). However, research

into the full extent of Cuban worker participation has not yet been conducted (Ludlam 2009)- a gap this thesis is meant to fill.

In addition to representation in the national and complementary institutions described earlier, there are at least three mechanisms for formal worker participation: (1) workers' assemblies, (2) mass consultations and (3) collective bargaining. I discuss each in turn, and then describe the role of the CTC in facilitating worker participation.

Workers' Assemblies

Workers participate in monthly meetings at their worksites during which enterprise managers provide business reports to workers, who in turn are allowed to discuss productivity, raise workplace complaints and recommend action (Evenson 2003). Workers' assemblies are not only used for enterprise-level meetings to discuss production and services, but to debate national issues as well (Fuller 1986). Specifically, all proposed labor legislation must be debated in the workers' assemblies, including legislative proposals from higher levels. Such proposals are first submitted by the Ministry to the trade unions, which then submit the proposed legislation to the workers through workers' assemblies throughout the country (Evenson 2003; National Lawyers Guild 2001). For example, national unions and the Ministry work collaboratively to decide on national incentives. Once agreement is met, the local unions meet with enterprise administration to formulate proposals for how to distribute the incentives. Any proposal then must be presented to the workers in a meeting of the workers' assembly for rejection or acceptance of the proposal (National Lawyers Guild 2005).

Mass Consultations

In case of emergency political and economic issues, such as Raúl Castro's new Great Debate, a constitutionally guaranteed process for public mass consultation (*consultas públicas*) is invoked, where workers in provinces throughout the island are gathered in their worker assemblies' to discuss and vote on proposals (Ludlam 2009; República de Cuba 2002). Steve Ludlam (2007) provides an illustrative example of a state proposal in the early 2000s to allow firms with foreign investment to employ workers without protection of the labor code. An estimated two million workers participated in the workers' assemblies throughout the island to discuss the measures. Ludlam reports that during a live televised meeting (apparently done to increase worker knowledge), the General Secretary of the CTC verbally confronted then President Fidel Castro for over an hour resulting in the defeat of the proposal.

The mass consultation process is currently taking place with respect to the 2010 labor reorientation and development a new economic model. This process is particularly understudied, lacking information regarding its frequency or usage- another gap in empirical knowledge that I hope to fill through observation of the process as it is currently occurring.

Collective Bargaining

The requirement that every workplace have a collective bargaining agreement is guaranteed in complementary legislation to the Labor Code (Martínez-Navarro 2009). Subjects for bargaining are very broad and include such issues as the direction and future of the enterprise, promotion and hiring procedures, work schedules, distribution of incentives and even methods for tip redistribution (National Lawyers

Guild 2001). The 1984 Labor Code establishes that proposed terms to a collective bargaining agreement may not be implemented, and have no legal force, unless and until they have been approved by the workers (LWBUK 2009). Newly bargained collective bargaining agreements must be approved in workers assemblies with at least 75 percent attendance before they can be implemented (Ludlam 2009; República de Cuba 2002).

F. Unions and Worker Participation

Despite being the only officially authorized labor organization, some scholars have found that at least since the 1980s, the CTC facilitates an environment of increased worker participation and union involvement (Fuller 1992; Zimbalist and Eckstein 1987). Linda Fuller (1992), an expert on Cuban workplace democracy, found that from 1960 through 1970, the CTC served as a mere “mobilizing agent” for the state in economic development, and lacked interest in facilitating worker participation. However, in 1970, the union began to use a variety of forums, discussed previously in this section, to increase worker participation with enterprise management and the state. In addition, it has created a new identity for itself in the field of labor education.

Labor Education

The CTC’s role in educating its officials and the rank and file is one way the CTC has carved out a separate role from that of the communist party and the state (Fuller 1992). In 1975, the CTC created *la escuela Lázaro Peña*, a national trade union university that educates approximately 2000 workers per year free of charge and is financed exclusively by the CTC (Evenson 2003). Fuller (1992) asserts that this

new role makes the union the mechanism through which workers are mobilized, educated, organized, and coordinated to take full advantage of existing participatory opportunities. She states:

“The Cuban unions were central to workers’ participation in the planning process at both base and supraworksite levels in a number of ways. First, the process created opportunities for workers to expand their comprehension of production and economic matters, one of the aspects of democratization as empowerment. Yet this required of workers a certain level of general and technical knowledge, as well as an understanding of economic planning, if they were to avail themselves of these opportunities. The effort the union devoted to these educational tasks could be the subject of a study in itself.”

The basic degree program offers courses in economics, management, labor law, international labor policy, accounting, work teams and other labor-management and economic topics.⁵¹ The objective of the schools is to train the more than 5100 professional trade union officers across the country that are employed directly by the CTC and the more than 400,000 leaders who are also rank and file trade unionists with full-time jobs. (National Lawyers Guild 2008). Matriculation at the school is free of cost to the students, who also receive their full salary pay from their full-time occupation (Hill 2008). In addition to offering formal training through the national and provincial trade union schools, the CTC organizes seminars and courses for union members and publishes educational articles for union leaders on topics such as the most successful methods for soliciting worker input (Fuller 1982).

⁵¹ From a February 2009 interview with the CTC leadership and faculty at a provincial branch of the Lázaro Peña school. The interview was conducted in Spanish by the author of this thesis. Interviews are noted following the bibliography.

In sum, although the Cuban political system is not a pluralistic democracy, it contains democratic features, including an electoral process that provides for direct, secret ballot election of union leaders and most state leadership, and indirect election of the president through direct election of the state's highest legislative body. In addition, formal procedures exist that allow for substantial worker control over production and legislative reform, which national institutions require to be debated with workers in their workers' assemblies, mass consultations and collective bargaining processes. For the past 40 years, unions have focused on facilitating worker participation, particularly through the formal and informal labor education of union leaders and rank and file membership in matters of political economy at the enterprise and in the broader economy in an effort to improve worker control. Although a complete picture of the full extent of worker participation in Cuba is unknown, at least one scholar has found the institutions to be democratic and increasing in effectiveness. Particularly understudied is the impact of mass consultations triggered during change in political economy, a task that this thesis seeks to take on directly in an effort to fill the gap in existing knowledge and to examine the link between market liberalization and worker participation.

In the next section I set forth the literature with respect to what is known about the impact of market liberalization on the workplace democracy institutions just discussed.

Impact of Market Liberalization on Cuban Participatory Institutions

Even those scholars critical of whether democracy or civil society exists in Cuba acknowledge that the market liberalization since the Special Period of the 1990s

resulted in more participation between the state and workers. Sujatha Fernandes (2003) studies Cuban civil society and asserts that “ordinary Cubans” are revising Cuban political ideology as well as the definition of “revolution,” specifically its political ideals. In her work demonstrating how Cubans participate politically through music and art, she states:

“[S]ince the early nineties there has been a process of liberalization in Cuba. There has been more room for critical debate, previously taboo topics are being addressed more openly and the political leadership has shown a greater willingness to negotiate with critics.”

How this process of debate works has not been studied in terms of industrial relations and political economy. It is my hope that this thesis will increase knowledge of process by examining the impact of market liberalization on worker participation. There is also a dearth of information on the impact of market liberalization on the Cuban industrial relations system in general, though the 2009 comments of Elio Valerino, then head of labor and social affairs at the CTC, suggest that the ongoing 2005 labor reform is a result of economic restructuring:

“Since 2005, Cuba has been trying to undo the social disorder that has been the consequence of the economic crisis of the 1990s and the measures taken to ensure the survival of the Revolution. The Labor Code reform will be completed as the material conditions for its adoption are established, and after a full period of consultation with workers on the draft Code. In the meantime many changes are taking place.”⁵²

British scholar Steve Ludlam (2009) suggests that although further study is needed, the 2005 labor code revisions appear to have increased worker protection in the face of

⁵² Mr. Valerino was interviewed by the National Lawyers Guild in Havana, Cuba in February 2009. The author of this thesis participated in that interview.

economic restructuring in the following ways: by extending legal rights to full-time training and university education without loss of salary or seniority; by clarifying the rights of workers on part-time, temporary and other atypical contracts and by reiterating the need for union and worker agreement to the implementation of the law.

Thus, market liberalization appears to have opened up, rather than decreased, the ability of “ordinary” Cubans to participate and negotiate change with the state. Specifically, Cuban citizens have gained the ability to engage with the state in the determination of the boundaries of Cuban socialism. Although further research is needed, it may in fact be that labor protections have also been increased as a result of market liberalization.

