

THE SOCIAL IMPACT OF THE ECONOMIC CRISIS IN CUBA

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Image credit: The Borgen Project

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About the Author

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Cuba is facing the worst economic crisis since the Special Period – the extended economic decline on the island primarily due to the collapse of the Soviet Union (particularly between 1991 and 1994) – and the current situation resembles that of those years.¹ This paper, based on official Cuban statistics, evaluates the impact of this crisis on the main social indicators in 2020–2021: the aging of the population and its effects; visible and hidden unemployment; the average wage adjusted for inflation; the average pension also adjusted for inflation; the social security deficit; food shortages and prices; and health, housing, poverty, and social assistance.

1. Population Aging and Its Effects

Cuba is now the oldest country in the Americas and in 2050 it will be the second oldest in the world. Aging is positive because it increases life expectancy, but it creates economic and social problems.²

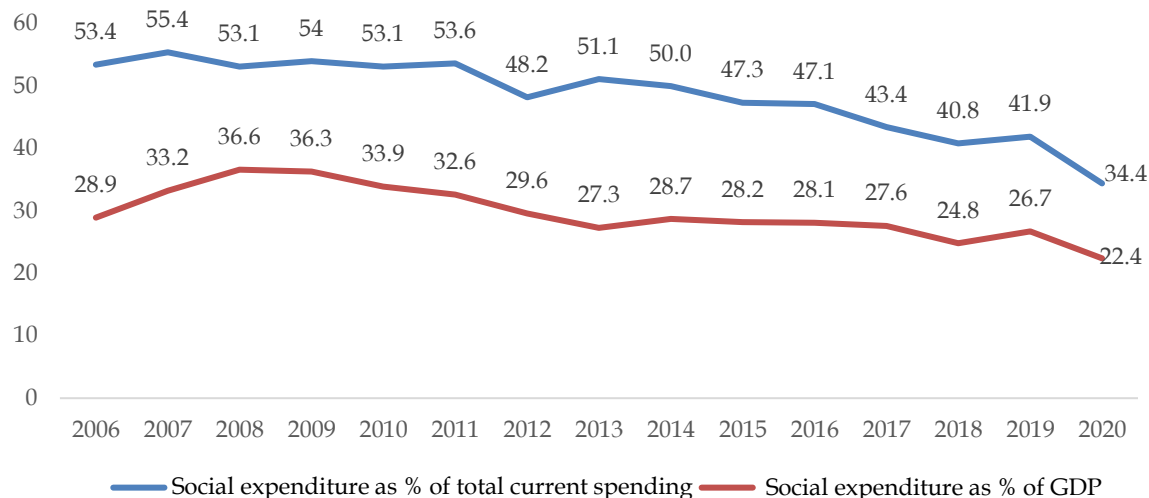
The labor force shrank by 9% between 2011 and 2020, while the employed population contracted by 8% in the same period; both phenomena may eventually induce a labor shortage. In addition, there will be fewer active workers to support pensioners.

Another problem is that the labor participation rate fell from 76% to 65% during the same period (a very low rate by Latin American standards) and no reasons have been given for the decline. As life expectancy increases, pensioners live longer and receive their benefits lengthier, which increases the cost of pensions. In addition, they often suffer from terminal illnesses, which drives up the cost of health care. Since 2007, the government has cut social spending to adjust it to the country's economic capacity, which reduced resources to finance pensions, health, housing, and social assistance (Figure 1).

¹ Translated by Jorge Duany. For the economic effects of the crisis, see Mesa-Lago, 2023.

² Cuba's *Anuario estadístico* (statistical yearbook) stopped publishing life expectancy statistics in 2013; therefore, they are nine years behind. Albizu-Campos (2021) has estimated, between 2012 and 2021, a decrease in the life expectancy of women in Cuba from 80.6 to 73.9 years; that of men from 76.5 to 68.9; and that of both sexes from 78.6 to 71.2.

Figure 1. Social Expenditure as a Percentage of Budget Expenditure, 2006–2020



Source: Author’s elaboration based on ONEI, 2007, 2012, 2022a.

