

Entrepreneurship in Cuba: Returns of Party Affiliation and Mobilization of Personal Contacts in Cuba

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Abstract

This manuscript focuses on factors — in particular, political credential and mobilization of personal contacts — associated to becoming a *cuentapropista*, namely a self-employed worker in the emerging private sector. Data were collected shortly before the launch of the recent reforms plan aiming at revitalizing the market-oriented reforms of the 1990s. The results suggest that being a member of the PCC is negatively associated to entering in the private sector. Older individuals and recipients of remittances have instead a higher probability to become a self-employed worker. Moreover, the results provide some support to previous findings that turning to personal ties — especially if strong — to successfully complete a job search, is a common practice in Cuba.

Keywords: Social capital; political capital; social mobility; transitional economies; Cuba.

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1 Introduction

The relationship between institutions and inequality is a classical theme in sociology. The historical transformations leading to the emergence of market structures in formerly socialistic economies provided interesting cases to study how institutional change affects the distribution of wealth and power (Nee, 1989; Róna-Tas, 1994; Széleányi & Kostello, 1996). The scientific debate on inequality in reforming- and post- socialist societies has centered on the transition mechanism, aiming at identifying those actors who emerge as winners out of the institutional change. State socialism is considered as an institutional arrangement in which the integration — in Polanyian terms — of state, economy, and society is achieved by means of a wide redistribution of resources (Nee & Matthews, 1996; Széleányi, Beckett & King, 1994). Accordingly, in a socialistic “redistributive” economy privileges accrue to a few so-called *redistributors*. These redistributors can be those who directly control the production means formally owned by the state, i.e., mainly, high ranking officers (Bian, Breiger, Davis, & Galaskiewicz, 2005), or more generally those who endorse and legitimize the redistributive mechanism, such as prominent Party members, loyalists, technocrats and intellectuals (Djilas, 1957; King & Széleányi, 2005; Konràd & Széleányi, 1979; Széleányi, 1982). Under the socialist model of state ownership and “rational redistribution,” Party organization has a high degree of penetration in organizational structures, education and work institutions. Accordingly, Party membership, the most common political credential, can interfere with occupational allocation (Moore, 1987; Connor, 1979; Djilas, 1957; Kalleberg, 1988; Parkin, 1971; Széleányi, Beckett & King, 1994; Walder, 1985 & 1986). Thus, the main question addressed in this debate is whether a change in the resource allocation system, from central redistribution towards market, favors entrepreneurs at expense of the redistributors (Bian, 2002; Bian & Logan, 1996; Cao & Nee, 2000; Gerber, 2002; Nee, 1989 & 1991; Nee & Matthews, 1996; Róna-Tas, 1994; Széleányi & Kostello, 1996; Walder, 2003, 2002, 1996 & 1995; Walder & Nguyen, 2008). In so doing, scholars focus on the effects of political credentials in upward mobility paths during the transition.

Institutional changes occurring in reforming- and post- socialist societies also raised questions on the value of social resources under different institutional arrangements. Thus, the extensive research program on social capital effects in status attainment processes includes also studies on social network use carried out in reforming- and post- socialist societies.

The market transition debate largely overlooks the Cuban case. In part, this is due to the lack of individual-level data on inequality in Cuba. On the other hand, Cubanologists tend to focus exclusively on Cuba (Morris, 2014), neglecting literature and debates on reforming- and post-socialist societies. The present article is innovative because it discusses the Cuban case in the light of the market transition debate and uses data from a survey in Cuba. In particular, this study empirically explores the factors associated to becoming a *cuentapropista*, namely a self-employed worker in the emerging private sector. Data were collected shortly before the launch of the more recent reforms plan that revitalized market-oriented reforms of the 1990s. In particular, the data collection was conducted immediately before the VI Party Congress held on April 2011 that followed the discussion of the pre-congressional document *Lineamientos de la Política Económica y Social* (the *Guidelines of Economic and Social Policy*). The bulk of empirical research on social structures transformations in Cuba uses data collected during the 1990s. Accordingly, the present study contributes to fill a gap in the empirical research and could be used as a benchmark for further researches investigating the consequences of the recent liberalizations in Cuba.

The essay is structured as follows. The first section provides a short description of Cuban reforms in the 1990s, and the consequent emergence of *cuentapropismo*. The second section summarizes the relevant empirical literature on political credential rewards and network effects in reforming and post socialist societies. The third section presents the theory and hypotheses that were tested. The fourth section describes the sampling design and data in detail. The fifth section presents the main findings of the empirical analysis. The concluding section also discusses some implications of research results and their generalization.

2 The Emergence of *Cuentapropismo*

The external shock of the collapse of the Council for Mutual Economic Assistance (COMECON) provoked a sudden economic crisis in Cuba. The crisis, exacerbated by the US government's sanctions and the internal inefficiency of centralized Cuban economic system, hit rock bottom in 1993. The subsequent rapid deterioration of the social conditions of the Cubans prompted the government to implement a set of market-oriented reforms in order to reintegrate Cuba into the capitalist world economy (Eckstein, 2010).

