

From self-employment to micro, small or medium-sized enterprises in development and a proactive State

Del cuentapropismo a la micro, pequeña o mediana empresa en desarrollo y un Estado proactivo

Do auto emprego às micro, pequena ou média empresa em desenvolvimento e a um Estado proativo



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Self-employment has been the basis for the development of Micro, Small and Medium Enterprises (MSMEs) in the country. About one fifth of the personnel registered as self-employed were actually hired by others. Perhaps private and state-owned MSMEs would then absorb some of the personnel that remain underemployed in the budget sector or in the state sector and could contribute to an adequate composition of the workforces.

The self-employment had a smaller expansion than the one was anticipated and desired at some point. Although almost a decade ago, there was talk of goals, of up to one million self-employed workers, the figure went from 424 thousand in 2013 to 540 thousand in 2016. Since then, growth has been discreet: 617 thousand in 2019, according to the National Bureau of Statistics and Information (Onei, 2020). The impact of Covid-19 brought it to 602 thousand that year, judging by data from the Ministry of Labor and Social Security.

A more proactive turn was taken by the state with steps to relax the rules of self-employment and create unprecedented commercial options, wholesale markets and the

possibility of negotiating with legal entities, state and foreign, among others. The most important measures were implemented starting in 2019, on the eve of the arrival of the coronavirus, which momentarily halted the global economy.

The effect of the Covid-19 pandemic in Cuba brought about a contraction of economic activity in general and, in the case of self-employment, the closure of businesses and a reduction in working hours, especially in those dedicated to the provision of services. The number of self-employed workers with temporary suspension of their licenses rose to 250,000. In the midst of this context, coupled with all the constraints of the economy, self-employment has continued to grow, with numbers on the rise over the last five years. Currently, more than 600,000 Cubans are self-employed.

On the other hand, the term "self-employed" has been insufficient to refer to an appreciable part of the economic units that have been operating in Cuba for some time, which, due to their capacity to mobilize productive factors, capital and human resources in an organized manner, can be considered enterprises, since they comply with the definitions and the regulatory legal framework in force in the country and, therefore, can be called by their name: *entrepreneurs*.

In practice, based on the regulations that have been implemented, self-employed workers have been placed in the realm of micro and small private enterprises. Some definitions of important concepts and limits in their spaces are still needed, in order to adjust the rules of the game for all economic stakeholders, among which are also included the Non-Agricultural Cooperatives, but in light of the current transformations, they should not be considered as a new type, since the constitutive process of Non-Agricultural Cooperatives in the country dates from 2013.

At the same time, this may have found an answer in the elaboration of the conceptualization of the Cuban economic model. In his Central Report to the Seventh Congress of the Communist Party of Cuba, Army General Raúl Castro Ruz expressed the need to "call things by their name and not take refuge in illogical euphemisms to hide reality. The increase in self-employment and the authorization of the hiring of labor force has contributed, in practice, to the existence of medium, small and micro private enterprises that today operate without the proper legal personality" (PCC, 2016).

In the same scenario, the "Conceptualization of the Cuban economic and social model of socialist development" was presented. In paragraphs 181 and 182, it is mentioned the type of enterprises that could exist; while 181 expresses: "Small businesses carried out essentially by the worker and his/her family", 182: "private enterprises of medium, small and micro scales, according to the volume of activity and number of workers, recognized as legal persons" (PCC, 2017).

Gradually, it became necessary, then, to reconceptualize the term "self-employment" because, despite the time elapsed in the process of flexibilization, this type of employment was in its infancy and it was difficult to appreciate its true scope and potential, a phenomenon determined by the very conditions of the economic environment in which it had been developing, the gradual changes in the regulatory framework and the difficulties with inputs, among other problems. There is no doubt that self-employment has been one of the fundamental bases for moving towards a new form of management.

It should be noted, therefore, that the enterprise constitutes the basic cell for the production of goods and services; it forms an economic-social unit for profit. In this unit, the factors of production are coordinated and combined to generate goods of social and individual interest. Within this context, the elements necessary to form an enterprise are: capital, labor, land and entrepreneurial skills.

From the point of view of commercial law, it refers to a legal entity created for profit. In economics, the enterprise is the basic economic unit responsible for satisfying the needs of the market through the use of material and human resources.

It also constitutes an identity endogenous to society and cannot remain alien to it. Society, represented by the state, provides enterprises with the institutional legal framework for their operation, allows the education of their workers, technicians and managers, and provides them with economic infrastructure. From this perspective, the economic purposes of the enterprise seem to be above its social purposes, however, both are also indissolubly linked to each other and should try to achieve some, without detriment or postponement of the other.

In the above, the enterprise social responsibility rests, the role that the enterprise has with society that goes beyond the simple production and marketing of goods and services. The enterprise also has to assume commitments with existing interest groups in society to contribute to solving problems such as poverty, environment, etc.

It is in the enterprise, whatever its ownership regime, public or private, where the wealth of a country is created. Hence its centrality for any economic model, planned or market economy. And hence also the importance of having the independence and autonomy necessary for its performance. And in this there is a difference, depending on the model.

On the other hand, academic studies clearly reveal that micro, small or medium-sized enterprises generate employment, enable development at the local or regional level, fostering productive linkages and creating value chains that energize local economies and adapt flexibly to economic crises. Although they face certain disadvantages, in normal situations they are usually beneficial. If it is analyzed the enterprises structure of large economies such as Japan, Italy, South Korea and more recently China and Vietnam, among others, it can be seen the contribution to the economy of this form of production and management.

