

SOCIAL WELFARE IN CUBA

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ASCE Conference, Miami

July 27, 2017

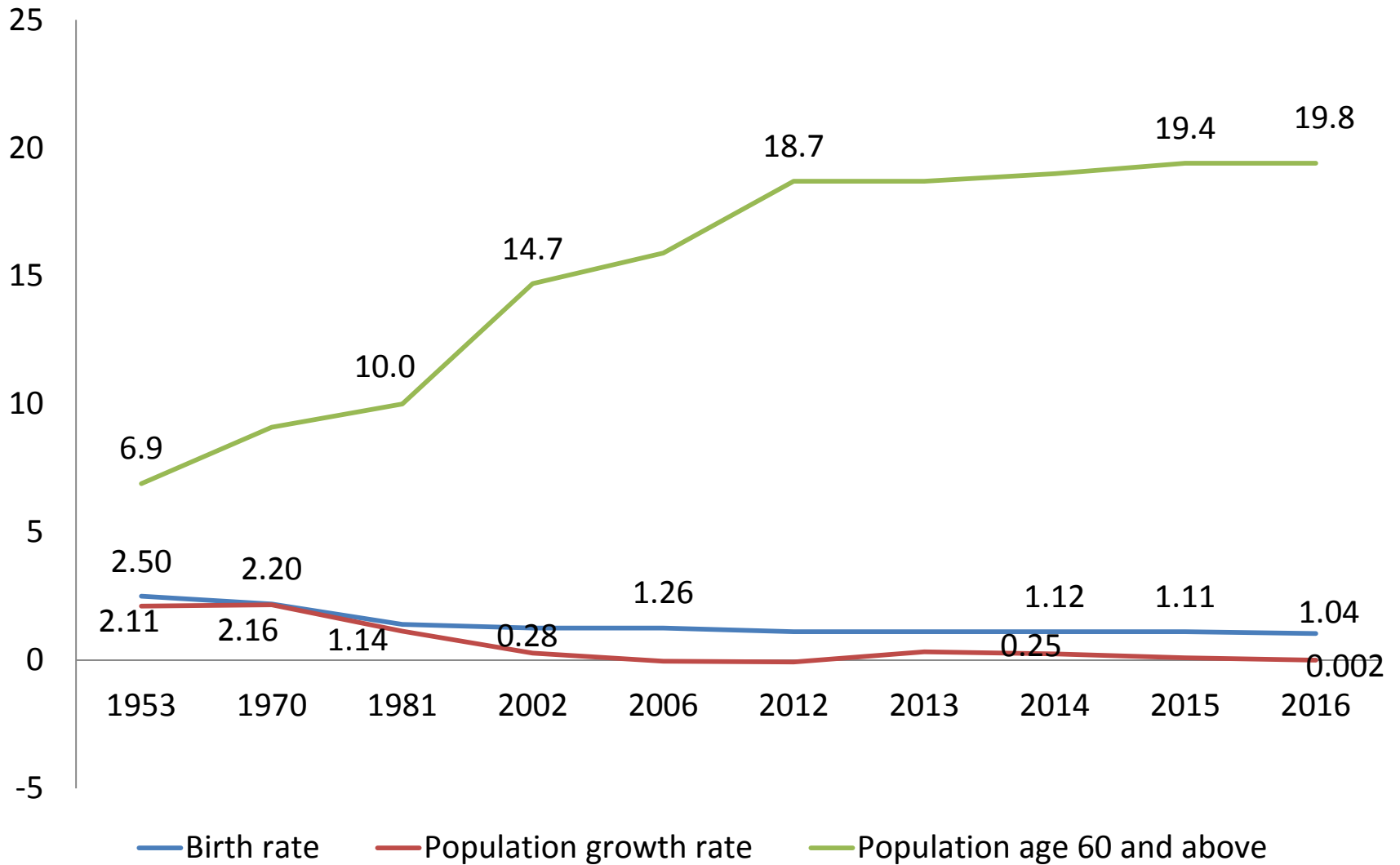
SUMMARY

- **Population aging**
- **Employment and unemployment**
- **Wages**
- **Income inequality**
- **Social expenditures**
- **Pensions**
- **Health care**
- **Education**
- **Housing**
- **Poverty**
- **Social Assistance**
- **Conclusions**
- **All data from ONEI, some calculations by author**

I. POPULATION AGING

- **Birth rate the lowest in the continent since 1978**
- **Net emigration rate increasing, -0.05% record in 2016**
- **Falling (age 0-14), start decrease productive (15-65) and increase elderly (60+)**
- **In 2016: 16.4% (young), 63.9% (productive) and 19.8% (elderly)**
- **In 2030: 15.5%, 54.4% and 30.1% respectively**
- **Dependency ratio will increase, heavier burden for productive**