Summary

The Cuban political economy has been characterized by periods of market liberalization and retreat for most of its post-revolutionary history. Of particular interest to scholars have been the 1990s market reforms instituted after the collapse of the Soviet Union and the crippling economic crisis that followed. Indeed, Cuban market reforms during that period include those that have occurred in other contexts, including increased self-employment, FDI liberalization, agricultural reform, decentralization, state-owned enterprise reform and flexibilization, including some uniquely Cuban ones, such as dollarization. However, most of these reforms, including FDI liberalization, were enacted with heavy restrictions, a strategy that will be shown later to have been an important economic restructuring tool for rapid economic growth in the Chinese and Vietnamese market liberalizations. In fact, not only did Cuba restrict a tool known to produce economic growth in countries who

were facing similar global crises, it abandoned the reforms that it had implemented, despite the fact that it was able to reduce its deficit from by over 30 percent in just four years. In most cases, whether in furtherance of market liberalization or in retreat from it, the state, unions and party usually used the same frame for its underlying justification for reform: that the proposed restructuring was the only way to save Cuban socialism and its revolutionary gains.

The Cuban institutions for worker participation are embedded in the structure of the Cuban political system and supported by laws and complementary institutions that provide for extensive participation by workers in matters of political economy and production. Even critics of Cuban democracy have acknowledged that participation has increased with market liberalization, as well as the willingness of the state to negotiate change with workers. Despite the close relationship between the union, state, party and workers, or perhaps because of it, the union has been active in facilitating participation of workers, not just by serving as representatives, but also through its important role in labor education of both union officials and workers in its national trade union university. Because research into the effectiveness and full extent of worker participation and the process for negotiating change between the worker and state in the Cuban state is currently understudied, a thesis examining that very process during this new round of market liberalization will be very valuable to building knowledge not just for Cuban studies, but for its implications for understanding the relationship between market liberalization and participation more broadly.

To that end, in the next chapter I review the existing literature guiding the study of comparative industrial relations transition in order to lay the foundation for

the study of the relationship between market liberalization and worker participation. It is followed by a comparative chapter setting forth the market liberalizations in Latin-American, post-socialist and Sino-Vietnamese cases, and what is known about the impact of economic restructuring on workers in those contexts.

CHAPTER 3

COMPARATIVE INDUSTRIAL RELATIONS TRANSITION

Introduction

This chapter reviews the relevant existing literature guiding examination of the impact of market liberalization on industrial relations system transition and worker participation. My purpose is to show that the Cuban case raises important questions concerning the importance of national participatory institutions during economic transition.

Market Liberalization and Industrial Relations Transition

The rash of political, economic and social change occurring globally since the 1970s has been studied by industrial relations scholars in order to inform our understanding of how such transition impacts national industrial relations systems (Katz and Darbishire 2000). Scholars have studied industrial relations transitions in industrialized democracies,⁵³ post-socialist political economies,⁵⁴ as well as regional transitions in Latin America⁵⁵ and Asia.⁵⁶ What has emerged from this comparative industrial relations scholarship is general agreement that there is a link between

⁵³ Thelen (2001); Katz and Darbishire (2000); Locke and Thelen (1995); Locke (1992).

⁵⁴ Feldmann (2006); Lane (2005); Burawoy (2001); Milenkovich (2001); Lane (2000). For a discussion of the effects of the collapse of communism in Eastern Europe and the dissolution of the Soviet Union on labor relations, see Melvin Croan (1992) and Mitchell Orenstein (2008).

⁵⁵ Murillo (2005); Gereffi (2005); Collier and Collier (2002); Dombois and Pries (1994); M. Cook (2007); M. Cook (1999).

⁵⁶ Lee (2007); Tran (2007); Gallagher (2005); Xiaoyang and Chan (2005); Kuruvilla and Erickson (2002).

market liberalization and industrial relations system transition (Feldmann 2006; Gereffi 2005; Ost 2000). This is due in part to the laws, institutions and practices controlling the relationships between workers, unions, capital and the state (Kochan, Katz and McKersie 1994; Dunlop 1993) that link the workplace to social, political and economic dynamics at the national and transnational level (Hyman 1995).

Locke, Piore and Kochan (1995) are among the industrial relations scholars that have found that similar forces acting at the global level pressure states to pursue comparable economic outcomes regardless of diversity in domestic institutions. Further, it is commonly believed that global market integration causes competitive environments that are the driving force of change in industrial relations systems (Kuruvilla and Erickson 2002). For example, in single-party communist China, desire for rapid economic development led to a competition between local state leaders to recruit FDI in their respective regions (Gallagher 2007), while an economic opening after the debt crisis resulted in extensive market liberalization in newly-democratized Latin American countries (Collier and Collier 2002). Scholars generally agree that Cuba's Special Period market liberalization can also be attributed to global economic pressures after the collapse of socialism in the East (Pérez Villanueva 2002; Mesa-Lago 2007). This shove towards greater global integration resulted in economic and industrial relations changes similar to those deemed to constitute industrial relations system transformations in other national contexts (Gereffi 2005; Carillo 1995). However this strand of literature does not explain why a state would abandon market liberalization, particularly when economic conditions are improving and the global pressures still exist. Specifically, despite economic data showing that Special Period

market liberalization was at least moderately successful (Snodgrass 2001), and led to a reduction in deficit of over 30 percent in just four years (Gómez 2001), Cuba reversed course and retracted market reform policies (Yaffe 2009). Thus, if we also consider change in the direction away from market liberalization, there must be an explanation other than economic pressure for what drives industrial relations change.

Existing literature also suggests that industrial relations system change is converging globally towards decentralization of bargaining and increased internal and external flexibility at the enterprise level (Kuruvilla and Erickson 2002). This increasing flexibility has been associated with decrease in worker participation in Latin America (Pozas 2003), China (Li 2004) and Vietnam (Tan 2007) but has been linked to increased worker participation in the Cuban case (Zimbalist and Eckstein 1987). Similarly, decentralization has been associated with a decrease in worker control in China (Li 2004) and Latin America (M. Cook 1999), but has been linked to substantial worker control in Cuba (Peters 2001), suggesting some domestic forces impact market liberalization.

These two separate strands of literature suggest a general convergence in the driving forces of industrial relations change and market liberalization policies, but there are some explanations for variations across states.

Comparative Institutions

Different historical events shape countries in different ways (Collier and Collier 2002). For this reason industrial relations transition requires a contextualized approach that takes into account the political significance of the economic challenges faced in each particular national context (Locke and Thelen 2005). Such a theoretical

approach requires close attention to the national institutions that define and shape the goals and strategic interactions between actors (Locke and Thelen 1995). Locke and Thelen (1995) outline a contextualized approach focusing on the identities of the actors and the political significance of the different political and economic challenges they face in their particular national context. The identities of the actors must be analyzed with attention to the institutions that define and shape the goals of the actors and structure the strategic interactions between them (Locke and Thelen 1995).

In adopting this approach, I must identify the particular “sticking points” of conflict between the actors in the Cuban system. The authors identify several sticking points gleaned from study of industrial relations transformations in Europe: centralized wage bargaining and solidaristic wages in Sweden, (2) working time flexibility and wage flexibility in Germany, (3) the “scala mobile” in Italy and (4) reorganization of work and issues of job control in the United States (Locke and Thelen 1995). Comparative scholars also have identified labor market flexibilization in Latin America (M. Cook 1999; Pozas 1993); economic efficiency and social cohesion in Eastern Europe (Orenstein 2008); worker control (Gallagher 2007; Li 2004), wage differentiation, job security, egalitarianism, poor goods provisions (Lee 2007) and the elimination of social welfare provisions in China (Gaochao 2004) as points of conflict between state and labor. Some or none of these factors may be sticking points in the Cuban case, so fieldwork will be necessary to determine the relevant challenges faced by the actors in the Cuban context.

Once these sources of conflict in the Cuban system are identified, a framework for measuring change in industrial relations system institutions must be selected.

Erickson and Kuruvilla (1998) tackled a troublesome conceptual issue with respect to how to distinguish between transformation and non-fundamental change. Specifically, they suggest that in determining whether there has been transformation, researchers should focus on changes in the essential components of the “deep structure” of the economic and industrial relations systems instead of focusing on outcomes such as workplace practices and the organization of production. Under this framework, the first undertaking is the identification of the key components of the fundamental structure of the system and its dynamics. (Erickson and Kuruvilla 1998). Field research will uncover additional key components of the fundamental structure of Cuban socialist IR, though there is general agreement that workplace democracy institutions are key to the fundamental structure of the socialist industrial relations (Fuller 1985; Evenson 2003).