Between 1990 and 1994, the most remarkable changes included: 1) the partial opening of the Cuban economy to foreign investments, particularly in two sectors: tourism and mining; 2) the partial dollarization of specific segments of the economy, leading to monetary duality (which followed the spontaneous process of partial dollarization in transactions among the population); 3) the creation of agricultural production cooperatives; 4) the legalization of self-employment under the Cuban moniker "*trabajo por cuenta propia*" (e.g. bed and breakfast, small restaurants, cafeterias, watchmakers, craftsmen, barbers, etc.).

The reforms implemented in Cuba since the 1990s are documented in details elsewhere (Domínguez, 2004; Domínguez, Pérez-Villaneuva, & Barberia, 2004; Domínguez, Pérez-Villaneuva, Espina-Prieto, & Barberia, 2012). Due to the scope of this essay, however, reform that legalized the *trabajo por cuenta propia* needs to be addressed providing some more details.

Trabajo por cuenta propia was strongly reduced during the so-called "Revolutionary Offensive" of 1968. It was the Decree Law 141 of September 1993 that expanded the list of jobs that could be carried out by self-employed workers, the so-called *cuentapropistas*. The Cuban government approved the expansion of *trabajo por cuenta propia* in order to: *i*) incorporate a part of the widespread informal economy into the formal economy; *ii*) boost production; *iii*) give some employment chances to a few disadvantaged categories (i.e. workers laid off of state-enterprises which downsized, retirees¹, housewives). Self-employment has been legalized only for low-tech activities that do not require a high level of education or professional skills. Also for this reason, the Decree Law 141 specifically excluded university graduates as applicants for obtaining licenses to develop business. The Cuban government established a set of formal restrictions² and control mechanisms to prevent skilled technicians or professionals (e.g., doctors and other health workers, professors and teachers) from traditional sectors from migrating towards more gainful jobs. This is because, in Cuba, where state-salaries have not risen in real terms in line with the living cost, on the contrary the *cuentapropismo* sector generally offers remunerative jobs (Espina-Prieto, 2012; Ferriol-Muruaga, Quintana & Pérez, 1999).

The legalization of self-employment was conceived as a tactical measure undertaken to confront consequences of the sudden economic crisis, instead of a structurally reform of the Cuban economy. In fact, the enactment of reforms aiming at the expansion of the non-state sector was characterized by a stop-&-go trend for the following two decades³ (Hernández & Domínguez, 2015). Nevertheless, the crisis and subsequent reforms changed the Cuban socio-economic structure. The services and primary sectors grew, while the secondary sectors decayed (Espina-Prieto & Togores-González, 2012), but above all new so-called "emerging sectors," including *cuentapropismo*, appeared. In the literature on Cuba, the term "emerging sectors" is used to refer to that part of the Cuban economy in which the amount of workers or transactions expanded as a consequence of the market-oriented reforms of the 1990s. In particular, the classification *emerging vs traditional* sectors conventionally distinguishes between activities in which new types of incentive have been applied, such as material or monetary advantages for workers linked to exports or to the domestic dollar market ("emerging"), and those which remain governed by incentives and leadership criteria applied prior to the crisis ("traditional") (cfr. Espina-Prieto, 2001,

1. Like state-salaries, purchasing power of pensions also dropped in real terms because of the crisis. Living standards of retirees worsened also due to deterioration of the state-welfare provision.

2. These restrictions were just partly smoothed in the recent years. For example, professionals were allowed to apply for licenses since 2010 but only with permission from their work centers and in activities outside their areas of expertise (Ritter & Henken, 2014).

3. On the contrary, the most recent measures undertaken after the approval of the *Guidelines of Economic and Social Policy* are presented as permanent adjustments for updating the Cuban socialist model.

p. 32; Barbería, 2008, p. 21). Emerging sectors are mainly composed of mixed and Cuban companies that developed in relation to the tourism industry and/or the domestic markets for goods in hard currency; some firms also emerged in the export of high value-added products (e.g., the pharmaceutical industry). *Cuentapropismo* — and in particular small private businesses operating in hard currency as they provide higher income with respect to state-salaries (Espina-Prieto, 2012; Ferriol-Muruaga et al., 1999) — belongs to the emergent sector, too.

As a consequence of the mentioned changes in the socio-economic structures, a process of social re-stratification occurred (Espina-Prieto, 2004) and inequality started to grow (Romanò, 2012; Ranis & Kosak, 2004; Mesa-Lago, 2004). Despite the lack of individual-level data released by the Cuban authorities, studies on inequality carried out in Cuba show that self-employed workers generally have higher living standard and incomes than state-workers employed in traditional sectors (e.g. Ritter & Henken, 2014; Espina-Prieto, 2010; Espina-Prieto & Togores-González, 2012; Zabala, 2010; Henken, 2002; Corrales, 2004). Accordingly, Cubans consider becoming a *cuentapropista* as a path of upward mobility (Espina-Prieto & Togores-González, 2012).