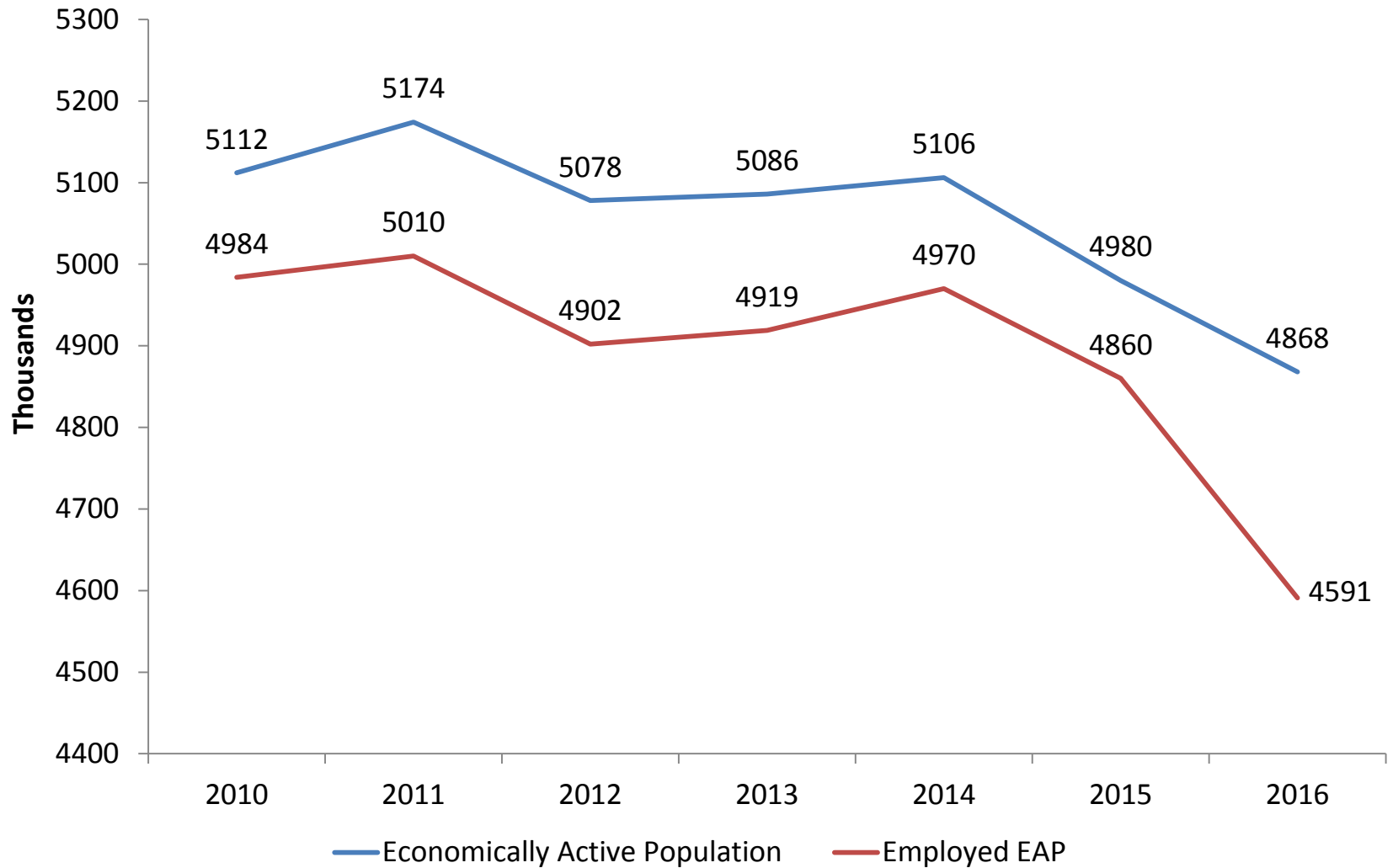
Population Aging in Cuba, 1953-2016



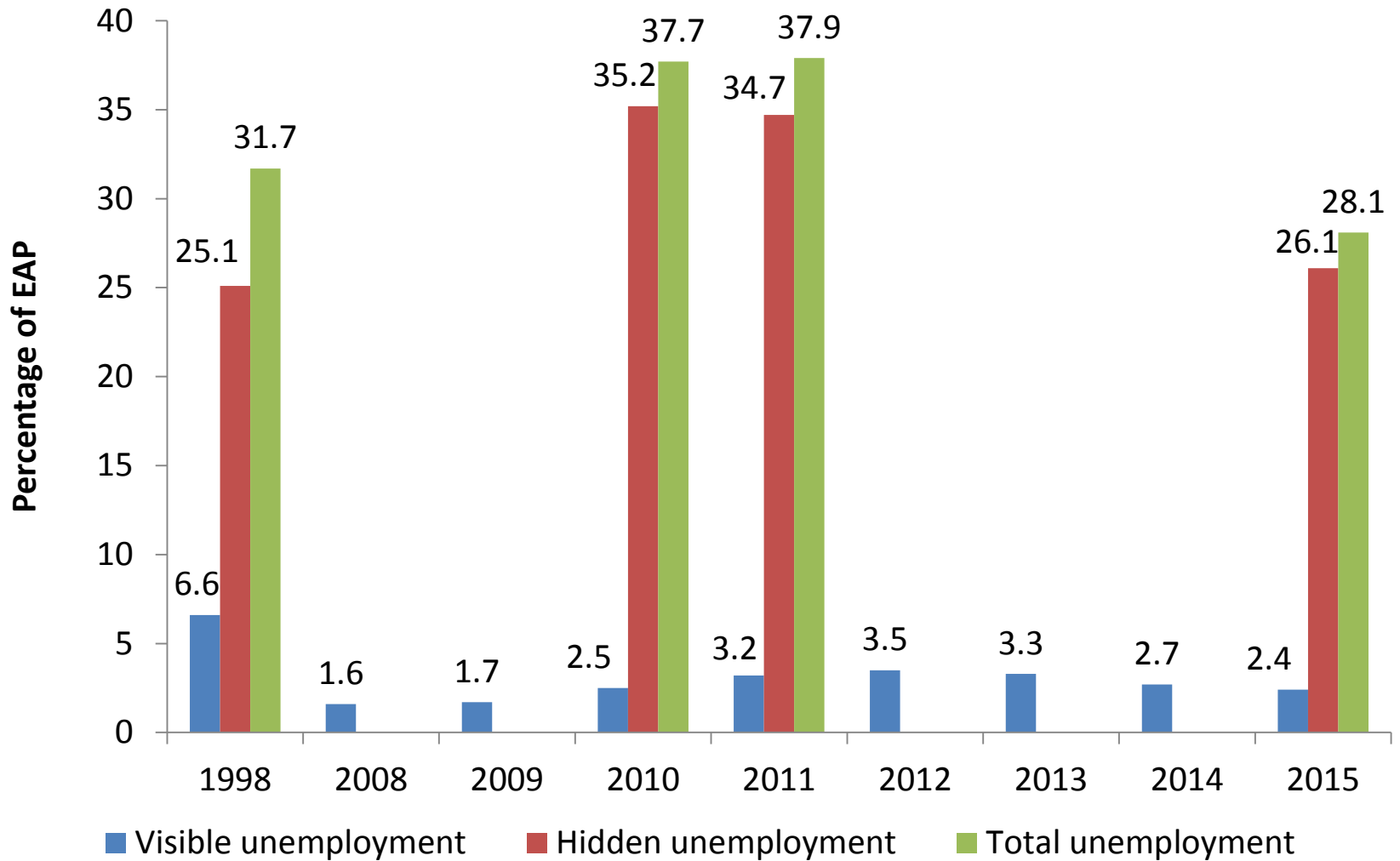
II. EMPLOYMENT AND UNEMPLOYMENT

- Employment is declining due to population aging, oldest in the region
- 2015 labor force fell for first time by 2.5% and by 2.2% in 2016
- Visible unemployment lowest rate was 1.6% in 2006
- 2010 R. Castro need fire 1 million unneeded state jobs (hidden unemp't)
- Visible unemployment rose to 3.5% in 2012
- Non-state sector didn't grow enough to create jobs for all to be dismissed
- Only 500,000 were actually fired and Raúl ended dismissals
- Visible unemployment fell to 2.4% in 2015 and to 2% in 2016
- State labor surplus growing again
- Unemployment + underemployment: 28% of labor force in 2015