2. Unemployment

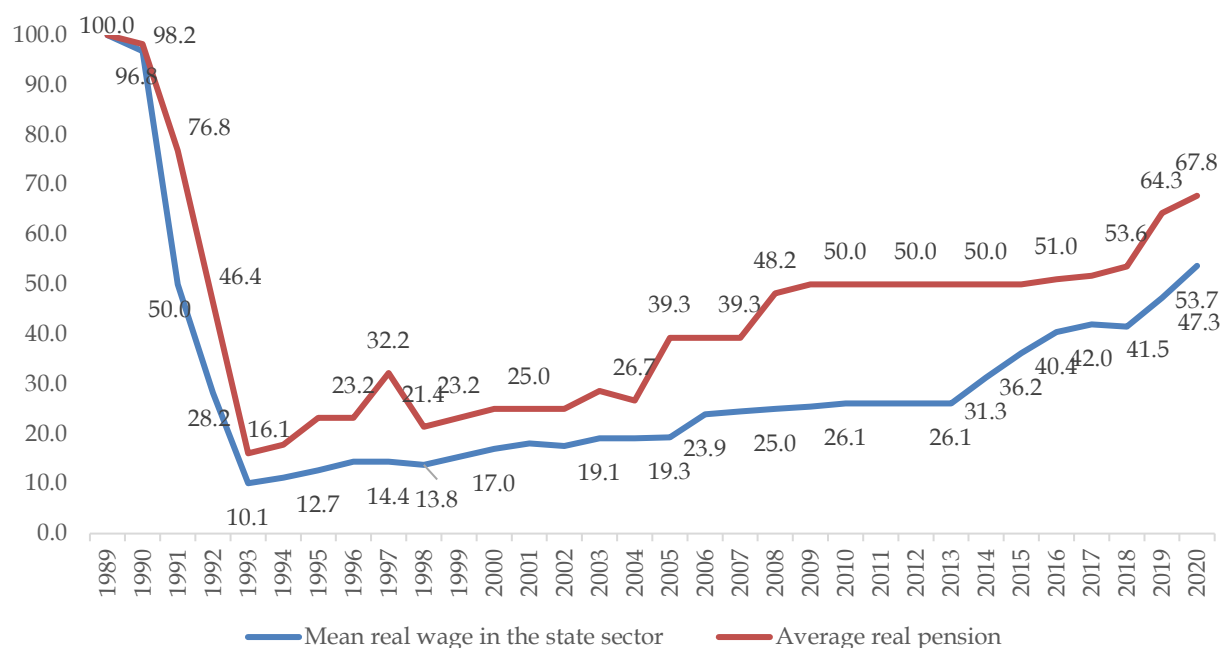
Unemployment can either be declared (or visible) or hidden (or underemployment). In 2020, visible employment was 1.4%, one of the lowest in Latin America and the world (ONEI, 2021), but in 2010 President Raúl Castro acknowledged a surplus of labor in the state sector (hidden unemployment or underemployment), which he first said was equivalent to 500,000 workers, but was projected to be 1.8 million by 2015.

Only 500,000 persons were dismissed from their jobs, leaving more than a million unnecessary jobs, equivalent to 29% of the labor force. By adding visible and hidden unemployment, the total was more than 30% of the labor force (Mesa-Lago, 2021). The 2021 monetary unification was supposed to result in the closure of state companies with losses (31% of the total) and lead to an increase in visible unemployment, but the government decided to give a year of transition for companies to eliminate losses and it allocated 18 billion CUP (the only current national currency in Cuba) in the budget for that purpose. According to the Minister of Economy and Planning, Alejandro Gil (2022), the subsidies continued in 2022.

3. Salaries

The average real state wage (adjusted for annual inflation) in 2020 was 53.7% of the level in 1989, so the purchasing power of the population decreased by almost half (Figure 2). The average wage of 1,194 CUP per month in 2020 was, according to the official exchange rate, equivalent to 49.75 US\$, insufficient to cover basic food needs (see section 5). Wages rose in 2021, but inflation outpaced their value and declined in real terms.