In the evolving socio-economic structure briefly described above, the control of specific resources (e.g., human, economic, political and social capital) enabled some individuals to become self-employed workers, while others who lacked such control remained stuck in traditional sectors. The research question underlying this article is whether political credentials and mobilization of strong ties (social capital) predict becoming a *cuentapropista*. As seen in the previous section, both factors are amply studied in the market transition debate. In the literature on the Cuban case, they instead remain poorly documented. Concerning the economic capital, the essay explores whether recipients of remittances are more likely to run profitable small business.

3 Theoretical Background

Party affiliation is generally a prerequisite to get a job as administrator, manager in state-owned enterprises or bureaucrat until the Party maintains control over economic activities. Conversely, there is no evidence that other workers are systematically screened for political credentials. The relationship between Party affiliation and the private sector is usually negative under state socialism. In fact, there is evidence that, in state socialism, Party members tend to not enter into private sector (Szelényi, 1987).

On the contrary, findings from post socialist east European countries suggest that being a Party member (or ex Party member) is an advantage to obtain desirable occupations in the private sector after the political turn (Róna-Tas, 1994; Staniszkis, 1991). Nee (1991) finds similar results also in rural China during the reforming socialism era. Three different arguments can account for the Party membership's advantages in the attainment of desirable occupations during the transition. First, Party membership provides individuals with opportunities to expand their personal networks. Party members participate in meetings to discuss political and economic guidelines at the local or national level (according to own position). Thus, in comparison with non-members, Party members are more likely to learn information about changes through the exploitation of a wide network of connections based on (prior) Party organization. Obtaining reliable information is a precious resource for career opportunities (Granovetter, 1973), even more so under circumstances of institutional change, because information on reforms tends to be scarce and fragmented. In addition, as the Party is a hierarchical organization, its members have access to higher status contacts in terms of bureaucratic power and influence. Both the resources — access to information along higher status contacts — can represent the key factors to account for advantages enjoyed by Party members in the attainment of desirable positions also after the political turn. Second, according to their level, Party members can find remunerative occupations in more dynamic sectors by virtue of their previously acquired expertise (Róna-Tas, 1994). This second argument relies on the evidence supporting the so-called “socialist ideology hypothesis.” This hypothesis posits that social reforms implemented in socialist states are effective in reducing class inheritance on educational attainment on the one hand, and in strengthening the link between occupational attainment and educational credentials on the other hand (Grusky & Hauser, 1984; Yaish & Andersen, 2012; Krymkowski, 1991; Sieben & De Graaf, 2001; Erikson & Goldthorpe, 1992). Accordingly, in the second stage of socialism transition the relationship between Party membership and higher status-occupations attainment becomes spuri-

ous: higher education is the main predictor of both occupations and Party affiliation (Szelényi, 1982; Konrad & Szelényi, 1979). Third, Party members, especially if in position of power, can commodify their bureaucratic privileges to create new income opportunities for themselves (or their families or associates) outside the planned economy (cf. Staniszki, 1991).

Some studies also find that business ownership in post-communist countries is linked both directly and indirectly to pre-communist property ownership. In some countries, such as Hungary and Bulgaria, the enforcement of policies aimed at the restoration of pre-communist property rights accounts for this continuity between the pre- and post-communist period with respect to property ownership (direct link) (Szelényi & Kostello, 1998; Hanley & Treiman, 2004). Besides the direct link, Hanley and Treiman find that:

Pre-communist family property ownership also led indirectly to post-communist entrepreneurship, by increasing the odds of attaining elite positions, which provided an important springboard for entrepreneurship after the collapse of communism (2004, p. 4).

Although various studies on transitional economies focus on the relationship between Party membership and entry in the private sector, this issue remains empirically unexplored in the studies on Cuba. More generally, social mobility study is traditionally lacking in Cuba. Yet, the idea that the Cuban Communist Party maintains political consensus by rewarding its own members can be found both in popular belief and in some studies (e.g. Corrales, 2004).

The impact of social network mobilization in the status attainment process is amply documented in western societies. A growing collection of researches from China and Russia find similar results (Bian, 2002; Bian et al., 2005; Bian & Ang, 1997; Gerber & Mayorova, 2010; Huang, 2008; Yakubovich, 2006; Róna-Tas, 1994). For example, in China, as in western capitalist societies, personal networks facilitate all three aspects of occupational process: entry into the labor force, inter-firm mobility and re-employment after being laid off (Bian, 2002). Initial research findings from Cuba also suggest that turning to personal contacts to successfully obtain a desirable job is a common practice (Echevarría-León, 2008; Espina Prieto & Tогores-González, 2012; Echevarría-León & Díaz, 2014; Echevarría-León, Díaz, & Romero, 2014). The Center for Psychological and Sociological Studies (CIPS, hereafter) carried out a qualitative study based on 111 in-depth interviews to explore the key factors favoring (or disfavoring) upward mobility paths in Cuba. According to the subjects interviewed, the decisive prerequisites for being employed in emerging sectors combine high qualifications with personal networks providing information about job opportunities and personal recommendations, which in turn facilitate the attainment of desirable jobs (Espina-Prieto & Tогores-González, 2012, p. 278).