Economically Active Population and Employed EAP, 2010-2016



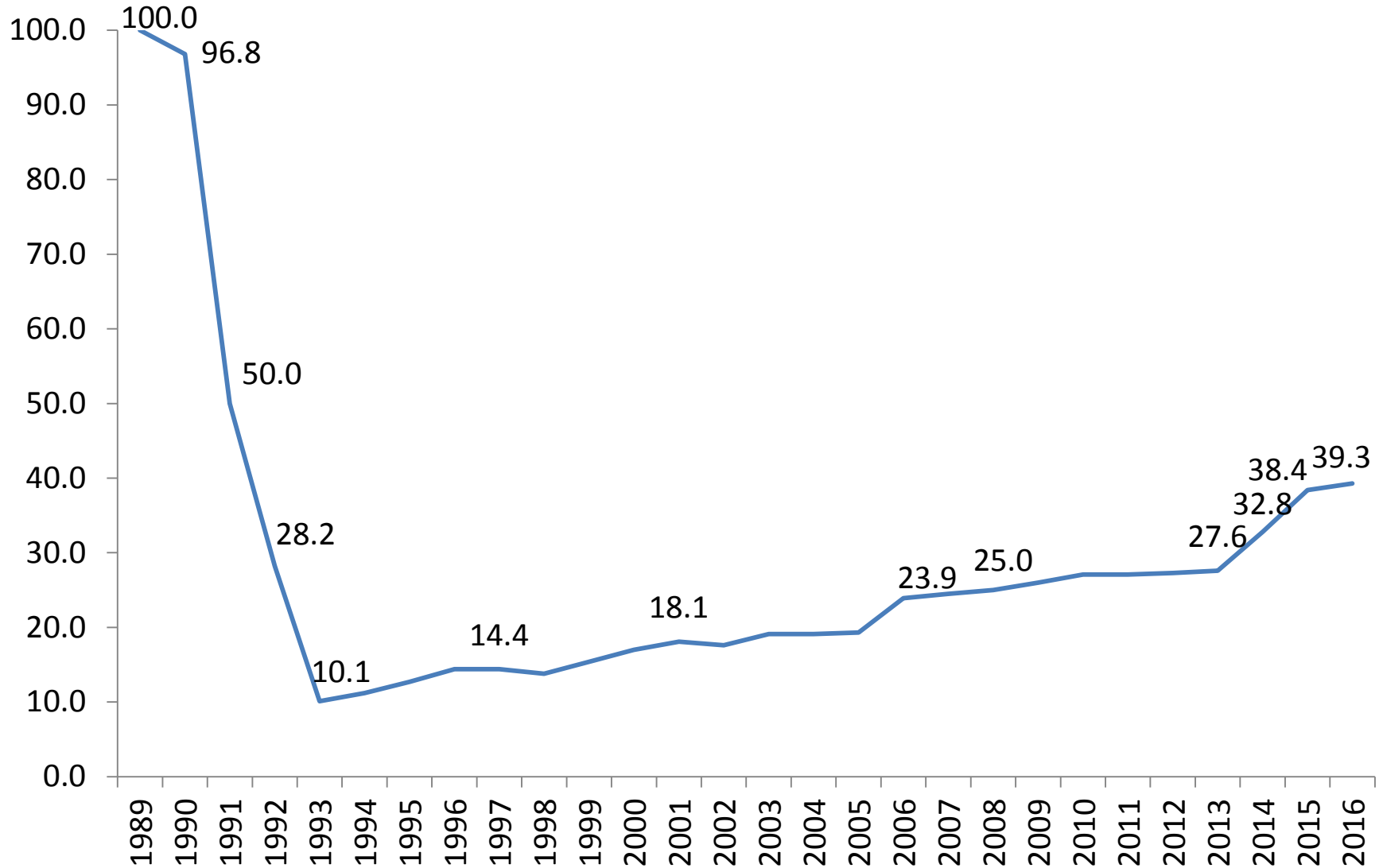
Visible and Hidden Unemployment, 1998-2015



III. WAGES AND INCOME INEQUALITY

- In 1989-1993, state medium wage adjusted to inflation fell by 90%
- Slow partial recovery until 2016: still 39% of the 1989 level
- In 2016 purchasing power of workers 61% below 1989, 27 years after
- ECLAC starts series in 2007 showing 15% increase in 2015, highest in the region
- State medium real wage 740 CUP in 2016 equal to \$30 monthly
- This is the lowest in Latin America
- Income in *paladar* 2,000 times higher than median state wage; lesser of house 7,000 times higher
- Expansion of income inequality, probably among highest in the region