In any case, it is necessary to have a vision about the importance for a country like Cuba of the establishment of micro, small and medium-size enterprises for a true articulation of the enterprise fabric, something that is still new in the national reality, given the process of globalization that is manifested worldwide.

However, it is necessary to make some clarifications. First, there is no universal or precise concept of the size or scope of an MSME. It depends on the concepts used, from an international organization, a region or a country, to classifications that have been established on the basis of the number of employees, the volume of sales or whether they are part of a larger enterprise. However, the analysis of one type of enterprise or another, whether micro, small or medium-sized, whether privately owned or state-owned, shows that the main difference that may exist in management between the two forms of ownership lies in the level of risk involved in undertaking one form or the other.

Sometimes, even in academic discourse, it is not clear that the three forms of enterprise organization are mutually exclusive, that is, a micro or a small or a medium-sized

enterprise is created, so it should not speak of the creation of an MSME as a generic concept, the common term that describes them is actually "economic actor".

After the first boost given to MSMEs in Cuba, it is expected that next year 2022, to the extent that the most difficult moments of the pandemic are left behind and the recovery of world trade and, consequently, of the Cuban economy begins, stimulating the gradual recovery of priority activities in the country such as services, food production and tourism, among others, an increase in the number of applications and at the same time of approvals for these new stakeholders in the Cuban economy.

The reason to expect an increase in the number of newly created enterprises will depend on the intensity of the economic changes underway today and on the project's fidelity to its original name: the *improvement of the economic stakeholders*.

The economic transformations, based on a regulatory legal framework that fosters the transformations that have accelerated this year to tangible scales amid the drama with Covid-19 stamp in production, services and consumption, add incentive in the willingness to risk of these new stakeholders in the economy that perform in a new management model, an innate quality in any enterprise venture.

But the favorable conditions mentioned above are rather innate in nature or have arisen by evolutionary logic. It is natural to perceive then that the State has basically intervened to encourage private enterprises, under the format of micro, small and medium enterprises, as regulated by the Constitution.

The measures taken have managed to send a signal about the need to take more resolute steps, above all, to better articulate private producers and cooperatives with the rest of the economy, if the non-state forms of management have been conceived together with the socialist state enterprise, as protagonists of the country's economic development. For this reason, it is essential to empower territorial governments to encourage development.

The State is playing a more active role in the creation of conditions to encourage the promotion of MSMEs. There are motivations for doing so; the one it reiterates most publicly is the conception of these small enterprise structures as an important source of

employment. "What we are doing today goes in that direction, it is the generation of employment, opportunities, it is building a country project with the participation of all", argued the Minister of Economy, Alejandro Gil, when he presented this option at the Round Table.

Another reason to look with interest at MSMEs, opened in Cuba for state and private forms alike, is the prominence that these structures have gained in the global economy. In the race to cut costs, large enterprises choose to reduce staff, maintain specialized lines and close complementary activities, which are then outsourced to third entities, equally specialized and small in size most of the time. This resource gives them the flexibility to respond to market demands, economic efficiency and competitiveness, aspirations also contained in the process of perfecting the Cuban economic model of socialist development.

It is undeniable that MSMEs have advantages in Cuba, such as the high qualification of the workforce and a market with unsatisfied demand. The country has more than necessary conditions for MSMEs to be part of the key to the growth of the economy. With the effect brought about by the Covid-19 pandemic, significant decreases are to be expected, since many productive or service activities were paralyzed, among which tourism stands out.

There is no doubt that MSMEs must be linked to the existing enterprise environment. Hence, it is necessary to redesign and implement it in such a way that the State recognizes its role and creates the conditions to take advantage of its full potential, therefore, when it is said decentralize economic planning, it should be thought of MSMEs as well.

Unlike what happens in the world, where within the business network MSMEs represent 98 % of its structure and in Latin America they have a 25 % share in the Gross Domestic Product, in Cuba the concept is that they are not a subsistence alternative, but that they produce the greatest amount of goods and services for the benefit of the population and the country, together with the socialist state enterprise.

It is desirable that this emerging non-state sector becomes in the medium term an important fabric of MSMEs and can open the bank accounts that their business needs

because of the advantages of all kinds that they have, both for the entrepreneur and for the related state institutions. The state should then consider how to provide more incentives for lending.

In a general sense, Cuban MSMEs can have many advantages, but they must have autonomy and operability; the plan of the economy must not conspire against their operation. They must act under new management conceptions that cover product design, the acquisition of means for production, and the quality of their product, in a way that makes it competitive with increasing levels of consumer customization, among other aspects.

The efficient use of Cuba's highly qualified human resources and the prioritization of enterprises that make greater use of knowledge are then considered. In a country like Cuba, many results can be expected from this type of enterprises, especially if there is a desire for a more homogeneous economic and social development in the different areas of the national territory.

As in the rest of the world, it would be beneficial to create a development bank or other microcredit financial institutions specialized solely in serving this market segment.

In the spirit of contributing to the solution of problems that arise at the organizational, local and national levels, related to a wide range of topics, addressed by renowned authors, the journal *Cooperativismo y Desarrollo* is pleased to present this issue to its readers in the hope that it will serve to maintain interest in its content.

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