

CUBA BRIEF



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The Plight of Cuban Workers: Rights Violations by the Cuban Government and Foreign Investors

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For the past half century Cuban workers have been subjected to an oppressive system which violates the most elemental working class rights. The state controls labor employment and salaries. There is only one labor union and is controlled by the state. Strikes and collective bargaining are prohibited. All major enterprises in Cuba are owned by the government and the ruling military elite manage over 60% of the country's key economic activities, particularly in the tourist and mining industries. This militarized social and economic environment oversees Cuba's "workers' paradise."

Major Cuban State Enterprises

GAESA, or *Grupo de Administracion Empresarial S.A.* (Enterprise Management Group Inc.), is the major holding company of the Cuban Defense Ministry's vast economic interest.

GAESA's Board Chairman is Luis Alberto Rodriguez Calleja, married to Raul Castro's oldest daughter Deborah. The company's enormous holdings include the tourist group Gaviota S.A. in charge of operating some of the finest and largest resorts in Cuba. It has a large employee base of tens of thousands of laborers and manages over 13,000 hotel rooms throughout the island and over 150 restaurants. (1)

Grupo CIMEX S.A. is also a major state controlled entity that employs over thousands in retail businesses such as department stores, cafeterias, gas stations, auto-part outlets, apartment rentals, and tourist operations managed by *Grupo Internacional Havanatur*. CIMEX, along with Cubanacan and Gaviota, promote joint ventures (*empresas mixtas*) with foreign investors doing business in hard currency.

Major Foreign Enterprises in Cuba

There are several international corporations that are financially associated with Cuban state owned entities. These corporations form joint ventures usually with more than one Cuban government enterprise. Following are some of the several international corporations operating in Cuba: Melia Cuba Hotel International (Spain), Sherritt International Corporation (Canada), Club Mediterranee S.A. (France), Elictricite de France (France), Telecom (Italy), Pernod Ricard (France), Mercedes Benz (Germany), Ibero-Star (Spain), and Viaggi de Venaglio (Italy). (2)

In 1995, the Cuban regime, anxious for hard currency, approved Law 77, which regulates foreign investment and describes permitted businesses. Nine years after in 2004, the regime enacted Accord 5290 which complemented Law 77 by introducing new commercial regulations allowed in the communist island.

This law defines three permissible business varieties in Cuba. These are Joint Ventures (*empresas mixtas*), Contracts of International Economic Association, and Foreign Capital Companies. Joint ventures are the most common according to the European Union. (3) Joint ventures are defined as a business enterprise between one or more “Cuban government mercantile companies...acting as domestic investors and one or more foreign investors.” (4) Additionally, joint ventures can also have offices outside of Cuba.

Cubans are not permitted to partner with foreign companies. Only the State is allowed to form joint ventures. Cubans are only allowed to own very small businesses such as pizza parlors, barber shops, etc. No Cuban is permitted to own large businesses or those involved in exports.

The Plight of the Workers

Workers in Cuba are at the mercy of the State. The Cuban government denies workers the right to negotiate with corporations. In the specific case of joint ventures, the contract arrangement between the State and the foreign company establishes the pay rate for each employee. The salary is determined by the average pay rate of similar positions in the region. Although the foreign investor in the joint venture agrees to pay salaries in dollars or Euros for the services, it does not have authority to directly employ or pay the Cuban laborer. Instead it must sub-contract the service from a state controlled employment agency. This agency pays the worker in Cuban pesos, pocketing a major portion of the foreign payments.

Cuban labor laws, as well as Resolution 3 (1996), states that Cuban employees cannot establish management-labor links for contract negotiation with joint ventures, or any other business modality that includes a foreign investor. Instead, joint ventures have to turn to state

owned work agencies to provide them with workers. These labor agencies are owned and regulated by the state. They choose and assign workers to the various joint venture companies. They pay workers in Cuban pesos while receiving payment in Dollars and/or Euros.

Cuban government agencies pay laborers standard salaries in pesos as determined by the state. Based solely on the exchange rate (1 dollar = 24 *pesos*), Cuban workers receive only 1/24 of the salary or less paid by the foreign entity for their services. In most instances Cuban workers' payment are further reduced in the process.

Since his arrival in the United States, Miguel Castillo, Cuba's former Vice-Minister of Foreign Commerce, and Jesus Marzo Fernandez, ex functionary of the Ministry of Economy, have documented the exploitation of the Cuban laborer by the state. For example, the monthly salaries paid by the Spanish enterprise Ibero-Star for the services of a general manager and a mechanic were US\$550 and US\$460, respectively. However, the general manager receives 400 *pesos* and the mechanic 200 pesos. The Cuban State employment agency pays them instead the national average salary set by the Labor Ministry for that specific job and not what the foreign company paid for their services. (5) Castillo described situations he witnessed where the joint venture's contract established the salary for an auditor at US\$1,200. The amount he received, however, was a mere 600 pesos. Another example provided was that of an electrician at a hotel facility where the foreign investor was paying the Cuban employment agency \$600 dollars and the electrician only received 400 *pesos*. (6)

These are but some instances of the systematic workers' rights violations perpetrated by the Cuban regime's economic apparatus. The Cuban government is in clear violation of international treaties such as the United Nations Convention concerning the Protection of Wages

(No. 95), ratified in 1959. (7) Article 6 states that “employers shall be prohibited from limiting in any manner the freedom of the worker to dispose of his wages.” Furthermore, Article 9 of this convention prohibits “any deduction from wages” made by “any intermediary (such as a labor contractor or recruiter).” (8) Thus the payment mechanism enforced by the communist regime for Cubans laboring in joint ventures with foreign investors remains as a severe violation of Workers’ Legal Rights.

The foreign investors are aware of this system. They accept it because it provides them with a docile workforce at perhaps a lesser cost than in other countries. In a sense, foreign investors have become accomplices of the communist regime in the exploitation and violation of workers and their rights. They seem, furthermore, unconcerned with future liabilities when there is a change in Cuba and workers exercise their legitimate demands and sue foreign corporations for underpayment of wages.

The policies and attitudes of the Cuban government toward workers in joint ventures, are a reflection of broader abuses being committed in Cuba. An abusive political system, an arbitrary legal system, a controlled press, human rights abuses, and a highly centralized economy are some of the problems Cubans experience in their daily life.

Notes

(1) Staff Report, Cuba Transition Project. “The Cuban Military in the Economy.” Institute for Cuban and Cuban American Studies. University of Miami. 2003.

(2) “Non-United States Companies and the Republic of Cuba.” U.S.-Cuba Trade and Economic Council, Inc. 2012.

(3) “Foreign Investment and the European Union in Cuba.” Center for the Study of the Cuban Economy. University of Havana. 2012.

- (4) Law for Foreign Investment. Law 77 (1995). Cuba.
- (5) Matias F. Travieso-Diaz and Charles P. Trumbull IV. "Foreign Investment in Cuba."
- (6) ICCAS interview with former Cuban Vice-Minister of Foreign Commerce Miguel Castillo. Miami, September 25, 2012, and with former functionary of the Minister of Economy Jesus Marzo Fernandez, Miami, October 2, 2012.
- (7) Alberto Luzarraga. "*La Nulidad de Contratos de Inversión Extranjera por Causa Ilícita: Defraudar al Trabajador Cubano.*"
- (8) Convention concerting the Protection of Wages (No.95). Human Rights Library. University of Minnesota. 2012.

***Prepared by the Institute for Cuban & Cuban-American Studies, University of Miami.**