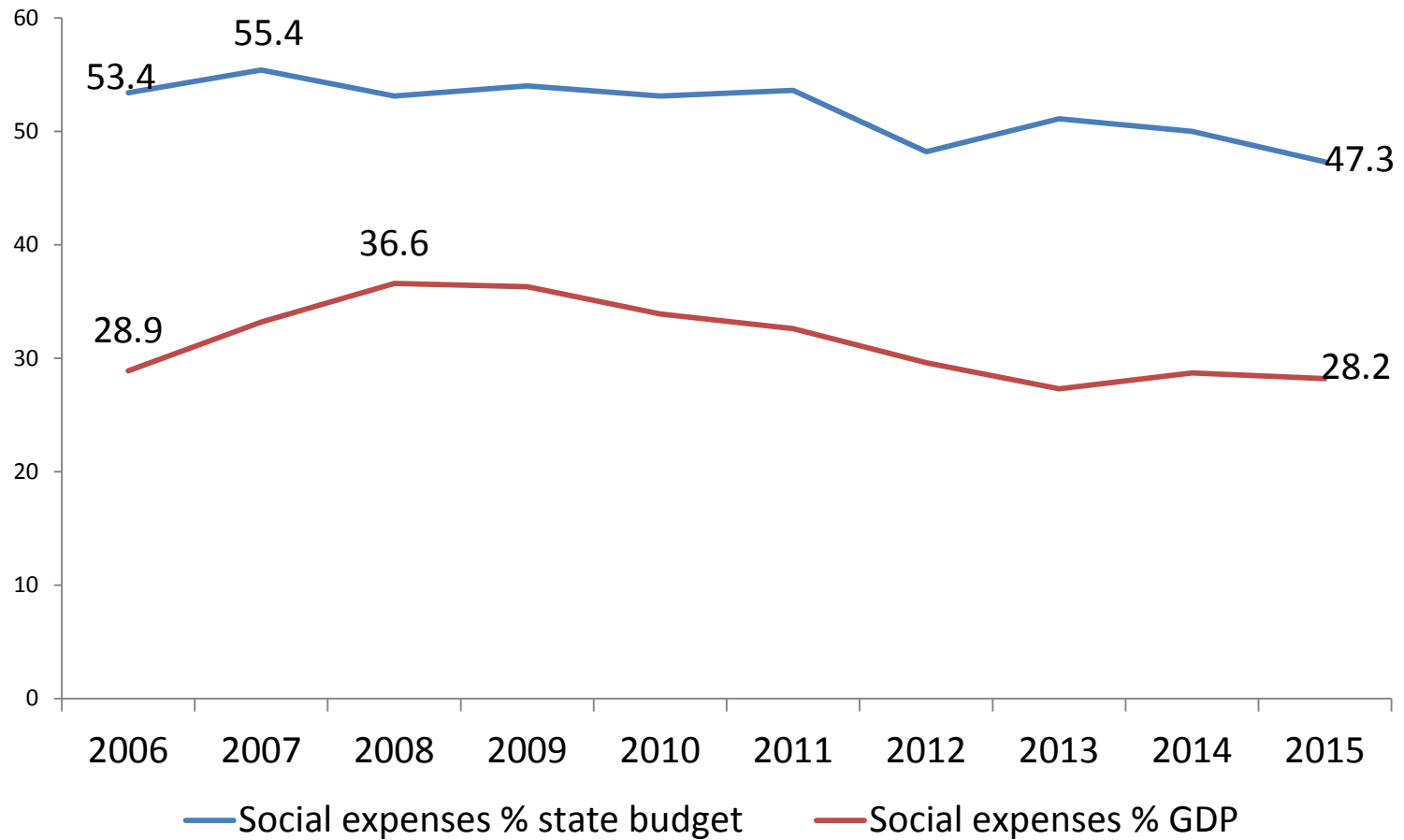
State Medium Wage Adjusted for Inflation, 1989-2016



Income Inequality, 2015/2017

Type of annual income by sector	CUP	CUC	Ratio (based on wage 1,0)
State sector (2015)			
1. Medium assistance benefit	1.998	80	0,2
2. Minimum wage	2.700	108	0,3
3. Medium pension	3.238	130	0,4
4. Medium wage	8.244	330	1,0
Private sector			
5. Average remittance per capita (2016)		451	1,4
6. Self-employed and tourism (2015)		1.900	5,8
7. Luxury paladar (2017)		94.000	284,8
8. Lease mansion to tourists (2017)		140.000	424,2