Katz, Kuruvilla and Turner (1994) established that after industrial relations systems are established, they are generally stable and do not change for long periods of time. I argue in this thesis that Cuban socialism is stable despite market liberalization because a key component of its fundamental structure, worker participation, has remained unchanged. However, existing literature demonstrates that it is important that the theoretical approach includes focus on incremental changes that can add up to a major discontinuity, resulting in institutional transformation (Streeck and Thelen 2005). For example, Mary Gallagher (2007) showed that by experimenting with FDI liberalization in its non-state sector, China was able to gradually transform its key social welfare institutions, including social goods

provision, egalitarianism and worker participation through a process of slow erosion of its social contract with workers.

This need to account for incremental change has been the subject of recent debate in the institutional literature focusing on the proper conceptualization of institutions and how it affects our understanding of the relationships between institutions and economic actors during transition (Deeg and Jackson 2010). Similar to Katz, Kuruvilla and Turner (1994), Hall and Soskice (2001) originally offered a framework that held institutions as largely stable entities that actors may alter incrementally in response to global economic pressures, but are almost impervious to complete transformation. However, critics of this framework question the heavy emphasis on institutional stability and find that it lacks the ability to account for institutional change (Allen 2004; Howell 2003). Deeg and Jackson (2010) explain that the Hall and Soskice framework may be overly-reliant on path dependency theory, and suggest alternatively that institutions should be viewed not only as incentive-based entities that constrain the actors and their strategic choices during times of transition, but also as potential vehicles for “new courses of action that (incrementally) change those institutions.” Specifically, they assert that:

“actors respond to changing competitive economic pressures by regular experimentation with the institutions that govern them. Often this experimentation or ‘adjustment’ reflects a process of stabilizing the existing institution through a minor modification toward new ‘ends in view.’” (Deeg and Jackson 2010).

Accordingly, to account for incremental adjustments, Streeck and Thelen (2005) developed a 4-group typology of institutional change. The categories are: (1)

“reproduction through adaptation,” describing minor changes used to stabilize rather than transform; (2) “survival and return,” describing the reemergence of an institution through critical junctures; (3) “breakdown and replacement,” describing the termination of one institution that is subsequently replaced by a new one; and (4) “gradual transformation,” which describes incremental changes that result in a fundamental transformation of an institution over a long period of time.

The Streeck and Thelen (2005) framework does not change my argument that Cuban socialism has not been substantially altered by its market liberalization. Under their framework, Cuban socialism during transition would likely fall into the categories of “reproduction through adaptation,” “survival and return,” or “gradual transformation” because I expect fieldwork to show that complementary participatory institutions mediate or negate transformation from Cuban socialism through a process that allows the actors to renegotiate their roles and responsibilities under socialism and to adapt the institution without substantially altering it. Under this process of transition negotiation, the actors are able to find a consensus on the balance between market reform and welfare concerns, while concurrently redefining the institution of Cuban socialism. In this way Cuban socialism and the industrial relations system it supports remain relatively stable, even if fundamental changes have occurred to key components of the system.

As described above, the institutional literature offers explanations for the how actors impact institutions and institutional change. However, because I am not simply interested in institutional change, but also the process actors use in

negotiating industrial relations change, I turn now to additional literature explaining how actors interact during transition.

Ideology and Strategic Action

Burawoy (1985) suggests that industrial relations system transition cannot be explained without an understanding of the ideological processes governing the political participation of workers. One reason is that key actors experience change and strategize their responses to transition through their respective ideological lenses (Adler 1987). International relations scholar Emanuel Adler (1987) defines political ideology as the “collective understanding of individuals who, being conscious of each other’s roles, beliefs, expectations and purposes, offer strategies for action or solutions to problems that can be used to change reality.” Each actor interprets or judges events and conditions then uses beliefs about the causes and effects in the political realm to inform their expectations of others (Lieberman 2002). Although critical historical events that precipitate change may affect an actor’s belief system, ideologies generally evolve rather than being completely displaced (Adler 1987). Thus, determining why any actor in a system behaves in a particular way during transition requires that the researcher understand how the actors think (Anner 2004; Sikkink 1991).

For example, workers who had recently rejected both unionism and socialism in the post-socialist states were found to maintain a desire for social cohesion during transition, which served to restrain the strategic choices of the new democratic governments during the implementation of neoliberal market reform. Orenstein (2008) conducted a comparative study of simultaneous political and market liberalization in Poland and Czechoslovakia and found that because governments were

responsible for stringent adherence to new democratic institutions, they were forced by the public's popular demands into "democratic policy alternation" between policies designed to increase economic efficiency and those that would provide social cohesion. Despite the historic popular rejection of socialism in the region (Crowley and Ost 2001; Orenstein 2008), the existence of strong democratic institutions allowed workers to impact the strategic choices of states by inserting their ideological demands for social welfare protection in the midst of neoliberal market transition.

Orenstein's democratic policy alternation theory offers an explanation for the swings in Cuba's market liberalization policy throughout its socialist history, reflecting the changing demands of workers in response to the negative consequences suffered during periods of increased market liberalization. However, his theory explains *why* states make certain strategic choices during transition and does not seek to explain the *process* by which the state and workers negotiate ideas and reach agreement on the limits of state market reform. For that, the discussion turns to what is known about how ideas are exchanged between groups during transition and the politics of persuasion.

Ideas and Collective Action

Groups of actors comprehend the world and its changes through sets of ideas (Anner 2004). These ideas, as well as the state institutions and the relationships between workers and the state create, promote or restrain labor outcomes during transition (Sabel 1982). Consequently, collective action within and between groups is made possible through shared values and understanding, which assist actors in determining allies and opponents (Della Porta and Diani 1999). Actors then use

cultural frames to provide meaning or interpretation to events and to provoke mobilization (Snow, Rochford, Jr., Worden and Benford 1986). For example, Debra Javeline (2003) analyzed participants in the 1990s Russian protests over wage arrears and found that the key factor in whether workers participated or not is whether they knew whom to blame for the failure. Those workers who protested were those who had been convinced of a specific enemy, while those who did not protest tended to be confused about who or what was responsible (Javeline 2003).

The Javeline study of worker protest in Russia demonstrates that blame attribution can be used to analyze labor response and worker mobilization. This supports my choice of conflict theory and blame attribution as an appropriate theoretical framework for explaining how the Cuban state and workers reach agreement on shared values with respect to market liberalization. Viewing Cuban industrial relations transition through this framework, the state frames market reform in terms of a value both the state and workers share- saving Cuban socialism. During the ensuing participatory process, the state then tries to convince workers that due to economic conditions caused by the United States and global capitalism (“them”), difficult market reform must be enacted in order to alleviate inefficiencies and save the achievements that they have worked so hard to attain under Cuban socialism (“us”). As my argument goes, if the state is successful in attributing blame in this manner, workers are more likely to feel compelled to support the state during the transition, thus delaying protest, because to behave otherwise would be seen- by the state and workers themselves- as a rejection of Cuban socialism.

According to Gallagher (2007), China also developed a frame to sell its market reform to workers. It shifted the public debate from whether the reforms were capitalist, to whether it was in the nation's best interest, or in other words from "liberalism" to "nationalism" (Gallagher 2007). Thus, the state ran a political campaign to convince workers that Chinese nationalist ideology had not shifted to capitalism, but rather was in line with the more popular justification- "nationalistic developmentalism." The state justified this frame by suggesting that Chinese nationalist development required heavy foreign investment and other market reforms (Gallagher 2007). With respect to whether workers accepted the state's underlying justification for reform, evidence shows growing worker protest directed at the local state level, attributed mostly to frustration with the destruction of the social contract and workplace discrimination (Lee 2007).

That states feel compelled to justify market liberalization policy has its roots in the need for political legitimacy and consensus. Burawoy (2001) argues that in one-party socialist systems, it is critical that the party and state not only justify their authority, but also elicit consent from workers, which leads to a system of substantial worker control. Joseph Stiglitz (2002) profoundly expresses the link between participation, shared ideas and political legitimacy:

"If individuals believe they have had a meaningful participation in the decisions that are affecting them, they will be more willing to accept changes, even if they are adversely affected. But if they believe that those changes have been imposed on them, either by outsiders or by illegitimate governments who have not taken their concerns into account, then resentment is more likely to mount and to lead to socially destructive outcomes."