Figure 2. Value of Mean Real State Wages and Real Pensions, 1989–2020 (Index 1989=100)



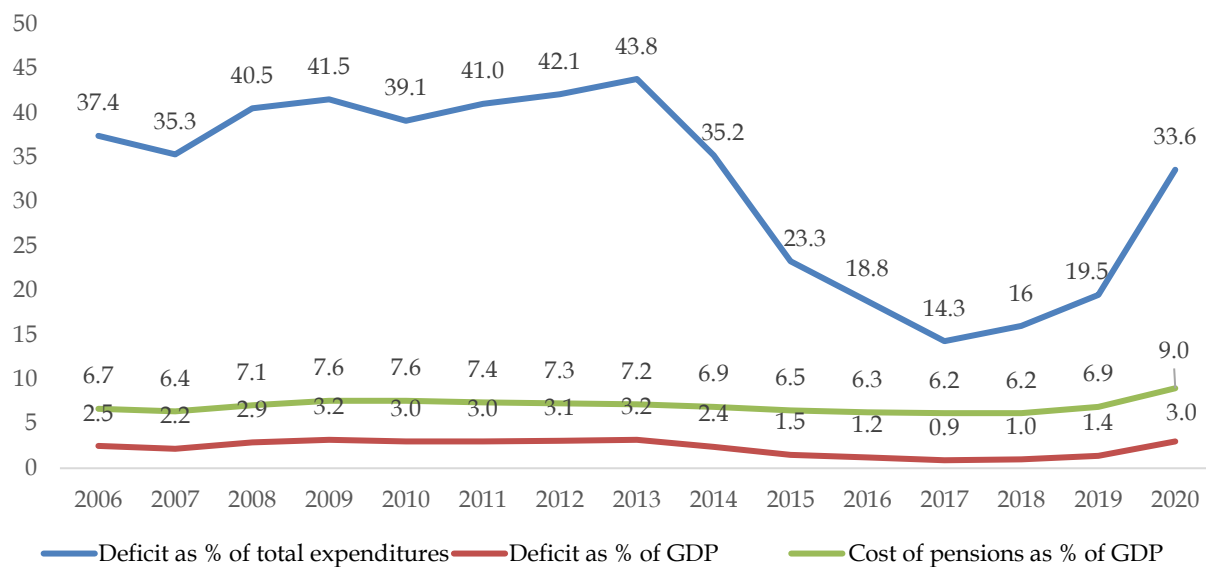
Source: Author’s elaboration based on CEE, 1991 and ONEI, 1995 to 2021.

4. Social Security Pensions and Their Deficit

The real pension in 2020 was 67% of the 1989 level; i.e., its purchasing power fell by a third (Figure 3). The average nominal pension in 2020 was 441 CUP per month (ONEI, 2021), equivalent to 18 US\$, even more insufficient than the salary to cover basic food needs (see section 5). Retirees and pensioners are among the poorest groups in the population. To survive, they must receive remittances or help from family members, or work as informal workers. Due to monetary unification in 2021, pensions increased but the huge inflation exceeded the increases.

The balance of income and expenses of social security pensions generated a growing deficit with a peak of 43.8% of total expenditure financed by the state. Due to the 2008 pension reform (which reduced retirement ages and increased contributions), the deficit decreased to 14.3% in 2017. But the 2008 reforms were not tough enough and the accelerated aging of the population resumed the increase in the deficit, which rose to 33.6% in 2020 and will continue to grow unless there is another more drastic reform. As a percentage of the Gross Domestic Product (GDP), the deficit declined from 3.2% to 0.9% in 2013–2017, but grew again to 3% in 2020 and will continue to rise (Mesa-Lago, Moreno, and Kay, 2022).

Figure 3. Social Security Pension Deficit, 2006–2020



Source: Author’s elaboration based on ONEI, 2007, 2013, 2021.

5. Food Shortages and High Prices

The fall in agricultural, livestock, and fisheries production, combined with the reduction in food imports due to lack of foreign exchange, has caused acute food shortages. Rationing, which previously ensured a meager food quota for Cubans, has been gradually reduced. Food delivered through the so-called *libreta* (rationing book) is now sold at prices between five and twenty times higher of those by the rationing system. State-run stores that sell in foreign currency make a profit of 240%, but due to the crisis and the reduction of imports, less and less food is available on the shelves. Typical items of the Cuban diet such as rice, beans, and pork are not found or cost a lot. As official supply has deteriorated, the black market has expanded and so have its prices (the black market in Cuba is the “informal” or “free” market). A pound of chicken imported from the United States at the official cost of one US\$ sells for seven times its price; the price of a bottle of cooking oil has multiplied fourfold; a pack of hot dogs, three times; and powdered milk, which was only sold to children and the elderly, 120 times (Frank, 2021).