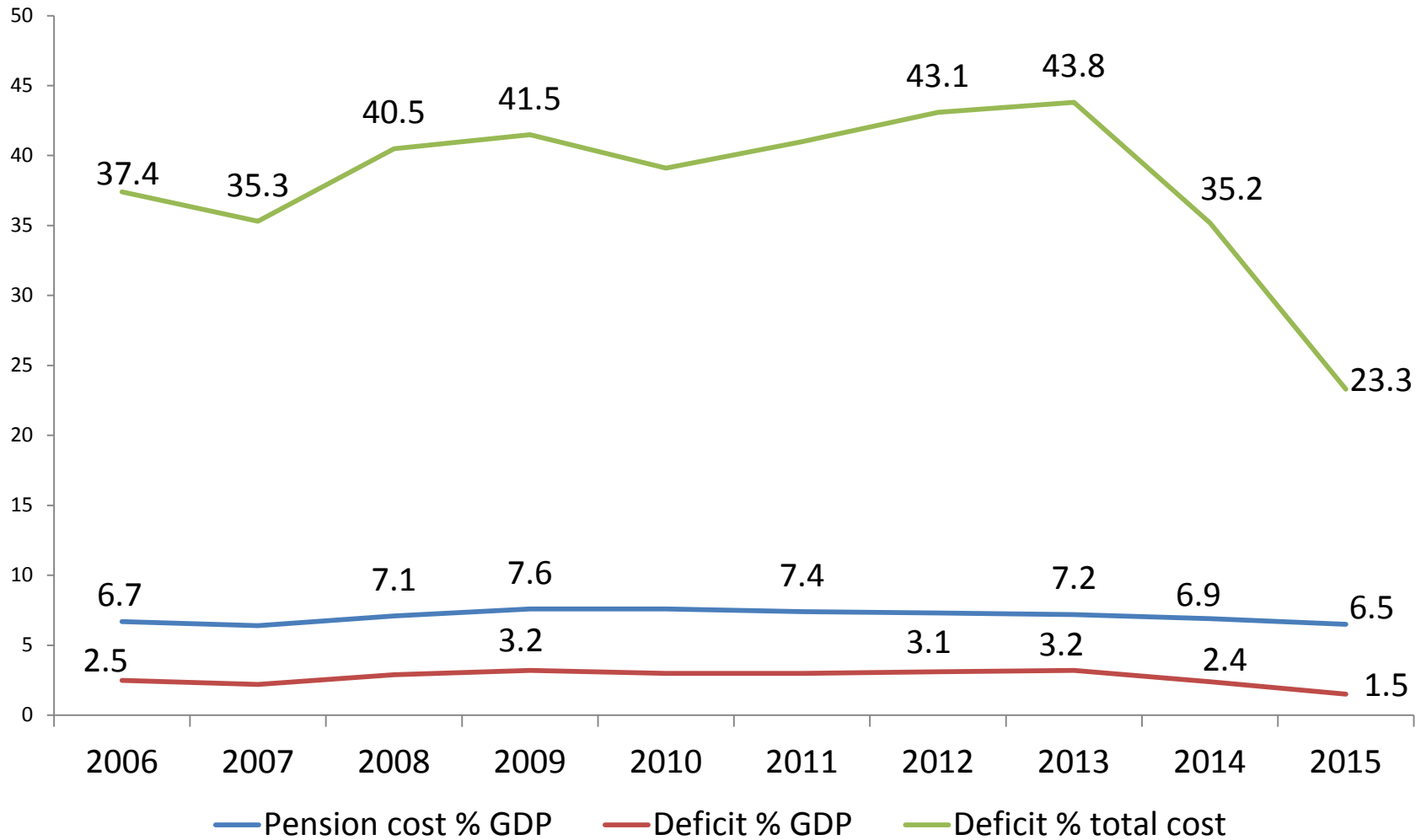
IV. SOCIAL EXPENDITURE, 2006-2015



V. SOCIAL SECURITY PENSIONS

- Pension reform in 2008 due to growing financial deficit
- Payroll contribution 10% paid by employer raised to 12%
- Contribution of 5% levy on high-wage workers (very few)
- In 2013 the total contribution had to be 21% to finance deficit in that year
- The state finances the deficit
- Retirement age raised five years in 4-year period: men 65, women 60
- Live expectancies at those ages highest in region
- Age increase postpones retirement at least four years and cut pension costs
- Effect started in 2014 , and cost fell to 15.6% in 2015
- Costs might resume increase in 2018 or 2019
- In 1989, 3.6 active workers for one pensioner, falls to 2.9 in 2015 despite reform
- Actuarial deficit huge, no valuation in last four decades

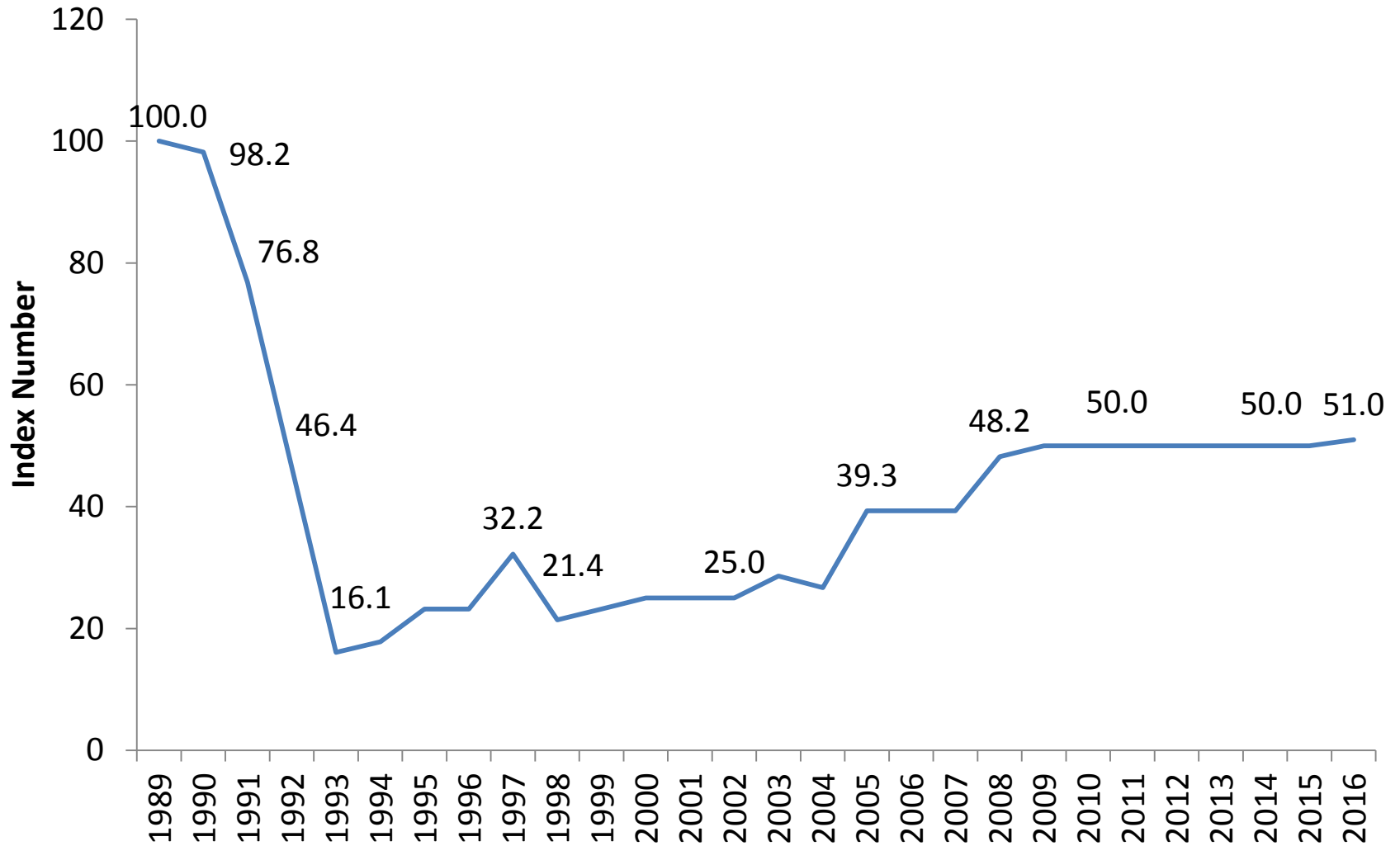
Deficit in Social Security Pensions, 2006-2015