However, studies on the impact of social capital on upward mobility carried out in capitalist societies indicate that an individual who mobilizes weak ties (Granovetter, 1973) — that is, acquaintances — and high-status contacts (Lin, 1999 & 2002) to conduct his or her job search has a better chance of obtaining desirable occupations.⁴ In comparison with strong ties, weak ties are probable bridges that link an individual to other social circles, thereby accessing useful information unlikely to be available in his or her own circle. Thus, weak ties represent useful instruments to obtain otherwise unattainable information. Furthermore, as individuals tend to frequently interact and associate with similar others in terms of lifestyles and socio-economic characteristics, weak ties are more likely to reach higher status people. An applicant for a job should benefit from accessing people higher up in the social hierarchy because these are more able to exert favorable influence (Lin, 1999). In contrast with what occurs in capitalist societies, however, initial results from China suggest that strong ties provide the most valuable resources in facilitating occupational attainment. This is so because in socialist societies strong ties

4. Granovetter's (1973) prominent study on the strength of weak ties generated a wide research program focused on the role of social capital on social status attainment in western industrialized countries. The scientific debate has centered on which type of ties (weak or strong) affects individual occupational status (e.g. entry in the labor market, occupational career, and reemployment). Empirically, support for strength of weak ties theory was found by various studies: Granovetter (1973) in United States; Van Hooft, van Hooft, & Lievens (2009) in Belgium; Brady (2015) in Ireland. However, other studies found support for the strength of strong ties: Erickson & Yancey (1977); Grieco (1987) in UK; Barbieri (1997) in Italy. There is increasing consensus that the importance of the strength of ties varies depending on individual socio-economic level. For example, weak ties favor the obtaining of profitable high-skilled occupations, whereas strong ties matter for manual and low-level occupations (Kramarz & Skans, 2014; Granovetter, 1983; Piselli, 2001).

secure influence from authorities, an asset that is more difficult to obtain than just information (Bian, 2002). This hypothesis elaborated by Bian is commonly known as “strength of strong ties theory.” The strength of strong ties hypothesis is consistent with those claims suggesting that the effectiveness of the weak ties rather than strong ties on the successful job attainment depends on the labor market institutions. Weak ties favor the attainment of profitable jobs if labor market institutions are fully developed (Barbieri, 1997). Under these circumstances, novel information is a key resource for successfully completing the job search. However, in socialist societies labor demand and supply are not regulated by market principles. On the contrary, labor supply is controlled through policies and institutional agencies and individuals are obliged to sell their labor (Szelenyi et al., 1994). Consequently, influence from authorities is a more valuable resource than just information, in order to obtain a desirable job.

4 Theory and Hypotheses

4.1 Research Question and Hypotheses

Scholars tend to agree that the impact of political credentials on entry in the private sector depends on the pace and nature of reforms through which the market emerges. In particular, Party members begin to penetrate the private sector only after the market comes to be legitimated, or at least tolerated, as a principle of economic integration. Accordingly, the different socioeconomic and political circumstances in which the reforms take place should not be overlooked (Szelenyi & Kostello, 1996; Walder, 1996; Gerber, 2002; Nee, 1991). Thus, in this paragraph, I will discuss the Cuban case in the light of research findings from reforming- and post- socialist societies reviewed in the previous paragraph. Then, I will present the hypotheses on the relationship between entry in the private sector and Party affiliation and use of strong ties.

The market-oriented reforms undertaken by the Cuban government since the 1990s are certainly profound in the light of Cuba’s revolutionary past. Nonetheless, they are timid when compared with those occurred elsewhere (e.g., in Eastern Europe and China). In Cuba, reforms concern some liberalizations in selected economic sectors and exclude any form of large-scale privatization processes. For this reason, state-employees, even though they dropped in comparison with 1989, at the moment of the data collection still accounted for 83% of the workers. The Cuban government prompted these market-oriented reforms to confront the sudden economic crisis caused by the external shock of the Soviet Bloc dissolution, and insisted on presenting them as a necessary evil. Accordingly, the reforms were never part of a coherent radical reform plan, but rather just a series of moderate institutional changes, often inconsistent and anyway intended to be reversed as soon as possible (Font, 2009). Thus, for example, since the early 2000s the Cuban authorities enacted a series of adjustments in order to mitigate some of the effects of the earlier liberalizations. These adjustments, among other elements, pursued a decrease in the number and weight of mixed companies and small private businesses created during the 1990s. As a result, the mechanism of centralized redistribution has maintained its prominent role, despite the reforms. Moreover, official discourses and statements on the *trabajo por cuenta propia* have constantly been ambivalent. *Cuentapropismo*, even in its legal forms, is typically portrayed as a gray area, fundamentally alien to the Cuban model. Only after the approval of the *Guidelines of Economic and Social Policy* the Cuban authorities began to present the *trabajo por cuenta propia* and other sectors stemming from market oriented reforms as structurally complementary to the plan that remains the predominant and constituent element of the Cuban economy. Under the conditions outlined above, it can be supposed that Party members continue to stay away from the *trabajo por cuenta propia*. Also, because Party member is confronted with formal and informal control more than other persons who are not involved in the Party. In Cuba, a Party member has to be accountable to *compañeros* for his or her public and private life by displaying appropriate political and personal behavior. In other words, PCC’s members must set good examples to colleagues, neighbors, friends and family with regard to adherence to socialist ideals. In their efforts to meet the socialist ideals (including leading an honest and simple life), Party members observe and evaluate each other. Moreover, they are subject to monitoring and evaluation by superiors.