Fieldwork is needed to confirm how Cuban workers feel about the quality and effectiveness of their participatory mechanisms, but as detailed in Chapter 2, the Cuban state remains politically stable and has not yet had to face significant worker protest, despite market liberalization policies that have had adverse economic and societal effects.

At least one very important one-party communist state, China, has not exactly followed Burawoy's proscription for political legitimacy through consensus, and there is some evidence that its failure to afford meaningful participation during transition may be linked to the type of negative social outcome predicted by Stiglitz. Prior to economic transition in the 1980s, the Chinese system of popular participation⁵⁷ required, much like Cuba's, the participation of workers in national political debates (Gaochao 2004). However, some scholars report that even before the decentralization of decision-making that accompanied the market reforms, fundamental workers' issues were determined centrally by the state, rather than by workers in their enterprises (Gaochao 2004). In addition, even perfunctory rights on paper were found to have been lost as a result of market liberalization (Gaochao 2004). In her work on convergences and divergences in labor responses across ownership types in the "rustbelt" and "sunbelt" in China, Lee (2007) uncovers rising resentment in protests at the enterprise and city levels. The protests, particularly those by "rustbelt" workers, were mainly found to be related to what workers felt was a broken social contract between the worker and the state (Lee 2007). Gallagher (2007) suggests also that

⁵⁷ Chapter 4 contains more detail with respect to the change in worker participation laws during Chinese market liberalization.

growing managerial control and worker fragmentation has resulted in workers feeling marginalized (Gallagher 2007). Thus, it appears, at least from the contrasting Cuban and Chinese cases, that worker participation influences to some extent how workers view market liberalization, but what do we know about how market liberalization has impacted worker participation?

Worker Participation

Despite the fact that some scholars have asserted that the extent to which workers participate in economic planning “lies at the heart of the problem of the democratization of production” (Fuller 1992), the relationship between market liberalization and democracy in the workplace remains understudied (Hatcher 2006). One obstacle to such research has been the lack of a clear definition of workplace democracy. Not only is the existing literature wanting in terms of a clear conceptualization, it suffers from an absence of agreement on the conditions or purpose for democracy at work.

Among the limited agreement found in the literature is a general consensus that regardless of national political context, workplace democracy, at the least, involves a reallocation of power to workers (Hatcher 2006; Nightingale 1982; Comisso 1979) over major organizational decisions (Hatcher 2006) that were traditionally subject to the unilateral direction of management (Comisso 1979). Moreover, achieving workplace democracy is generally thought to require worker voice (Collom 2003; Rothschild 2000) in matters which materially affect them at the workplace (Nightingale 1982), but perhaps also in industry and government (Comisso 1979). Like the Cuban studies literature, the heterogeneity surrounding the conceptions and

lexicon for describing workplace democracy has been attributed mostly to varied ideological, political and economic interests of its proponents and opponents (Collom 2003; Nightingale 1982). Further complicating the matter is that the definition and appeal of workplace democracy also varies with the environment, particularly with respect to the national political context (Street 1983).

For example, North American human relations scholars typically focus on forms of worker involvement confined to a hierarchical work organization structure (Nightingale 1982). Under this theoretical framework, worker participation is presented as an alternative form of work organization to combat global competition (Applebaum and Batt 1994), achieve economic eminence in the global economy (Kochan and Osterman 1994), and increase levels of productivity (Markowitz 1996). On the other hand, scholars of socialist workplaces conceptualize workplace democracy as an issue of class that transforms the relations in production (Burawoy 1985), and ideally includes greater solidarity among workers (Comisso 1979). Consequently, in these systems a focus on the overarching ideology governing industrial organization has been seen as an informative proxy for examining the “underlying interests” in workplace democracy (Collom 2003).

The ownership and control granted to workers in a democratic workplace provides the legal foundation to protect and sustain democratic control (Rothschild 2000). Italian Marxist Antonio Gramsci is one of the earliest theorists of workers’ control in planned economies. He saw workers as producers and their enterprise-level councils as the base units in a workers’ state in which citizenship obligates each individual to be a productive member of the collective community (Comisso 1979).

This is similar to Ché's "New Man" created under his BFS system in which he made it an obligation and a duty for every Cuban worker to be productive and efficient (Guevara 1971). In these types of Marxist systems, actors' roles are governed by a direct ideological and institutional relationship between worker participation at the enterprise level and in the broader political economy (Comisso 1979).

Li (2004), a scholar of labor relations in the Chinese communist system, has stated that the creation of trust between workers and management requires that workers have power over management "opportunistic" behavior (Li 2004: 360). She says this is possible either through an operative collective bargaining system in the presence of a well-developed social security system, or legislatively through unambiguous worker participation rights (Li 2004). In fact, Burawoy has gone so far as to state "all socialisms have the characteristic feature of fusing production politics and state politics" (1985: 158). In such systems, participation is a value in itself, as well as a component of industrial organization (Street 1983). Burawoy describes two separate ways in which the merger of production and state politics guides society in socialist systems. In "collective self-management," workers as producers drive change in a system, while in "state socialism" change is directed from above (Burawoy 1985).

The connection between worker participation and the relationship between the actors has been established by scholars of Yugoslav self-management who have shown that worker participation created a profound connection between the party and the workers (Meister 1965), and that unions served as two-way transmission belts through which enterprise actors were brought into line with the party's social goals

while worker control at the enterprise influenced the party (Comisso 1979). In the Cuban case, in the period prior to the 1970s, the Cuban unions were negatively referred to as “two-way” transmission belts because they were seen as simply mouthpieces for the promotion of state economic policy whose without commitment to worker participation (Alexander 2002; Fuller 1986). However, since the 80s some scholars have found the union to display “critical distance” (Dilla 2009) from the state and party, and to be particularly involved in creating an environment for lively worker participation (Fuller 1992; Zimbalist and Eckstein 1987). However, this does not appear to have been the case in China.

Li (2004) argues that the lesson the Chinese market reformers took from the Yugoslav self-management experience is that it leads to poor economic performance. Throughout the Chinese market liberalization process, market reforms have reportedly harbored general opposition to worker participation as an institution, despite some legislative reform granting certain participatory rights to workers’ representative congresses (Li 2004). In fact, scholars suggest that management control in China has simply grown stronger with market liberalization (Gallagher 2007; Li 2004; Gaochao 2004), as doubts linger as to the effectiveness of the workers’ representatives (Li 2004).

The full extent of the impact of worker participation has not yet been studied in Cuba (Ludlam 2009), a void this thesis seeks to fill. Linda Fuller (1992) conducted the last known comprehensive study, but it covers only the immediate post-revolutionary period and ends before the Special Period reforms. In her 1992 study, Fuller set out to show that workplace democracy existed in Cuba, and that it increased

during the 1970s and 1980s. She was able to suggest a typology for measuring workplace democracy in Cuba, which is employed as a starting point for analysis of contemporary participation. She examines several major issues she claims are pertinent to workplace democracy, including: (1) participation in economic decision-making; (2) the nature of production decision-making; (3) the extent of worker collective action; (4) the arenas determining how production is controlled and (5) the amount of participatory forums. In her earlier work, she also indentified three stages of production decisions in the Cuban industrial relations system: (1) formulation, (2) implementation and (3) evaluation (Fuller 1985).

Though fieldwork will identify the nature and extent of participatory mechanisms in the contemporary Cuban system, it is known at the very least that there exist worker assemblies based in the workplace that serve as forums for decision-making at the enterprise and for popular participation in the broader issues of political economy. In addition, the state is currently employing its mass public consultations in the Cuban process of national debate over transition in the political economy. I believe that fieldwork will show that the structure of workplace participation in Cuba ensures that the party and the state must employ the participatory mechanism in order to legitimate their authority and gain agreement from workers on market reform, which arguably leads to a system of substantial worker control during transition.

Summary

This chapter provided a review of the literature motivating my argument about the stability of Cuban socialism notwithstanding market liberalization, and the importance of national participatory institutions in bringing forth that outcome. While

much fieldwork must be done in establishing the “sticking points” of potential conflict in the Cuban system, the importance of worker participation to the Cuban industrial relations system suggests that absent change to it, there will be no fundamental change to the institutions of Cuba’s socialist industrial relations system.

CHAPTER 4

COMPARATIVE TRANSFORMATIONS

Introduction

This chapter describes comparative transitions in other contexts to allow for further exploration of the similarities and differences in market liberalizations and their impact on workers. Because Cuba is geographically located in Latin America, but is also a single-party socialist state, I review existing empirical and theoretical knowledge about industrial relations transition in the Latin American, post-socialist and Sino-Vietnamese cases. In each section, I present a summary of what we know first about market liberalization in each region, then what is known about the impact of market liberalization on workers and worker participation in each context.