Pensions (continues)

- **Another way to cut expenditures is keep “real” pensions low**
- **Government has full discretion to adjust (among few countries in the region)**
- **In 2016 real pension was half of the 1989 level, does not cover food need**
- **The medium real pension in 2015 was 270 CUP, equal to \$11 monthly**
- **Most pensioners need family help or foreign remittances**
- **They are among the poorest groups in the population**
- **Many work in the streets selling peanuts or other things or begging**

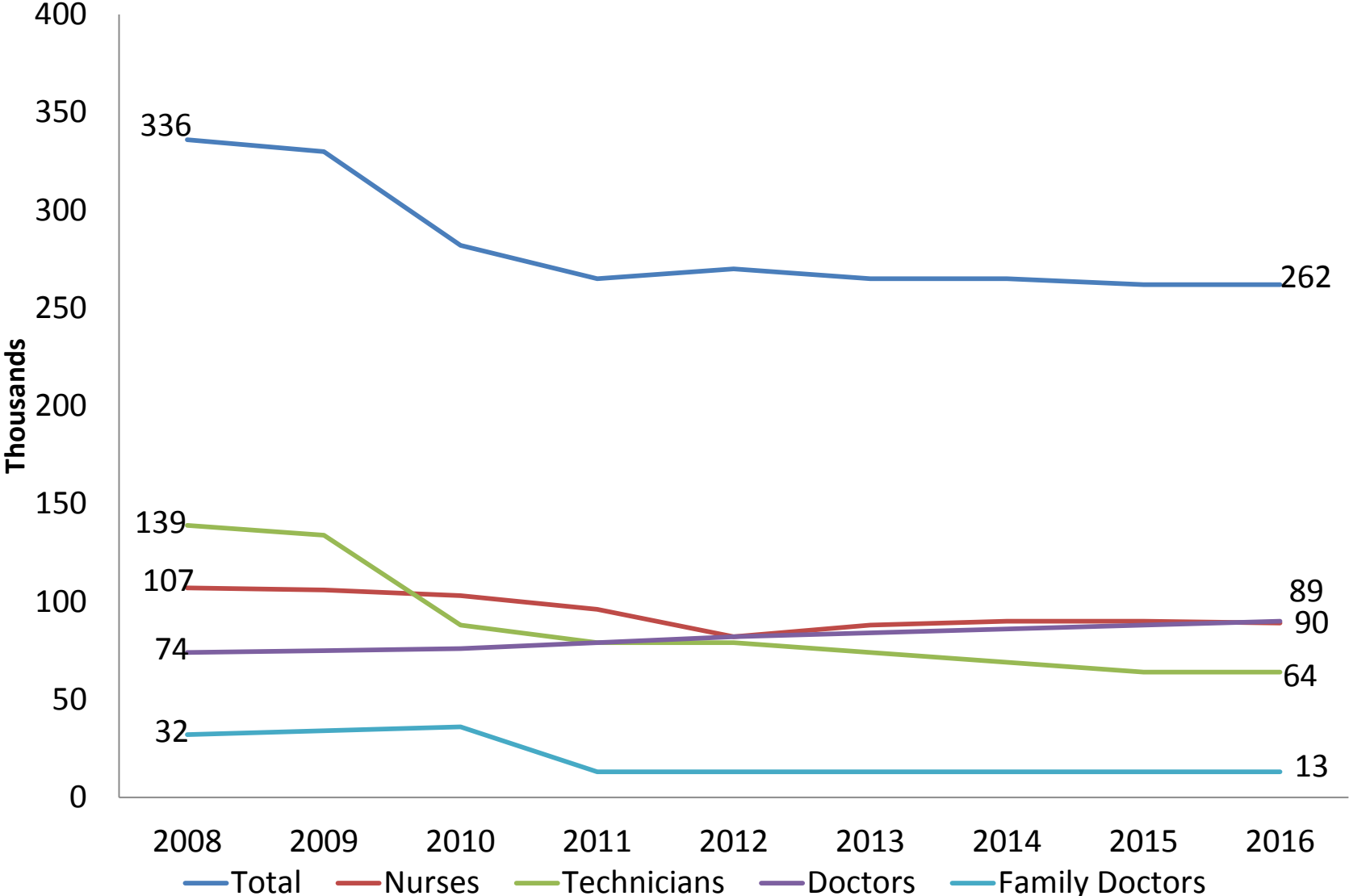
Medium Pension Adjusted to Inflation, 1989-2015