In general, Party members are not randomly distributed among occupations: they tend to be overrepresented among professional and technical occupations (Szelényi, 1987; Domínguez, 1978; Hernández, 2014). Accordingly, it is likely that a great part of Party members, even if they were eventually interested in entering the private sector, found formal and informal restrictions to do so. As written in the introduction, the Cuban government established formal restrictions for professionals and technicians on changing jobs. These restrictions concerning changing jobs get stronger for Party members as the Party tracks the professional careers of its affiliates. In fact, every Party cell is linked to a given workplace and when changing jobs, Party members need to obtain an authorization, in the form of an introduction letter and evaluation of career records, from the current Party cell, as well as receive an acceptance letter from the receiving cell. The option of abandoning the Party in order to elude these controls also is not quite viable. Although during the last years the exit procedure became more flexible, individual's motivations that generally are considered as reasonable to avoid the application of negative political record are the following: retirement, health problems, being a fully care giver for a relative, and more recently, long job contracts abroad. Finally, until now there are not indications that Party membership, *ceteris paribus*, provides additional wealth (Romanò, 2012).

Taking all these arguments into account, the first hypothesis is:

Due to the Party's concern for the effect of the reforms, Party members are less likely to become *cuentapropista* than non-members.

Opportunities for mobility can be a function of social resources — mainly information and influence — that are embedded in and mobilized from one's social networks. As discussed previously, social mobility studies carried out in reforming and post socialist societies indicate that individuals turn to strong ties to successfully complete the job searching. Strong ties secure influence from authorities, an asset that in socialist societies is more difficult to obtain than just information. The “strength of strong ties” argument (Bian, 2002) is consistent with the so-called “socialismo” culture existing in Cuba. *Sociolismo* is a popular pun that Cubans use to indicate the common practice of obtaining support from *socios* (a Cuban term almost equivalent to “associates” or “friends”). *Socios* are those personal close contacts to whom an individual turns when needing help. These *socios* represent both a trustworthy source of information and a useful gatekeeper to reach reliable providers of items that are in short supply. People often mobilize *socios* when trying to bend institutional and formal rules, but sometimes they activate them even just to expedite or ensure the attainment of desirable legal items. Cubans generally acquire *socios* by attending institutional contexts, such as school, workplace and neighborhood. In other words, in Cuba “instrumental” mating often stems from meeting in institutional contexts, generating strong ties. Therefore, *socios* are useful sources of trustworthy information and, at the same time, willing providers of references or influence from authorities. As discussed previously, official statements insist in presenting *cuentapropismo* sector as a gray area of the Cuban economy because it is considered as potentially in conflict with socialist values. Municipal officials who are entitled to concede or deny licenses to potential *cuentapropista* enjoy discretionary power (Ritter & Henken, 2014). Accordingly, the licensing process is uncertain and license applications are often refused. The successful rate of applicants for licenses vary over the years, but it rarely passes 50% (Ritter & Henken, 2014). Moreover, candidates who apply for a business license as self-employee are screened with regard to their social conducts, especially candidates to develop a business in front-office with foreigners. License applicants for business in front office with foreigners receive a deeper screening process for two interrelated main reasons. First, Cuban authorities consider the security of tourists as a valuable asset for the national tourist industry. Second, services provided by small private businesses to foreigners can affect Cuba's image abroad.

Taking all these arguments into account, the influence from authorities secured by strong ties could be a greater advantage for the attainment of business licenses. Thus, the second hypothesis is:

Consistent with the strength of the strong ties argument, and taking the ambivalent status conferred to self-employment into account, other things being equal, an individual who turns to strong ties in his or her business license application is more likely to become a *cuentapropista*.

Finally, the present study explores whether receiving remittances favors entrepreneurship in Cuba too. As in Cuba self-employment is restricted to low-tech activities, the bulk of activities that could

be carried out by *cuentapropistas* does not require considerable monetary investments. However, running businesses for foreigners, namely the most profitable businesses, implies that some international standards are reached in order to offer attractive services and goods, e.g. repairing and adorning places, providing air-conditioners. Goods and inputs that allow reaching international standards generally are imported and highly taxed. Consequently, they are expensive with respect to Cuban average incomes. Accordingly, individuals who can rely on remittances, i.e. additional incomes in hard currency, can be favored compared to individuals that cannot. Therefore, the third hypothesis expectation is that:

As remittances are source of additional incomes in hard currency, other things being equal, an individual who receives remittances is more likely to become a *cuentapropista*, at least for those activities that require some monetary investments.

5 The Survey

5.1 Sampling Design

The hypotheses were tested using data collected in Havana between May 2010 and January 2011, that is, at the end of the adjustments of the 2000s, implemented to mitigate the social effects of the market-oriented reforms of the 1990s, and immediately before the onset of the more recent set of liberalizing reforms approved by the VI Party Congress, held on April 2011. Accordingly, results from this study provide a useful benchmark for future researches investigating the consequences of more recent liberalizations in Cuba. In the conclusion section, results from this study will be discussed in terms of their generalizability for the period following the VI Party Congress.