Latin American Transformations

A. Market Liberalization

Latin American countries faced many “critical junctures”- trigger events for institutional change- in the 1970s and 1980s, including the military repression of trade unions in the 1970s and the debt crisis of the 1980s (Collier and Collier 2002). It was the debt crisis that led to the economic opening in the 1990s for most of Latin America (Munck 2004; Dombois and Pries 1994). In addition, a spate of “pluralistic democratization” occurred in the Latin American region (Anner 2004: 88), about which there is some debate as to the sequence of transition, with some scholars finding that democratization (political pluralism) preceded market liberalization (M. Cook 2007) and others treating the events as simultaneous occurrences (Anner 2008).

There is general agreement that most countries in the region initiated development models that included market liberalization policies, which some scholars have referred to as “economic restructuring,” and equated with “neoliberalism” (M. Cook 1999). Affected countries received pressure from international actors such as the Inter-Development Bank and the World Bank to implement the market liberalization policies of the “Washington Consensus” as conditions for economic assistance (Collier and Collier 2002; Munck 2004). In line with the neoliberal program proposed by such external actors, economic reform in the region was part of a switch in broader development strategy from import substitution models to export oriented models (Munck 2004). The specific policies enacted by Latin American countries included foreign direct investment, trade liberalization, privatization, deregulation of the labor market and fiscal austerity (M. Cook 1999) and labor market flexibility (Munck 2004). These policies were not unlike those employed in Cuba, at least in nature.

B. Impact on Labor

Changes in economic, fiscal, and trade policy are viewed as the key variables driving the structural, legal, and political reforms affecting workers and unions in the Latin American transitions (M. Cook 1999). Economic policy reform eventually led to decreased state economic activity in most of the region (M. Cook 1999; Munck 2004), as states privatized many aspects of social welfare (M. Cook 1999; Dombois and Pries 1994), including education, social security, and pension-fund systems (M. Cook 1999). However, the role of the state was found to be crucial in Mexico, whose leaders created an environment to favor export capital over workers (Pozas 1993). In

addition, it was through state action in most countries that laws were changed, including flexibilization policies and, in some cases, protective labor legislation, suggesting that at least some states retained a strong role in industrial relations (M. Cook 1998). Cuba's Special Period restructuring was not immune from pressures to cut state expenditures. In fact, the Cuban government cut subsidies to state enterprises and brought budget deficits below 4% (Bertelsmann Stiftung 2009a). However, unlike the transitions in this region, Cuba resisted the privatization social welfare benefits for workers.

Although Latin American states pursued market liberalization, in some countries many basic labor rights that were absent during the preceding military dictatorships⁵⁸ were restored and some were expanded (M. Cook 1998; M. Cook 1999; Anner 2004). This increase in protective labor reforms has been attributed to pluralistic democratization, domestic rights advocacy, and international pressure through the threat of trade sanctions (M. Cook 1998). However, notwithstanding the restoration and expansion of basic labor rights and the increase in protective reforms, scholars of Latin American industrial relations have noted a tendency of states in the region to demobilize labor's role in industrial relations systems in order thwart its ability to contest economic reform (M. Cook 1999).

Previous to this particular period of political and industrial transformation in the region, namely from the 1960s through the 1980s, the success of the Cuban

⁵⁸ Mark Anner (2004) notes that Latin America from 1960s to the 1980s, suffered from extreme authoritarian rule, whose leaders, out of a perceived threat created by the Cuban revolution, suspended and restricted basic labor rights "in the interest of national security and development" (Anner 2004: 88).

Revolution led to the radicalization of the union movement in several countries in Latin America (Anner 2004). However, military rulers found a way to use state corporatist mechanisms to instill in unions a belief in the “harmony of class interests,” (Anner 2004: 125). The result was that in the 1990s, Latin American unions declined in power at both the national and individual firm level where flexibilization was found to have reduced worker control over production and working conditions (M. Cook 1999). Some scholars say the decline in union density rates show that the strength of organized labor in Latin America deteriorated during the transition period (Anner 2004). Maria Cook (1999) has attributed the decline in union power to deterioration in union membership due to a decline in formal-sector employment, the decline of manufacturing and expansion of services, reduced public-sector employment and an increase in temporary and part-time employment. In addition, increases in part-time and temporary employment and the entry of more women into the labor market, was found to complicate the strategic response of unions (Catalano and Novick in Portella and Wachendorfer 1995).

On top of the decline in union power in the region, labor market flexibilization across the region was found to have held important consequences for the roles and relationships between firms, workers, states and unions (M. Cook 1999). For example, the implementation of flexible techniques and associated workplace practices was found to create new conflicts in the workplace, particularly in the areas of wages, training and productivity (M. Cook 1999), as well as productivity bonuses, skill structure, task rotation and relationships with supervisors (Pozas 1993). With respect to worker participation in the region- despite discourse suggesting that the new

labor market flexibility would be accompanied by increased participatory mechanisms (M. Cook 1999; Pozas 1993)- there is no evidence that it ever occurred. By contrast, in the Cuban case the literature holds that there is some evidence that market liberalization actually led to an increase in worker participation. Additionally, at least one scholar has reported the presence of cooperative flexibility rather than conflict in Cuban SOEs (Evenson 2008).

In sum, the simultaneous, or near simultaneous democratizations, in the political and economic systems of Latin American countries after the debt crisis led to neoliberal market liberalization in predicted forms of increased FDI, privatization, labor market flexibilization and deregulation and fiscal austerity. The impact on labor was largely negative due to privatization of welfare services, demobilization of unions and a lack of worker participation. In contrast, Cuba's market liberalization was not predicated by a debt crisis, nor driven by the neoliberal framework of the Washington Consensus. Though it shared some reforms, such as labor flexibilization and reduction in public sector employment, in the Cuban case, workers were not subjected to market liberalization in the absence of continued social protection, or in the face of a demobilized union.

Post-Socialist Transformations

A. Market Liberalization

There is vast scholarly research comparing the transitions in Latin America and Eastern Europe (Croan, et. al 1992; Przeworski 1991). In attempts to devise a unified model for democratization, experts found a ready comparison between the Latin American transformations of the 1970s and 1980s, and the Eastern European

transitions of the late 1980s and early 1990s. To this group of scholars, the Latin American combination of political and market liberalization appeared particularly comparable to the fall of Soviet-styled socialism and the transformation to free market economy in Eastern Europe. Transition theorist Adam Przeworski found the similarities so striking that he declared that the East had become the South (1991). In what Béla Greskovits (1998) refers to as the “postcommunist breakdown of democracy literature,” researchers attempted to explore how societal actors respond to transition from communist or socialist ideology in the economic and political arenas. Experts predicted grand working-class opposition to the imminent democratization of the political and economic system in Eastern Europe (Fuller 1999). However, that opposition did not rise.

The post-socialist transitions in Eastern Europe and the Soviet Union generally followed a model of simultaneous political democratization and radical and rapid market liberalization (Ost 2009). Like the transitions in Latin America, economic restructuring was designed and financially supported by international agencies with a neoliberal ideology and an anti-communism agenda (Orenstein 2008). Thus, the economic restructuring programs, also like those in Latin America, featured radical market liberalization programs (Ost 2009).

Burawoy (2001) compared the Russian transition to those in Central European countries, Poland, Hungary, the Czech Republic and also China and found that the variances in the nature, extent and pace of transitions depended on the antecedent conditions before democratization and alternative strategies of transition. Burawoy’s study found that before the collapse of socialism, both Hungary and Poland had

already transitioned to a market economy that was significantly more advanced than Russia's had been prior to democratization. With respect to alternative strategies of transition, he found that both Czechoslovakia and Hungary chose gradual economic liberalization with protective measures, while Russia chose a rapid pace for transition. These differences in state strategies are believed to have been influenced by a state's commitment to new democratic institutions (Orenstein 2008).

B. Impact on Labor

With the political and economic transitions came a dismantling of the social welfare state, which at that time was being framed as "unproductive" (Crowley and Ost 2001: 2). Although there was some variance across states, workers in the post-socialist transitions suffered a dramatic wage decline (Crowley and Ost 2001). For example, "[C]ompared with 1989 levels, average real per capita income was down by 13% in Hungary in 1993, by 12% in Poland and by 18% in the Czech Republic, and by 1995 average real wages had gone down [compared with 1989 levels] by over one-fifth in Hungary and over one-quarter in Poland, though by less than one-tenth in the Czech Republic" (Vanhuysse 2004: 421). Unemployment also increased.