Table 1 shows the CUP price of food in several markets in Havana at the beginning of December 2022; prices outside the capital are higher. Prices of stores selling in MLC (hard or foreign currency) could not be obtained, but they offer few products and only a small part of the population with higher incomes can buy them.

Table 1. Food Prices in Different Markets in Havana, 2022 (CUP for One Pound, Unless Specified)

Type of Market	CUP Price
<i>Informal market</i>	
U.S. chicken (10 lbs.)	2,800
Milk powder (1 kg = 2.2 lb., for children and elderly only)	1,500
Vegetable oil (liter)	700–1,000
Spaghetti (package)	300
Sausages (eight small)	300
Mixed minced meat tube (400 grams, less than one lb.)	300
<i>Agricultural cooperatives (farmers' market)</i>	
Pork (not available)	450 and more
Lemon	200–250
Black or red beans (not available)	180
Pepper	160–200
Onion	180
Cabbage (unit)	120
Carrot (bundle)	120
Beetroot (bundle)	120
Tangerine	100
Avocado (unit according to size)	80–120
Lettuce (bundle)	70
Guava	70
Tomato	60–80
Taro root	60
Tangerine	50
Papaya	25
Garlic (small head)	25
<i>Private neighborhood shop</i>	
Malt (bottle)	200–240
Beer (bottle)	180

Source: Author's elaboration based on Leiva, 2022.

Agricultural cooperatives or the peasant market have better supply and quality, but higher prices than the informal market. The state-owned stores, which previously sold rationed items at subsidized prices, have very few products; mixed minced meat is sold at 35 CUP under the rationing card, but supply is not guaranteed, which causes large queues.

A new method of sale are the "combos" or rationing quotas, which are sold to the population by age groups and include chicken, minced meat, oil, and detergent, once a month, at the price of 621.80 CUP. However, the complete combo is not guaranteed. If

one or two of the products are unavailable, they are lost and people have to wait until the next month, which generates large queues that usually take five or more hours of waiting (Leiva, 2022).³ The ratio between the price of the components of that combo and the price in the “black market” is thirteen times in the case of chicken, nine times for oil, and eight times for minced meat.

The average monthly salary in 2022 was 4,162 CUP; that is, it increased 83% over the salary of 2021 (3,830 CUP), but inflation rose more than 29%. According to the Minister of Economy and Planning, this salary “will not be enough to cover the basic needs of the population” (including not only food, but also services) and the deficit will not be covered by a new wage increase (Gil, 2022).

In fact, a worker receiving the average salary can barely afford to buy a package of chicken and a pack of eggs; that is, it is insufficient to cover basic food needs. The average monthly pension in 2021 was 1,607 CUP and, if we assume that it rose 8.3% as the salary, it would be 1,740 CUP in 2022. A pension, much worse than the average salary, would not be enough to buy a kg of powdered milk and a packet of spaghetti.⁴

Most of the Cuban population cannot survive without receiving remittances or working in the private sector (many retirees sell packages of roasted peanuts or other products on the streets). Those employed in the private sector (especially if they rent rooms to tourists or own a *paladar*, a private restaurant) can buy in the MLC stores. As a result, the gaps in income distribution and access to food have widened notably.

6. Health

In 1989, Cuba was among the first countries in Latin America with respect to its health indicators, but the 1990s crisis affected them adversely and, despite an improvement, many of them have not recovered to previous levels (Table 2).

Table 2. Health Facilities, Staff, and Other Indicators

Doctors per 10,000 inhabitants (2021)	9.5
Hospital beds per 1,000 inhabitants (2021)	3.3
Changes in the period 2008–2021 (%)	
Number of hospitals	-32
Number of polyclinics ^a	-8
Number of doctors	+43
Family doctors	-34

³ Group members receive a call when the combo arrives and must immediately go to the point of sale to try to buy the full combo.

⁴ Ulises Gilarte, Secretary General of the Central Workers Union (CTC in Spanish), said that more than 1.7 million retirees (i.e., all) cannot meet their basic needs (*El Toque*, 2022), but he should have said basic *food* needs.