To survey Cuban population, scholars need a formal authorization from the Central Committee of the Cuban Communist Party. Such authorization is hardly ever granted to Cuban scholars and never to foreign scholars. By virtue of the collaboration with the Department of Sociology of the University of Havana, the Cuban Ministry of Education authorized this survey study under the condition that the data were collected by Cuban interviewers only. Interviews were held face to face by Cuban students trained by the author in collaboration with professors of the Department of Sociology. The response rate was 87 per cent. The questionnaire consisted of questions concerning personal characteristics, social relationships, memberships to professional associations or political organizations, socio-demographic characteristics and wealth. Due to formal restrictions, no sampling frame was available. Accordingly, the sample was designed to ensure that the data included enough observations from individuals working as state-employees and *cuentapropistas*, in order to obtain the required statistical power to test the hypotheses. In the absence of a sampling frame, interviewers were assigned to the various districts of Havana, and instructed to randomly contact an approximately equal number of respondents from the two worker groups, respecting quotas of the main demographic variables (i.e., gender, race). All respondents were interviewed at home in order to protect their privacy, and selected on a geographical base. Interviewees were assured about data confidentiality, independence from the government, and scientific scope of the research.

The dataset consists of two groups. The first group ($n = 92$) consists of *cuentapropistas* with a regular license to work in the tourist sector in *hard currency*. All respondents are *arrendadores* for tourists, i.e. owners of bed and breakfast who are licensed to sell their services in Cuban dollars. The choice to focus on *arrendadores* was made in order to reduce the screening costs (Sudman, Sirken & Cowan, 1988): I focused on respondents from a segment of the population that carry out a *trabajo por cuenta propia* that is profitable and desirable *with certainty*. Almost all of *cuentapropistas* in the subsample were state-employees before to become self-employed workers, while 3% had a previous private business and 16% declared that they were unemployed before starting their private business. Previous occupations of the *cuentapropistas* that leave state-employment to engage in the private sector were: managers (5% of the subsample), professionals (13%), technicians (21%), office workers (17%), service workers (16%), blue-collar (8%).

The second group includes state-employees in traditional sectors, for example, teachers, technicians, office workers, medics, librarians, soldiers ($n = 136$). In this second group of workers, professionals are

over-represented (they are 36% of the sub-sample), while the remaining workers are: technicians (23% of the subsample), soldiers (6% of the sub-sample) and semi-skilled or unskilled workers (blue-collar or service workers).

Previous studies found that Party members own houses of higher standard than other workers (Szelényi, 1983; Szelényi & Kostello, 1998; Walder, 1995). Therefore, the fact that the group of *cuentapropistas* is mainly composed of owners of bed and breakfast introduces a conservative bias for the test of hypothesis 1. Bed and breakfast's owners develop their business at home. Consequently, the characteristics of their house (number of rooms, place, etc.) are a crucial factor to develop this kind of business. Another conservative bias was introduced by excluding the administrators of state-owned enterprises who accounted for 6% of the original subsample of state-workers.

Party members represent the twenty-three per cent of the whole sample (members of the Youth Communist Union, whose Cuban acronym is UJC, were considered as Party members). In 1997, Party members were 780,000 nationally (Domínguez, 2002). Likewise, according to Hernández (2014), PCC members in 2012 reached the figure of 769,318 and the UJC reached the figure of 405,830 members. Considering that in 2010, the Cuban working-age population was about 6.8 million (see statistics on workforce and salaries released by the *Oficina Nacional de Estadística e Información*), Party members are slightly over-represented (+4%) in the total sample.

In the total sample, the distribution of demographic variables, such as race and sex, is consistent with the general distribution among Havana residents; women are slightly overrepresented both among employees in traditional sectors and self-employed workers. The overrepresentation of women is greater in the subsample of *cuentapropistas* than in state-employees subsample, because bed and breakfasts are most often managed by women. The age distribution of the subsample of state-employees reflects quite well the age distribution in the state-workers population. Whereas, the age composition of the *cuentapropistas* in the subsample reflects the general population of self-employed workers. In fact, the subsample of *cuentapropistas* includes: 8,4% of respondents aged between 18-34; 37,9% aged 35-49 and 53,7% aged over 50. According to previous study focusing on the *cuentapropista* population, most entrepreneurs are 60 years old or older (32% of the men and 48% of the women) and the younger age categories have lower frequencies (Pérez Izquierdo, Oberto Calderón, & Gonzalez Rodriguez, 2008, p.116).

5.2 Measures

Dependent variable. The dependent variable is operationalized as a dummy taking value 1 if the respondent is a *cuentapropista*, whereas the reference category consists of workers in state-owner enterprises.