"Unemployment, officially non-existent under state socialism, shot up to 9% in Hungary and 12% in Poland in 1991, and further increased to reach 12% and 16% respectively in 1993. In the Czech Republic, however, it remained much lower at around 3%" (Vanhuysse 2004: 421-422).

Apparently the most surprising finding in the post-socialist transitions was the lack of worker protest despite the wage and unemployment effects of transition.

Scholars had been convinced that the level of economic depression should have brought with it significant worker protest. Vanhuysse (2004: 422) stated:

“In combination with cuts in social expenditure and state subsidies, these transitional costs hit many groups who were accustomed to extensive social protection. In terms of social peace and democratic consolidation, this made for a potentially explosive cocktail.”

However, not only did that opposition not arrive, the post-socialist strike action has even been called “peaceful” (Vanhuysse 2004: 422).

Stephen Crowley and David Ost (2001) assembled case studies of ten separate Eastern European countries to analyze why European unions remained weak social and political actors throughout the region during the transformation. They found unions to be weak in all ten countries, notwithstanding economic, political and institutional differences. They concluded that the communist legacy had an institutional and ideological impact that weakened collective action during the transition. More specifically, communism carried with it (1) a history of union and management being closely related and sharing the same side, (2) a need to convert the role of the union from that of benefits provider on behalf of the state to rights defender on behalf of the worker, and (3) a mindset in workers and unions that unions were part of the problem, creating a “crisis in socialist ideas” (2001: 229).

The implications of this work to the Cuban case brings about an important distinction in the Eastern European cases, which is that most of the blame for the unpleasantness of the political and economic transition was attributed to socialism itself and all of its institutions, including the unions (Ost 2009). As was discussed earlier, the survival of socialism, as opposed to its destruction, was framed by the

government as the underlying justification for reform. This being the case, Cuban trade unions, as noted in Chapter 2, have been key in the facilitation of worker participation in market reform, as opposed to being an enemy to which blame is attached.

In sum, the post-socialist cases represent a very different political environment under which transition occurred. In the Cuban case, workers' value of Cuban socialism, its institutions and the *conquistas* of the Revolution are ones they seek to protect, rather than destroy. It happens also that socialism is what structures the workplace democracy institutions in Cuba, affording Cuban workers a process for negotiating matters of political economy and production. Fieldwork is necessary to determine how workers actually feel about participatory mechanisms, though the existing literature discussed in Chapter 2 establishes that, unlike in Eastern Europe in the 1990s, Cuban socialism itself remains popular, or at least preferred.

Sino-Vietnamese Transformations

A. Market Liberalization

Institutional economists have held China as an exemplary case of evolutionary transition- "a market economy nurtured and protected within the womb of the party state" (Burawoy and Verdery 1999: 5). China's economic reforms were implemented gradually, focused on the economy only, and represented a wide scope of changes involving SOE reform (Dickson 2007) and FDI liberalization (Gallagher 2002).

Substantial SOE reform started in the early 1980s⁵⁹ (Li 2004, p. 359). The communist party's expressed goal of the reform was to establish in state-owned enterprises "transparent property rights, clearly identified rights and responsibilities, separation of government and enterprise, and scientific management." (Li 2004: 362-363). SOE reform was increase again in 1997 when the party expanded privatization of small SOEs and collective-owned enterprises to include large and medium-sized SOEs, which were to be restructured as shareholding corporations (Li 2004). Decentralization of decision-making to enterprise managers, who were granted unilateral control over all the vital aspects of factory governance, was also found to be a priority for Chinese transition (Gaochao 2004, p. 324). In contrast, Cuban SOE reform in the late 1990s required enterprise management to consult with the union and workers in the creation of a business plan for final approval prior to implementation (Peters 2001), maintaining worker participation.

China's FDI law was also changed in the 1980s, opening its economy to foreign investment in three main forms of FDI: joint ventures, cooperative joint ventures, and wholly foreign-owned subsidiaries (Huang 2003). Dickinson (2007) asserts that China afforded FDI favorable treatment in order to induce more foreign investment into the country because its political legitimacy was predicated on economic growth. This "favorable treatment" came in the form of the active promotion of FDI through more preferential policy treatments "far exceeding" that

⁵⁹ However, see Marangos who claims that SOE and privatization reforms began in 1995 when "[i]t was announced that 1000 of the largest state-owned enterprises were to remain under state control and that the 13,000 large and medium-sized state-owned enterprises, as well as most of the 350,000 smaller companies, were to be denationalized" (2004: 601).

accorded to its domestic private firms (Huang 2003). The Chinese state made foreign investment the basis of its political legitimacy by fostering this belief, and then justifying it, through a campaign to convince workers that they needed a globally competitive national industry. The result is said to have been a reformulated ideology that shifted importance from state ownership to “national ownership” (Gallagher 2007). By contrast, in the Cuban case 100 percent foreign-owned ventures were not possible before 1995, and its granting is still very restricted (Pérez-López 2005). Further, in framing this reform policy, the Cuban state called referred to it publically as the only way to save the achievements of the revolution in the face of global crisis (Gordy 2006).

China has been described as pursuing a pragmatic, rather than ideological approach to privatization, starting with agricultural reform (Marangos 2004). The privatization process has been described as one initiated by local governments- and encouraged by the central government- because of budget constraints and increased competition from the non-state sector (Marangos 2004). However, it is the “private,” “non-state” village enterprise sector (“TVE”) which has been described as comprising the most significant structural adjustment (Marangos 2004). TVEs have been described as enterprises administratively controlled and owned by local governments at the township and village levels which serve as the “main engine of industrial growth in the reform period” (Marangos 2004: 600). In fact, some scholars claim that an important part of the “private” sector in China is actually controlled by the party at the local or national level (Ferrero 2001; Morduch and Sicular 2000; Solnick 1996; Shirk 1993).

Thus, in comparing China and Cuba, one of the biggest differences is in the strategic choices of the state relating to FDI liberalization. China's reform process focused on early and extensive use of FDI (Gallagher 2002). Although there seemed to be no need for flexibility in the Chinese industrial relations system prior to global competition (Kuruvilla and Erickson 2002), Chinese labor practices have shifted overwhelmingly toward favoring firm autonomy, flexibility, and managerial control of worker organizations (Gallagher 2007). This is as a result of greater decentralization in SOEs and growing levels of FDI (Kuruvilla and Erickson 2002).

In circumstances almost identical to those faced by Cuba, the disappearance of the Soviet Union and Easter Bloc and the economic crisis that followed obliged the Vietnamese state to consider new policies to support its devastated economy and to secure political stability (Bunck 1997). Vietnam's program included the privatization of state enterprises, radical discontinuation of subsidies to SOEs, the abolishment of thousands of state firms and the lay-off of almost a million workers (Bunck 1997: 21), and a commitment to the recruiting of FDI. Specifically, in 1997, Vietnam was able to bring in \$2 billion due to favorable FDI laws that gave FDI a protected and foreseeable structure (Mesa-Lago 2007). However, unlike in Vietnam, declining FDI in Cuba has been attributed to a lack of inducements, as well as government restrictions and the revocation of contracts (Travieso-Diaz and Trumbull 2003; Mesa-Lago 2007). Further, Cuba's economic restructuring has been more restricted than those of China and Vietnam (Mesa-Lago 2007); however, at least one scholar believes Cuba is following "China or Pinochet model of economic reform without political reform" (Amaro 1998). To this point, Perkins (in Domínguez 2004) also argues that

Vietnam is a good comparative case for Cuba because of the size of its economy, former deep reliance on the Soviet Union and the timing of its reforms, which were also implemented under a U.S. embargo. Despite these admitted similarities, it must be noted that unlike Cuba's limited and restricted incursion into liberalized markets, Vietnam engaged in immense and radical economic reforms (Fritzen 2003). Julie Bunck, a scholar on women in post-Cold War Cuba and Vietnam, explains that Cuba chose the more cautious and less costly route, noting that the Vietnamese were drawn to the idea of rapid economic development, while the Cubans preferred incremental changes (1997).

B. Impact on Labor

The impact of market liberalization in China includes wage disparity, job insecurity and the loss of welfare provisions and participatory rights. The traditional egalitarian wage system was replaced with an incentive-based pay-for-performance system (Gaochao 2004), despite institutional, social and political discouragement of wage differentiation between workers (Gaochao 2004). Labor market flexibility has led to job insecurity as lifetime employment has been replaced with short-term contract work (Gaochao 2004). And, like in other socialist transformations, the elimination of traditional socialist welfare provisions such as medical facilities in factories, as well as schools, was found to be an additional concern of workers (Gaochao 2004).

