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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

18 July 1963

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Possible Implications of Castro's Tougher
Program for the Labor Force

SUMMARY

A. The Castro government, in a new effort to break out of its economic straitjacket, has begun to introduce a program to control and discipline Cuban workers. Measures to be applied to the non-agricultural labor force (primarily to manufacturing and construction workers) have been in the pilot stage since mid-May and are to be put into more general practice during the next few months. They include work norms, penalties for production shortfalls and for absenteeism, and a countrywide, government-administered wage system which will divide the workers into eight pay-rate categories in accordance with their skills, training, and performance. Castro himself has taken to the stump to explain to workers why they must be pressed harder and has flatly told them that "whoever does not work does not eat."

B. The new policy, no matter how administered, is likely to lower worker morale. If applied in arbitrary and dogmatic fashion, it will almost certainly cause widespread discontent. To what extent this might be translated into effective opposition to Castro is much more problematical, but these measures could make his regime more vulnerable than it has been.

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1. NIE 85-63, "Situation and Prospects in Cuba," dated 14 June 1963, discussed the continuing consolidation of the position of the Castro regime and predicted that it would be more firmly established a year hence than it is today. A number of contingencies were cited, however, which might affect this judgment. One was the possibility that Castro would turn to harsh administrative measures to get the Cubans to work harder. Despite its awareness that there are risks involved, his regime now appears committed to this line of action.

2. The Castro government has, from the beginning, had serious problems with the Cuban labor force, the free-and-easy attitude of many of its members, their distaste for hard work and long regular hours, their lack of technical skills, their cavalier attitude toward the maintenance and repair of machinery. For more than a year Cuban officials have been talking about work norms and other labor-control devices. Consideration of detailed measures went ahead in the early months of 1963, but Castro's decision to carry out a new tougher labor policy apparently did not become firm until his visit to the Soviet Union from which he returned in early June.

- 2 -

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3. Castro seems aware that there is considerable risk in this new line of action; presumably he feels that the economic need to improve labor productivity and expand production outweighs the political danger of increased discontent. During his four and a half years in power, Castro has been unable to get much forward movement in the Cuban economy despite substantial balance-of-payments, developmental and technical aid provided by the Soviets. Cuban GNP and total personal consumption are still well below the level of 1958-1959; many types of foodstuffs as well as consumer goods are scarce; the distribution system is poorly organized and rationing has become steadily more extensive; investment capital is inefficiently utilized and managerial talent remains very limited; and Castro has told Cuban workers that continued failure to increase production will imperil retirement pensions, the expanded sick pay and hospitalization plan, scholarships for advanced education and other social welfare programs.

4. It is worth noting that following his return from the USSR Castro announced no new pledge of Soviet economic aid, other than the Soviet agreement to boost its price for Cuban sugar. In his speeches since the visit, Castro has strongly emphasized that Cuba must make its economic progress very largely on the basis of its own efforts and resources.

5. Experimental work norms were initiated in mid-May in some 300 enterprises, and the Minister of Labor has announced that such norms and a new eight-category wage system* will be introduced during the next few months for all of the non-agricultural labor force. Skill and training, as well as performance, are to determine each worker's wage category. Soviet advisers have assisted in setting up some of the experimental norms. Workers who fail to meet their norms are to lose a proportionate amount of pay; for exceeding the norms, however, they will not be paid more but will merely qualify more rapidly to advance into the next wage category. Thus there will be much room for arbitrary action on the part of officials administering the program and much reason for resentment on the part of many workers.

6. The introduction of work norms and other such measures to discipline labor has historically proved to be a very tricky business even in Communist countries with security machinery stronger than that in Cuba. The Castro regime is apparently anxious to cushion the

* Category one is from less than 20 to 49 centaros per hour; category two, from 50 to 59 centaros; category three from 60 to 69 centaros; and so on to category eight which is 1.30 to 1.49 pesos per hour. According to the Minister of Labor, about 60 percent of the workers fall into the first three categories; only 2 percent into category eight. Another 2½ percent -- the highest paid workers -- are not included in the system.

initial impact of its program. For example, workers who are assigned a wage category below their present wage are to be temporarily paid the difference as "unearned income." Initially the norms, in many cases, will be set at moderate levels. Castro himself has been making a series of speeches to labor groups explaining the need for stronger labor discipline and exhorting them to cooperate and work longer and harder.

7. If widely applied, the new tougher policies are almost certain to lead to some increase in worker discontent. This discontent would probably be widespread if the measures were administered in arbitrary or dogmatic fashion. Moreover, it would be added to a more general disenchantment with the regime over the continuing shortages of consumer goods.

8. In NIE 85-63 (Paragraphs 41 and 42) we saw little prospect of significant resistance to Castro's consolidated power, but did point out that "If something should happen to damage Castro's ability to command the loyalty of the Cuban people, for example, as a result of ill-judged measures to discipline workers, the situation could get out of control." The new labor program raises the question whether this outside chance may eventually be realized. If discontent reaches the point of disturbances and demonstrations by workers and the regime

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has to resort to repression by force, the chances would increase of other groups in the population joining in opposition. In any case, the new labor measures, as they are put into operation, could make the regime more vulnerable.

FOR THE BOARD OF NATIONAL ESTIMATES:



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SHERMAN KENT
Chairman

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TRANSMITTAL SLIP		DATE 10 July 1963
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FORM NO. 241 1 FEB 55	REPLACES FORM 36-8 WHICH MAY BE USED.	GPO : 1957-O-439445 (47)

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