Independent Variables. Membership of the Cuban Communist Party or the Youth Communist Union (cf. H1) is operationalized as dummy variable (Party affiliation: yes = 1; 21% of the sample is affiliated to the Party). The data lack information on the number of years since an individual joined the Party. Therefore, it cannot be excluded that a respondent joined the Party after attaining the current position, but this possibility is unlikely. Party membership must be sought out and becoming a Party member is hard and requires time.⁵ People who apply to become PCC's members are screened with regard to their political record, but also their private life, family background, job discipline or educational career, their activism in institutional associations (e.g. Federation of Cuban Women) and participation in neighborhood activities, such as, for example, the Committee for the Defense of the Revolution (CDR). The waiting period can take two years and not all those who apply are granted membership. Furthermore, efforts to meet the Party standards continue also after one has obtained the full membership. These efforts generally include constant and active participation in political meetings, in social activities (e.g. voluntary work at own neighborhood and/or work unit), cooperation with Party officials, and so on. Accordingly, it is reasonable to assume that individuals who run remunerative business would see too few benefits and too many costs in attempting to become a Party member. This is all the more true as in general Party membership does not secure additional material advantages (Romanò, 2012). Similarly, it cannot be excluded that a respondent left the Party after attaining the current position. However, as described previously, a member who applies to leave the Party must explain the motivations for such

5. Same rules are applied to UJC candidates. People under 30 years old can apply for the UJC, whereas Party membership can be sought only after turning 34.

a decision and his or her motivations must be reasonably grounded to avoid a negative political record. Therefore, this possibility is quite unlikely.

The nature of personal contact who helped the respondent to obtain his or her current job (H₂) is operationalized using a dummy variable (strong tie: yes = 1; 35% of the respondents declared that he or she mobilized a strong tie). Personal contacts who are coded as strong ties include the respondent's parents, siblings, other relatives and close friends. The reference category consists of respondents who obtained their current job through acquaintance or institutional channels.

Receiving remittances (H₃) is operationalized using a dummy variable (yes = 1; 19% of the respondents declared that they receive remittances).

Control variables. The statistical models include control dummy variables for female (yes = 1; 64% of the respondents are female), skin color (white: yes = 1; 63% of the respondents are white people), education (degree = 1; 44% of the respondents hold a university degree, 39% in the *cuentapropistas* subsample), whether one of the respondent's parents holds a university degree (parental education: yes = 1; 31% of the respondents are from better-educated families). Respondent's age (M = 45; SD = 15) is centered on 18 years.

6 Results

Table 1 presents the results of two logistic regression models predicting being a *cuentapropista* (the reference category is state-employee in the so-called traditional sectors). Results from logistic regressions are reported as odds ratio. Odds-ratios do not require a logarithmic transformation (Field, 2009, pp. 270–271), therefore they are easier to understand than *b* coefficients. The models compare the odds ratio of becoming a *cuentapropista* versus an employee in a state-owned enterprise of traditional sectors. Model 1 only includes control variables. Model 2 includes also the three independent variables referring to the hypotheses 1, 2 and 3.

Table 1. Logistic Regressions Models Predicting Being a *Cuentapropista*
Standard errors in parentheses
*** p<0.001, ** p<0.01, * p<0.05

Variables	Model 1 O.R.	Model 2 O.R.
<i>Sex</i>	0.83 (0.274)	0.80 (0.273)
<i>Age</i>	1.08*** (0.014)	1.09*** (0.015)
<i>White</i>	1.16 (0.373)	1.08 (0.356)
<i>University degree</i>	0.57 (0.180)	0.64 (0.212)
<i>Family background</i>	1.78 (0.654)	1.91 (0.740)
<i>Remittances</i>		2.44* (0.992)
<i>Strong ties</i>		1.07 (0.363)
<i>Party membership</i>		0.43* (0.182)
Observations	228	228

Model 2 indicates that, controlling for education, sex and the other variables, Party membership is negatively associated with being a *cuentapropista*. The odds of becoming a *cuentapropista* is 57% lower (OR = 0.43, $p < 0.05$) for a Party member than for a non-member. Therefore, H1 is supported as being a Party member reduces the chances of entering the private sector. In other words, this result suggests that Party members do not spend or convert their political capital to develop a business in the private sector.

Concerning the strength of strong ties argument (H2), Model 2 indicates that strong ties by themselves do not affect the likelihood of becoming a *cuentapropista*. In fact, the odds ratio is 1.07 but not significant. However, the non-significant odds ratio for strong ties in Model 2 does not imply that in Cuba turning to strong ties is useless to attain a job. This non-significant effect just indicates that approximately the same percentage of individuals in both groups obtained their current position — whether as state employee or not — through strong ties. Specifically, about 36% of individuals in the sample, independently of their attained position, obtained their job mobilizing close friends, parents or other relatives. More generally, about 50% of the subjects reported that they turned to personal contacts (weak or strong) to obtain their current job position. Thus, these data seem to confirm that in Cuba it is quite a common practice to use personal ties, especially if strong, in order to obtain a job position. These results are consistent with the strength of strong ties' argument elaborated by Bian (Bian & Ang, 1997; Bian, 2002) and with research findings of studies on the Cuban labor market (Echevarría, Díaz & Romero, 2014). State-employees who did not turn to personal contacts declared that they used institutional channels to obtain the position they held at the moment of the interview. In particular, 28% of state-employees declared that they used services provided by a state-agency (most of them have maintained the job in the same state-owned enterprises or institutions where they carried out the training period after the graduation); 15% declared that they sent a spontaneous application; and 6% declared that they knew about the vacancy through a public announcement. In the *cuentapropistas* group, individuals who did not turn to personal contacts declared that they obtained the license relying on own personal initiative (32%), or exploiting available institutional information (16%).