The Chinese state has allowed these adverse consequences, despite the fact that studies show that what Chinese workers want is egalitarianism, job security, social welfare and participation. As Gaochao (2004) notes:

“[Chinese] workers prefer job saving and job loyalty. Any reform which threatens workers’ job security is tantamount to assaulting workers’ fundamental interests. This finding also shows that for most workers, the main concern is not so much their dependency on the workplace, but the insecurity of their jobs...[F]indings confirm that Chinese workers have similar preferences to those of workers around the world. Three decades of socialism have only enhanced Chinese workers’ desire for the alternatives which are fundamental to workers’ interests...The majority (71.3 percent) of the respondents prefer improving, rather than eliminating these services” (2004: 326-327).

Unlike in most other transitions, some data exists on the impact of market liberalization on worker participation in China. As in the Cuban socialist system, under the former Chinese system workers were obliged to participate in political discourse in the political economy at large and in the workplace, with very limited discretion afforded to enterprise managers (Gaochao 2004). However, Gaochao (2004) asserts that with the transition and decentralization, many decisions pertaining to issues such as job security, wage scheme and welfare provisions have been delegated to factory managers. However, in 1988, the All-People Owned Enterprise Law (“Enterprise Law”) was passed, requiring SOEs to adopt democratic management, which should give power to a congress workers’ representatives as the “organ in which the employees exercise the power of democratic management” (Li 2004: 363). The Enterprise Law gives workers’ representatives authority to evaluate SOE management decisions, and to participate in production decisions concerning work rules, wages, and the distribution of benefits. As Li (2004) explains:

“The Enterprise Law provides a congress of employees’ representatives with the following rights and power. First, the congress of employees’ representatives *reviews*

major management decisions, annual business plans, major investment projects, allocation of retained profit, and changes in ownership structures, and makes suggestions or proposals. Second, it *approves* or *disapproves* wage and bonus distribution schemes, work protection measures, work rules, and other important rules and policies. Third, it *decides* the use of the employees' welfare fund, the distribution of housing, and other major issues concerning employees' welfare. Fourth, it evaluates and oversees the managerial staff and makes reward or punishment proposals. Fifth, the congress of employees' representatives may elect the manager of the enterprise, provided this is required by a decision by the government office that is in charge of the enterprise." (Li 2004: 363-364) Emphasis in original.

The Enterprise Law as enacted by the National Congress of People's Representatives has been described as the result of a political compromise between reformers who believe that worker participation is bad for economic performance, and the trade unions and communist party who favored it (Li 2004). However, because most of the SOEs were restructured in 1992 into corporations, the Corporation Law enacted in 1993 significantly reduced the participatory power of workers' representatives. Under the Corporation Law, workers' representatives lost the right to managerial review of important decisions; the ability to veto or approve wage schemes and work rules or to decide welfare distribution (Li 2004). Further, it has been suggested that in actual practice, the decision by workers' congress' to exercise existing participatory rights has varied, and that management has become more dominant in the face of ineffective unions (Li 2004). Contrarily, in the Cuban case, the worker participation scheme pre-dated market liberalization and was part of its 1976 Constitution (República of Cuba 2002). In addition, its dispute resolution

through the joint committees comprising the enterprise-level Organs of Labor Justice was created in 1977 (MTSS 1997). To date there have been no laws enacted to restrict worker participation rights, or the rights of worker mass organizations.

Gallagher (2007) has suggested that without political transitions, trade unions in China “have gone in the same direction as those in the post-socialist world: toward further marginalization and weakness” (2007: 96). She points to management domination of worker organizations, particularly the trade union, as factors in increasing managerial control and worker fragmentation (Gallagher 2007). Labor conflict has been found to be increasing rapidly, despite increasing use of labor dispute resolution processes (Gallagher 2007), attributed to an increasing dissatisfaction of workers to growing marginalization at the workplace (Gallagher 2007). However, in the Cuban case, labor unions have been found to have increased in autonomy and effectiveness in facilitating worker participation since the 1970s, including playing a large role in educating workers in matters of political economy and production to ready them for the negotiation process (Fuller 1992).

Lee (2007) finds convergences and divergences in the types of protests across Chinese regions. The convergences include (1) decentralized, or “cellular” activism limited to enterprise or city level (as opposed to across regions) and (2) passionate protest directed at local level state officials (as opposed to central political leaders). However, there are regional divergences between “rustbelt” workers, who mainly protest due to poor goods provision by the government framed as a broken social contract, and “sunbelt” workers, who protest against discrimination and rely heavily on the new legal institutions that are supposed to protect them, but are used against

them. Similarly, in Vietnam, the state's preferential policies for FDI has led to growing tensions between the state and the unions and spontaneous collective action in response to flexibility in both FDI and state owned enterprises. Most of those reported strikes have occurred in the FDI sector (Tran 2007). In the Cuban case, the right to strike is not mentioned in the constitution (República de Cuba 2002), but there have been no reports of significant worker protest as of yet linked to market liberalization or retreat.

In sum, the comparison between the Sino-Vietnamese cases and Cuba highlight the role of the state in determining political, economic and industrial relations outcomes. All three states are invested in maintaining socialist, one-party rule, but they have been able to achieve that despite very different approaches to negotiation of reform with workers.

Summary

In this chapter, as well as throughout the literature review comprising this thesis, comparative transformations in other contexts generally lead to an expectation that market liberalization results in a negative impact on labor, despite differences in nature, extent or pace of market reform, or even regime type. However, worker control and participation during market liberalization has declined in every other context discussed here during transition, while worker participation in Cuba tends to *increase* during times of change. These differences in labor outcomes, including growing worker protest in single-party socialist states, highlights differences in national participatory institutions and the ability of workers to participate, or at least

believe they can, in the decisions impacting their present working condition and future social well-being.

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APPENDIX A

SELECT ECONOMIC DATA CUBA

Economic indicator	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000*
Rate of growth GDP (%)	1.2	-3.1	-10.7	-11.6	-14.9	0.7	2.5	7.8	2.5	1.2	6.2	
Sugar Output (million tons)	8.121	8.100	7.700	7.000	4.280	4.000	3.300	4.450	4.252	3.200		
GDP earned by Agriculture (%)*												7
Oil Output (million tons)	0.718		0.550	0.882	1.107	1.299	1.471	1.475	1.462	1.600		
GDP earned by Industry (%)*												46
GDP earned by Services (%)*												47
Inflation rate (%)					19.7	25.7	11.2	0.5	2.9	5.0		
Budget surplus or deficit (% of GDP)	-7.2				-33.5	-7.4	-3.5	-2.5	-2.0	-2.5		
Hard currency debt (\$billion)	6.2	7.0	8.4		8.8	9.1	10.5	10.5	10.1	10.4		
Population (million)	10.5					10.96	10.98	11.01	11.04	11.07		

Table from Jeffries 2001: 279 (Citing Source Mesa-Lago and Pérez-López (1999:25); Pastor and Zimbalist (1995: 708); Zimbalist (1993b; 152, 164); Deere (1997: 651, 657); *Financial Times*, Survey, 24 March 1999; *Financial Times*, 4 January 2000, p. 5)

*2000 Data from EarthTrends 2003

APPENDIX B

GUEVARA'S BUDGET FINANCE SYSTEM (BFS)⁶⁰

The BFS

1. Finances should be centrally controlled; enterprises operate with a budget and hold no independent funds.
2. Money serves as a means of account, a price reflection of an enterprise's performance, not as a means of payment or as a form of financial compulsion. There is no credit or interest but only planned investment directed by the state according to the national development strategy.
3. The socialist economy functions as one big factory. There are no financial relations or commodity exchange between state-owned enterprises because there is no change in ownership when products are transferred between them.
4. Education, training and salary structures foster a concept of work as a social duty, decommodifying labour by gradually cutting the link between work and remuneration. Education must be linked to production and self-improvement to economic development
5. The law of value and the Plan give expression to contradictory and antagonistic forms of social organisation of production and distribution. Planning allows the conscious organisation of the national economy in pursuit of political objectives. The Plan must be democratically formulated by workers, but its fulfillment is ensured by a system of supervision, inspection and economic analysis in real time, inventory controls and annual reports. These are elements of 'administrative control', and alternative to the financial control applied under the Auto-Financing System (AFS). Administrative mechanisms, combined with appeals to consciousness, are the main levers for increasing efficiency.
6. Lowering production costs, not the profit motive, is the key to increasing productivity. It must be accompanied by quality controls.
7. The most advanced forms of technology and management techniques possible should be borrowed from capitalist corporations without fear of 'ideological contamination' - preparing for technological advances even while struggling to overcome backwardness.
8. Flexibility is necessary in decentralising without losing control and centralising without curbing initiative. Tapping into the creative energy of workers to find solutions to daily production problems means encouraging

⁶⁰ This list of the key principles of Ché Guevara's Budget Finance System and his methodology for political economy is reproduced from Helen Yaffe's book, *Ché Guevara: The Economics of a Revolution* (2009), as referenced in the bibliography of this thesis.

the process of learning by doing, trial and error, making corrections *sobre la marcha* (on the move), and promoting the view that commitment to production is a revolutionary act.