VI. HEALTH CARE

- **Number of hospitals declined 32% in 2007-2016**
- **Rural hospital closed in 2011, patients shifted to regional hospitals**
- **Total health personnel decreased 22% in 2008-2016**
- **Except for doctors that rose 21%, all other personnel fell**
- **Family doctors shrunk 40% (the rest are abroad)**
- **Severe scarcity of medicines**
- **Access to and quality of health care has diminished**
- **Infant mortality fell 5.3 to 4.2 in 2007-2014 (2nd lowest in continent) 4.3 in 2015-2016**
- **Maternal mortality rose from 31 to 42 in 2007-2016 (11 pp.)**

Decline in Health Care Personnel, 2008-2016



VII. EDUCATION

Due to aging and cuts, educational enrollment fell between its peak and 2015-16:

Primary	19%
Rural	25%
Secondary	15%
Rural	66%
Pre-university	32%
Rural	82%
University	78%

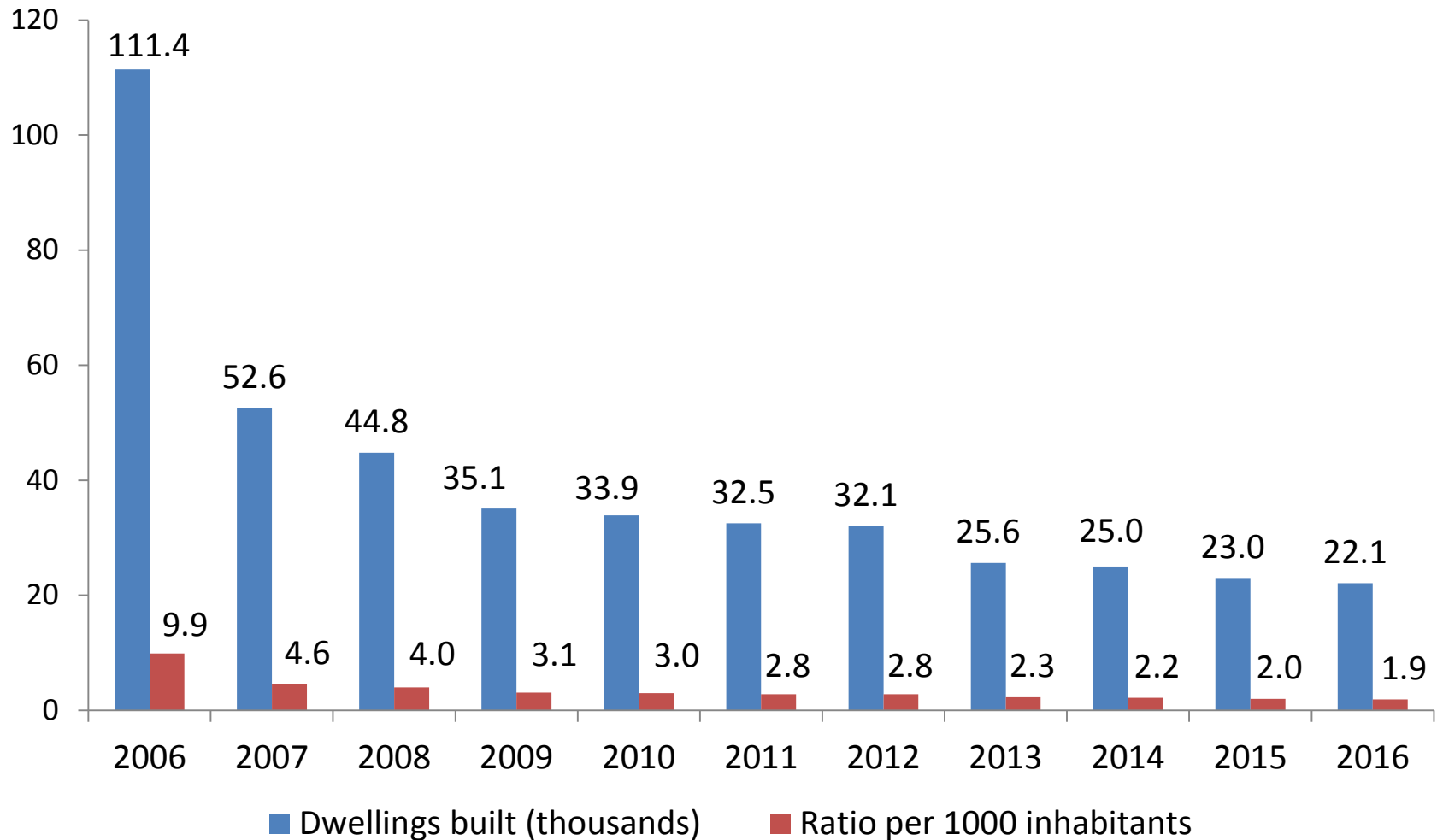
University Enrollment 2007-2015

University Enrollment	% change 2007/1989	% change 2015/2007
Humanities/social sciences	3,943	-91
Medicine	403	-63
Economy	396	-87
Physical education	381	-91
Technical sciences	43	-35
Agronomy	38	-68
Education	8	-84
Math/natural sciences	-39	0
Art	-38	0
Total	208	-78

VII. HOUSING

- **End 2016 official housing deficit was 883,050 dwellings, previous was 600.000**
- **My estimate is more than 1 million**
- **Dwelling construction fell 80% in 2006-2016**
- **The ratio of units built per 1,000 inhabitants declined from 9.9 to 1.9**
- **In 2011-2016, dwellings built by the state decreased from 72% to 42% of the total**
- **Those built privately (population) rose from 28% to 58% of the total**