Number of nurses	-20
Number of technicians	-54
Hospital bed ratio per 1,000 inhabitants ^b	-0.7
Infant mortality rate (per 1, 000 live births) ^b	+2.3
Maternal mortality ratio (per 100,000 births) ^b	+145.5

^aPercentage difference between 2007 and 2021.

^bDifference in percentage points between 2007 and 2021.

Source: Author's elaboration based on ONEI, 2009, 2014, 2022a.

The best health indicator is the number of doctors per 10,000 inhabitants, which was 9.5 in 2020, the highest in all of Latin America and the Caribbean, and increased 43% between 2008 and 2021. However, it should be borne in mind that the export of medical services, Cuba's main source of foreign exchange, causes a reduction in the population's access to health care. For example, the number of family doctors fell 34% between 2008 and 2021 (ONEI, 2009 to 2022a).

The number of hospitals decreased by 32% (all rural hospitals and urban and rural health posts were closed in 2011), the number of polyclinics by 8%, the number of nurses by 20%, the number of health technicians by 54%, and the number of actual hospital beds per 1,000 inhabitants by 0.7% (from 4.0 to 3.3).

Infant mortality declined consistently from 5.3 live births in 2007 to 4.0 in 2018 (the lowest in the western hemisphere after Canada), but then grew to 7.7 in 2021 (7.6 per 1,000 in 2022), an increase of 2.3 points since 2007. While Cuba has shown an increasing trend in the infant mortality rate since 2018, several countries in Latin America and the Caribbean have showed a decreasing trend and, in 2021, had a lower mortality than that of Cuba: Uruguay and Antigua-Barbuda (5), Chile (6), and Costa Rica (7) (World Bank, 2022a).

Maternal mortality on the island showed a growing trend from 31.1 per 100,000 live births in 2007 to 176.6 in 2021, an increase of 145.5 points. On the contrary, most Latin American and Caribbean countries showed a decreasing trend and many had a maternal mortality rate much lower than Cuba's: Chile, 13; Uruguay, 17; Grenada, 25; Costa Rica and Antigua-Barbuda, 27 (World Bank, 2022b).

Access to and quality of health services have deteriorated severely; long queues for secondary care, particularly for specialists and surgery, are largely due to the export of doctors and lack of supplies. Health care infrastructure has been damaged because scarce resources do not allow for routine maintenance and basic repairs.

Hospitals used to provide medicines free of charge, but patients now have to pay for them in the informal sector, as well as procure their own food, sheets, and so forth (Mesa-Lago and Díaz-Briquets, 2021). The fall in domestic production has produced an

acute shortage of medicines,⁵ reflected in an 84% reduction in exports of medicines (from 592 million US\$ in 2014 to 96 million US\$ in 2021). The 2020 and 2021 statistical yearbooks of Cuba show a notable discrepancy in the statistics on imports of medicines. The sums of the first are much lower than those of the second, so that the import value of medicines in the 2021 yearbook increased from 21% in 2017 to 923% in 2020. The decrease in import value was 92% in 2017–2020 versus 18% in 2018–2021 (Table 3). In the first half of 2022, 142 lines of medicines were missing, out of a total of 619, that is, 23% (Rodríguez, 2022), but this information seems optimistic based on the previous analysis. To fill this gap, US\$ 500 million are required (Gil, 2022).

Table 3. Import of Medicines in 2017–2021 According to the 2020 and 2021 Yearbooks (Thousands of U.S. Dollars)

Years	2020 Yearbook	2021 Yearbook	Difference (%)
2017	88,240	107,041	21
2018	24,242	109,060	350
2019	13,062	111,070	750
2020	6,911	85,278	923
2021		89,253	
Change (%)	-92	-17	

Source: Author’s elaboration based on ONEI, 2018, 2021, 2022a.