Receiving remittances increases the odds of becoming *cuentapropista*. The reason for which the odd ratio of receiving remittances is positively and strongly associated with the chances of becoming a *cuentapropista* is trivial: remittances are in hard currency. In other words, recipients of remittances hold an additional source of income that they can use for developing a private business. However, this result should be cautiously generalized. In the sample there are *cuentapropistas* who are owners of bed and breakfasts, i.e. profitable businesses that require some monetary investments in order to reach the international standards. However, the bulk of activities that can be carry out by self-employed workers do not require large monetary investments. Accordingly, it is possible that the role of remittances is less significant for those self-employed workers who run activities not directed to foreigners.

Among control variables, a significant effect is found for age as the odds ratio shows a positive and strong association with the chance of becoming a *cuentapropista*. This result suggest that licenses policies favor older people, especially people who are near retirement age. The distribution of age among *cuentapropistas* in the sample shows that the age in the third quartile ranges from 52 to 65 years, while the upper quartile is composed of individuals older than 65 years. This result appears consistent with official statements presenting the *cuentapropismo* sector as a residual area of the Cuban economy created, among other things, to offer income opportunities to those categories with reduced ability to work (i.e. retirees or older people), who were most deeply affected by the crisis. On the contrary, the Cuban government expects that young and educated people engage and contribute to the Cuban economy that remains planned and presided over by state-owned enterprises.

7 Conclusions

The present study focuses on returns of Party affiliation and mobilization of personal contacts on the chances to enter the *cuentapropismo* sector. Moreover, it explores the role of remittances in favoring the opportunity to run a private business. *Cuentapropismo* emerged as a result of market-oriented reforms implemented in the 1990s in order to recover the Cuban economy after the exogenous shock of the collapse of the Soviet Bloc. Accordingly, the enactment of reforms aiming at the expansion of the non-state

sector was characterized by a stop/go trend for more than two decades. Thus, for example, the non-state sector and in particular the *cuentapropismo* shrank during the 2000s. Although the popular belief holds that the Cuban Communist Party maintains political consensus by rewarding its own members, research findings from the present study suggest that being a Party member is negatively associated with entry in the private sector operating in hard currency, which generally offers remunerative job-positions. This result, however, can be understood in light of the nature and pace of Cuban market-oriented reforms, that were rather cautious. Moreover, it is consistent with the results of previous studies that focused on the effects of political credentials on entry in the private sector in state-reforming socialism. In fact, scholars generally agree that Party members start to engage in the private sector only after the market becomes legitimate as principle. Concerning the use of social networks in the labor market, results from this study suggest that turning to personal contacts to obtain a job in both state and non-state sectors is a common practice in Cuba. Thirty-five percent of Cubans in the sample turned to strong ties, while about 15% turned to weak ties. Therefore this study provides further support to previous research findings. However, according to my results, the mobilization of strong ties does not secure an advantage for the entry in the private sector. In Cuba strong ties represent an asset for successfully completing the job attainment though not necessarily leading to upward mobility. In addition, as efficaciously pointed out by the popular pun “socialismo,” the mobilization of strong ties to attain jobs is a practice prone to undermine Cuba’s equality-based policies.

As anticipated, the novelty of this study consists mainly in filling a gap in the literature about the Cuban case. In fact, both factors — political credentials and mobilization of networks resources — have been extensively studied by social mobility studies carried out in reforming and post socialist economies, but they remained poorly documented in the literature on Cuba. Moreover, this study innovates by empirically exploring both issues using survey data, and it’s a first attempt to overcome the absence of individual-level data on inequality in Cuba, due to the formal and informal constraints regulating surveys.

I hope that these initial findings on network effects and rewards accorded to political credentials will entice future research on social mobility in order to shed further light on the mechanisms responsible for inequality in Cuba and on the relation between inequality and dynamics of institutional change. The results from this study should be generalized cautiously given the characteristics of the sampling design (including only workers from Havana). The data were collected immediately before the approval of the *Guidelines of Economic and Social Policy* and the subsequent market reforms. These guidelines include a set of measures intended to expand the private sector, for example: a) the further enlargement of the list of jobs that can be carried out by self-employed workers; b) the de-penalization of labor in private micro-enterprises; c) the institution of banking loans for physical persons and private enterprises; and (f) the reduction of workplaces in state enterprises. Moreover, these more recent reforms have been accompanied by public statements presenting them as permanent measures, intended to update the Cuban socialist model. In other words, official statements have begun to present the private sector as complementary to the planned Cuban economy. Under these new circumstances, future research may reveal that Party members begin to penetrate the private sector. Accordingly, the present study could be used to test the claim that party members start to engage in the private sector only after market, as an integration mechanism, becomes legitimized.

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