9. Workers must appropriate the production process, determining the plan and developing the productive forces for themselves as the collective owners of the means of production. This is essential for transforming surplus value (in capitalism) into surplus product (in socialism) and production for exchange (exchange-value) into production for use (use-value).
10. Under capitalism, competition for profits constantly revolutionises the productive forces. Socialist society must foster the application of science and technology to production without the profit motive. Research institutes prepare for immediate and future developments, working closely with the relevant ministries, enterprises and student faculties.
11. Economic development strategy should focus on the full chain of production from raw materials to electronics and automation. This is essential for securing an independent socialist economy and obtaining value-added from exports.
12. There is a dialectical relationship between consciousness and production. Incentives are the key to raising productivity and efficiency. Material incentives must be gradually replaced by moral incentives and the concept of work as a social duty, replacing alienation from the production process and the antagonism generated by class struggle with integration and solidarity.
13. There is a need to create forums for criticism and open debate, being determined to get to the root of problems in order to solve them. Leaders must be responsible and accountable. It is essential to work with technical experts regardless of their political affiliations, harnessing their expertise in the interests of socialist production and integrating them into the revolutionary process.

APPENDIX C

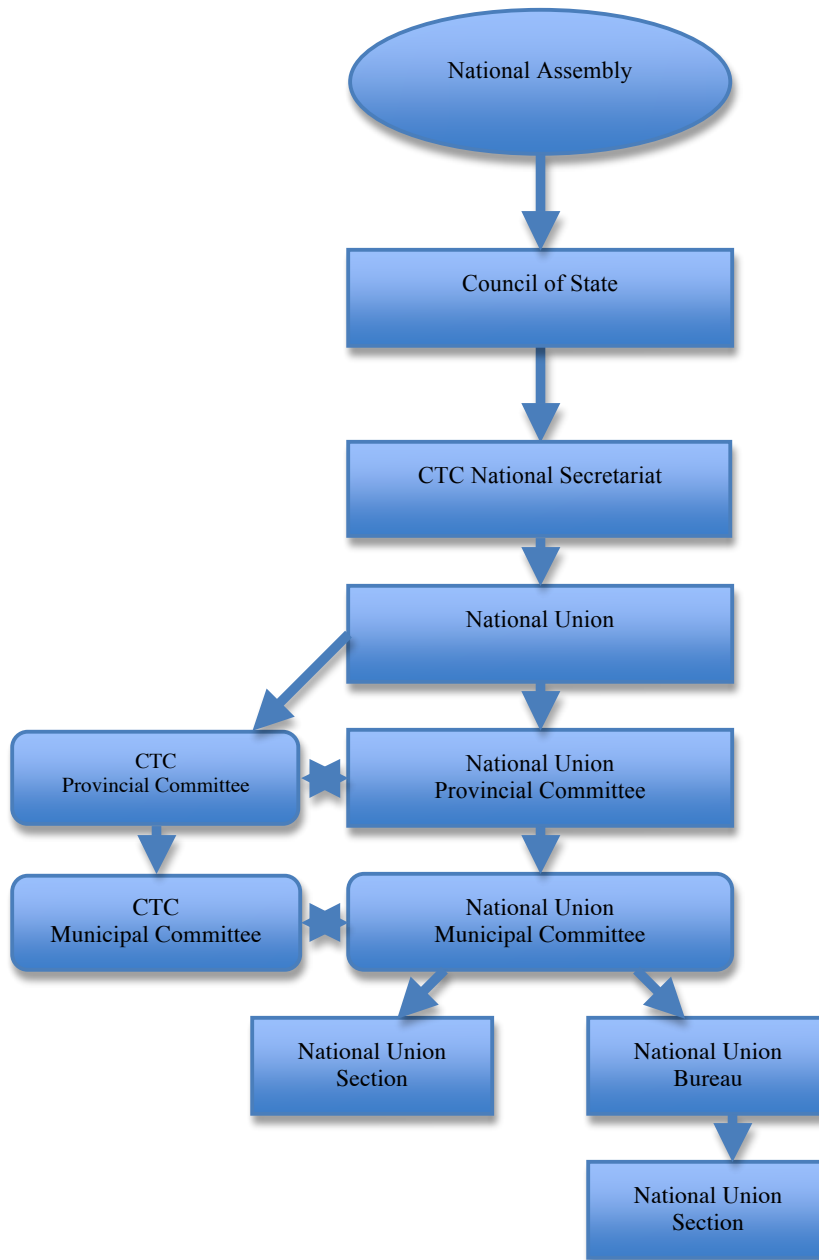
NATIONAL TRADE UNIONS OF CUBA

National Union of Transportation Workers (<i>Sindicato Nacional de Trabajadores del Transporte</i>)	National Union of Construction Workers (<i>Sindicato Nacional de Trabajadores de la Construcción</i>)
National Union of Agricultural and Forestry Workers (<i>Sindicato Nacional de Trabajadores Agropecuarios y Forestales</i>)	National Union of Light Industry Workers (<i>Sindicato Nacional de Trabajadores de la Industria Ligera</i>)
National Union of Chemical, Mining and Energy Workers (<i>Sindicato Nacional de Trabajadores de las Industrias Química, la Minería y la Energética</i>)	National Union of Civil Defense Workers (<i>Sindicato Nacional de Trabajadores Civiles de la Defensa</i>)
Union of Commercial, Gastronomical and Service Workers (<i>Sindicato de Trabajadores del Comercio, de la Gastronomía y los Servicios</i>)	National Union of Communications, Information and Electronics Workers (<i>Sindicato Nacional de Trabajadores de Comunicación, Informática y Electrónica</i>)
National Union of Cultural Workers (<i>Sindicato Nacional de Trabajadores de la Cultura</i>)	National Union of Education, Science and Sports Workers (<i>Sindicato Nacional de Trabajadores de la Educación, Ciencia y El Deporte</i>)
Nation Union of Food Workers (<i>Sindicato Nacional de Trabajadores de Alimentación</i>)	National Union of Health Workers (<i>Sindicato Nacional de Trabajadores de la Salud</i>)
National Union of Hotel and Tourism Workers* (<i>Sindicato Nacional de Trabajadores de la Hotelería y Turismo</i>)	National Union of Merchant Marine, Port and Fishing Workers (<i>Sindicato Nacional de Trabajadores de Marina Mercante, Puertas y Pesca</i>)
National Union of Metal and Electronic Workers (<i>Sindicato Nacional de Trabajadores Metalúrgicos y Electrónicos</i>)	National Union of Public Administration Workers (<i>Sindicato Nacional de Trabajadores de la Administración Pública</i>)
National Union of Science Workers* (<i>Sindicato Nacional de Trabajadores de las Ciencias</i>)	National Union of Sugar Workers (<i>Sindicato Nacional de Trabajadores Azucareros</i>)
National Union of Tobacco Workers (<i>Sindicato Nacional de Trabajadores Tobaccoleros</i>)	National Association of Innovators (<i>Asociación Nacional de Innovadores y Racionalizadores</i>)

*Established within the last 18 years (National Lawyers Guild 2002).

APPENDIX D

CTC AND NATIONAL UNION STRUCTURE



APPENDIX E

Interviews

CTC provincial leadership, Artemisa Province, Cuba. February 2009 at the Lázaro Peña School. Conducted in Spanish by the author.

Valerino, Elio. February 2002 at the CTC Headquarters in Havana, Cuba.

Laza Figerrero, Martina. September 20, 2010 at the Lázaro Peña trade union school, San Agustín, La Lisa, City of Havana, Cuba.

Ramón, Teresa. September 27, 2010 at the Lázaro Peña trade union school, San Agustín, La Lisa, City of Havana, Cuba.