Gil (2022) reported the end of the COVID-19 pandemic, but Rodríguez (2022) informed that in the second quarter of 2022, the number of COVID cases increased, as well as dengue, throughout the country. The World Health Organization (WHO) has estimated the average “excess mortality” per 100,000 inhabitants in 2021: the number of deaths that occurred versus the number of deaths that would have been expected in the absence of the pandemic (for example, deaths indirectly associated with COVID-19, due to other causes, like pneumonia caused by COVID-19 but reported as pneumonia). Cuba had an average excess mortality of 163 and, of twenty countries in Latin America, eleven had a lower average than Cuba (WHO, 2022). Data published in an ONEI demographic bulletin, with 2021 figures subsequent to the WHO estimates based on March (average of 163), show a higher number of deaths, based on which the average of excess mortality is estimated as 446 (ONEI, 2022b).⁶

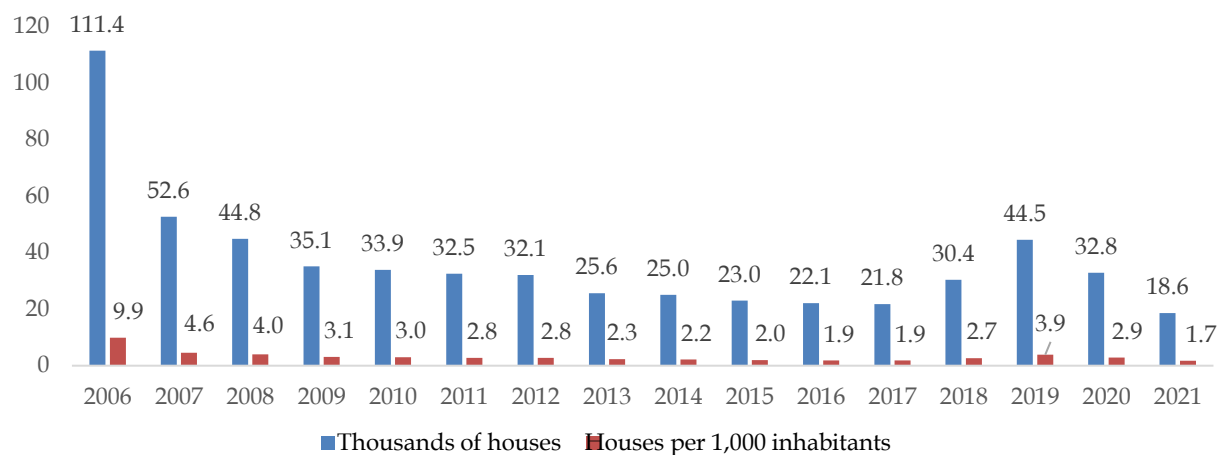
⁵ Medicine production increased steadily until 2017 and decreased in 2018. As of 2020, no figures are given. The medicine production index (base 1989) also shows increases until 2017 and ceases to appear since 2019 in Cuba’s statistical yearbook. A decline probably occurred due to the suspension of imports of inputs from China since Cuba stopped paying for such imports.

⁶ I appreciate the help of Cuban demographer Juan Carlos Albizu-Campos for these calculations.

7. Housing

The number of homes built in Cuba decreased 83% between 2006 and 2021 (from 111,400 to 18,600), except for a rebound in 2018–2019; in relation to 1,000 inhabitants, the fall was from 9.9 to 1.7 in the same period (Figure 4). In 2022, the state’s goal was building 36,831 homes, but in the first half of the year only 12,154 had been completed (Rodríguez, 2022); if the trend continued at the end of the year, there would be 24,308 homes, lower than the level of 2014. The goal for 2023 is 30,140 homes, according to Gil (2022), very difficult to achieve due to the economic crisis.