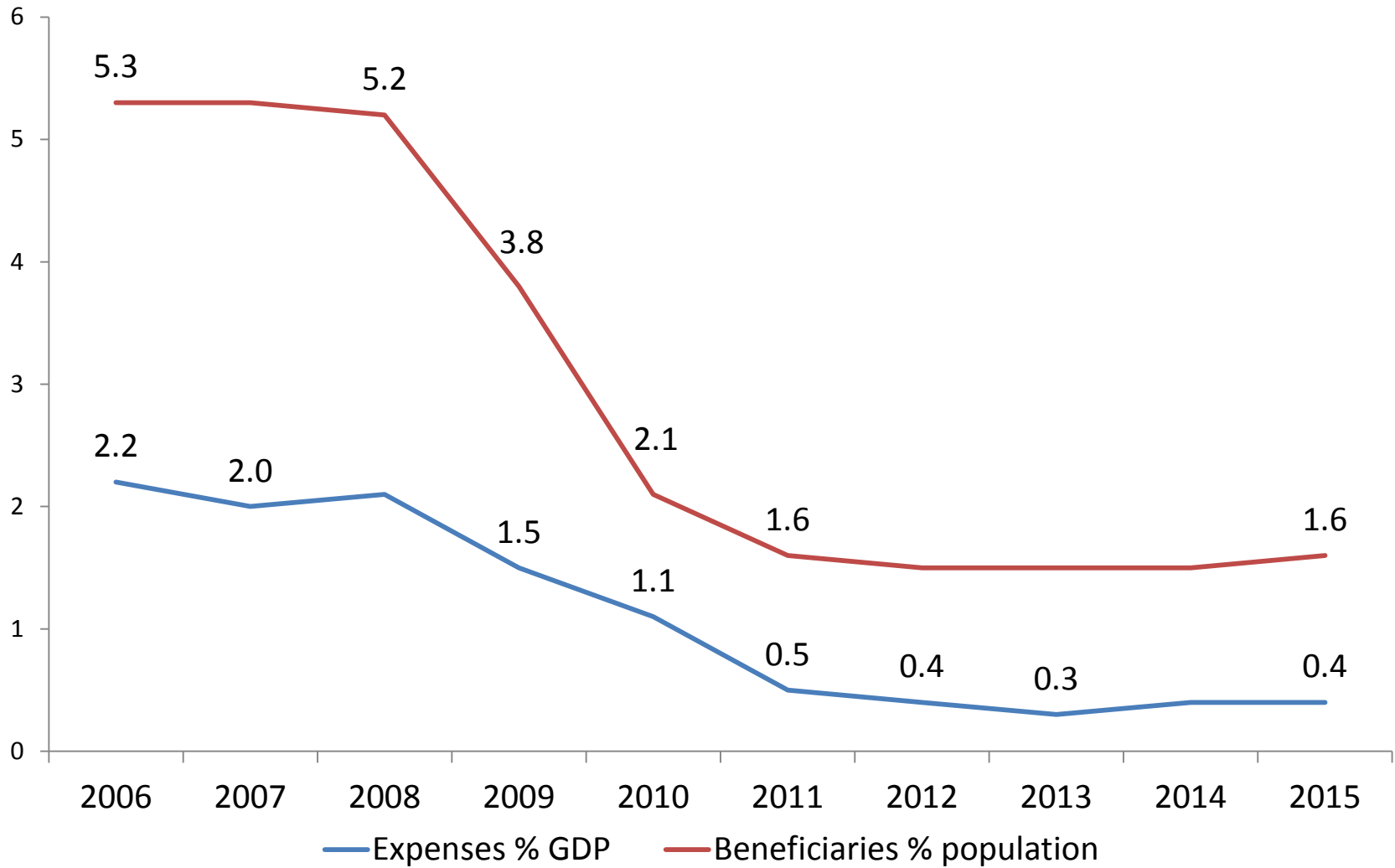
Dwelling Construction, 2006-2016



IX. POVERTY AND SOCIAL ASSISTANCE

- **Poverty in Cuba has increased since de 1990s crisis (“The Special Period”)**
- **In 2000 it was 20% in Havana City and probably worse in the rest of the country**
- **There are no statistics but several factor have contribute to poverty:**
 - ✓ Insufficient salaries to cover food needs
 - ✓ Extraction of products from the rationing list and selling at market prices
 - ✓ Deterioration of health services, informal payments
- **Social assistance is needed to help the poor/needy but has decreased sharply**

Decline in Social Assistance, 2006-2015



Elderly Receiving Social Pensions, 2007-2015

(thousands and percentages)

Old-age assistance pensions	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number	145.3	145.2	118.7	71.0	63.3	54.1	52.7	52.6	53.6
Index	100.0	99.9	81.7	48.9	43.6	37.2	36.4	36.2	36.9

X. CONCLUSIONS

- **Cuba's population is the oldest in the region, some adverse effects**
- **Labor-force fall started in 2015, continued in 2016 and will accelerate in future**
- **Unemployment + underemployment 28% of labor force 2015**
- **Medium state wage 61% lesser than in 1989, disincentive to productivity**
- **Social expenditures shrank 8 pp. of budget and GDP in 2007-2015**
- **Pension financial deficit 6.5% GDP cut short term, will expand medium term**
- **Pension is half of the 1989 level and doesn't cover food needs**
- **All health-care personnel (save doctors) and facilities have been cut**
- **Education enrollment shrunk 72% in 2007-2015**
- **Dwellings built fell 80% in 2006-2016, official deficit rose to 800,000**

CONCLUSIONS (Continues)

- **Poverty and income inequality have risen notably**
- **Social assistance instead of expanding has contracted drastically**
- **Economic reforms have not had tangible effects on the economy**
- **But have worsened living standards among workers, pensioners, population**
- **Conditions will aggravate unless the reforms are deepened/accelerated and a social safety net is established**