Figure 4. Housing Construction in Cuba, 2006 to 2021

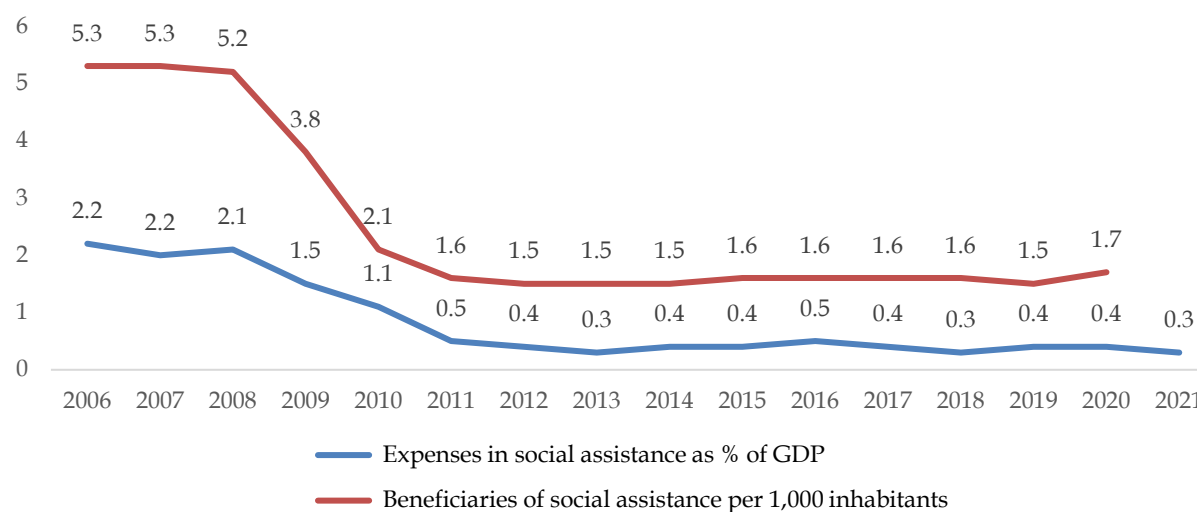


Source: Author’s elaboration based on ONEI, 2007 to 2022.

8. Poverty and Social Assistance

ONEI has never published figures on poverty incidence in Cuba, although the above analysis indicates that it must have increased substantially (Mesa-Lago and Svejnar, 2020; Mesa-Lago, 2021). Therefore, social assistance to protect the vulnerable population should have expanded, but actually decreased between 2006 and 2021 from 5.3 to .1.7 beneficiaries per 1,000 inhabitants and from 2.3% to 0.4% of GDP (Figure 5).

Figure 5. Indicators of Social Assistance in Cuba between 2006 and 2021



Source: Author’s elaboration based on ONEI, 2007 to 2022a.

9. Conclusions

This paper, based on official Cuban statistics, analyzes the impact of the economic crisis of 2020–2022 on the deterioration of Cuba’s social indicators, but the decline had preceded the crisis, partly due to the reduction of social spending between 2006 and 2020 from 55.4% of the budget to 34.4% (from 36.6% to 22.4% of GDP).

Cuba is the oldest country in Latin America, increasing pension and health care costs, while reducing the labor force and aggravating social security financing.

Open unemployment remains the lowest in Latin America (1.4%), but at the cost of maintaining an underemployment of 29% of the labor force since the unsuccessful attempt to eliminate it in 2011–2015. Monetary unification has artificially kept open unemployment low through tax subsidies to a third of loss-making state-owned enterprises.

The real average wage in the state sector contracted by half between 1989 and 2020 and inflation in 2021 exceeded the nominal increase in this wage which, due to the substantial jump in food prices, is insufficient to cover basic food needs. The real average pension contracted 42% between 1989 and 2020 and is even more insufficient than the wage to cover basic food needs due to price increases. The pension deficit, which had decreased due to the 2008 reform, has resumed its growth since 2018 and this trend will continue due to the inadequacy of the reform and the acceleration of aging.

Key health indicators have deteriorated since 2007. Infant and maternal mortality rates have risen (the second one 145%), while several Latin American countries have improved their performance, now overtaking Cuba (when in 1989, the island was at the

top of the region). Although the ratio of doctors per inhabitants continues to grow significantly and remains the highest in the region, the export of doctors (especially family doctors, essential for primary care) has reduced the population's access to health care. Furthermore, the island has experienced a deterioration in health facilities and the quality of services, as well as a severe shortage of medicines (caused by the decline in domestic production and imports).

Housing construction decreased 83% between 2009 and 2021 and this fall accelerated in the last year. The incidence of poverty has increased, and social assistance should have been extended, but between 2006 and 2021 it contracted between 67% and 86%.

The government mainly blames the U.S. blockade for the economic crisis and social deterioration. However, there are multiple causes, including the failure of economic reforms in the last twelve years, which have not improved the current inefficient economic model and reactivated the economy (see Mesa-Lago, 2023).

To overcome the crisis, an urgent structural reform must be undertaken to lead Cuba towards a model either of market socialism, which has been very successful in China and Vietnam, with the necessary adjustments according to Cuban peculiarities; or to a welfare state model under democracy like in the Scandinavian countries. Without such reforms, the socioeconomic situation will continue to deteriorate.

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