Cuba introduces additional payments for state employees

The additional payments do not constitute a comprehensive wage reform, but are intended to make a difference locally (source: LaHabana).

Cuban civil servants are to receive additional payments from the salaries of vacant positions in their workplaces. The Council of Ministers approved the measure, which was published in the official gazette on Monday, as an “incentive for workforce stability in the budget sector.”

The new regulation aims to curb the “ongoing increase in job turnover” in this area, according to the official document. At the same time, government representatives dampened expectations and made it clear at a press conference that this was not a comprehensive wage reform. The calculation and distribution of the payments will be determined by each institution itself.

Who benefits from the measure?

Maritza Cruz García, Deputy Minister of Finance, described the new regulation as “a partial step that does not solve all the wage problems in the budget-financed sector.” A comprehensive solution depends on “increasing production capacity and the production of goods and services,” thereby boosting government revenues.

Ariel Fonseca Quesada, Deputy Minister of Labor and Social Security, explained that the measure does not have the same impact in all workplaces. Where all positions are filled, “there is no unspent wage fund to distribute.” On the other hand, those who take on both their own duties and those of vacant positions due to vacancies will benefit. “These people have an additional workload, which is why we can redistribute the unspent wage fund to them,” Fonseca assured.

The additional payment applies to workers in all occupational categories in the budget-financed sector (which includes education, health care, and administration, for example). Excluded are employees of central government bodies with “differentiated wage treatment” and workers in the health and education sectors who already receive allowances for “maximum effort and work overload.”

Implementation and financing

Following publication, those responsible for the institutions have 30 days to assess the situation in their centers and implement the measure. To do so, they must draw up internal regulations that must be agreed with the union and the workforce and approved by the respective management.

“Once all the steps and requirements have been implemented in the organizations and institutions, they would already have the authority to make the payment for September in October,” reported the state portal *Cubadebate*.

The frequency of payment is determined by each institution – monthly, quarterly, once or for a specific period. Distribution should not be linear, but should take into account “high performance, differences with greater recognition of highly qualified human resources, the filling of positions with greater responsibility, the competence-based management approach and the individual distribution mechanism.”

The median wage in the budget-financed sector in Cuba is currently 5,860 pesos per month, equivalent to 13 euros according to the informal exchange rate and 46 euros according to the official rate. In the state-owned enterprise sector, wages are around 24 percent higher, with a median of 7,264 pesos.

Foreign exchange market reaches new record highs

Parallel to the wage measures, the dollar and euro reached new highs on the island's informal foreign exchange market. The euro rose to 450 Cuban pesos, marking a new historic record, while the US dollar remained at 400 pesos.

The MLC, the settlement currency pegged to the US dollar, fell to 205 pesos and is approaching the critical 200-peso mark. This is the lowest value of the year. Rumors about the abolition of the MLC in the course of planned maintenance of the payment software systems have not been confirmed, but reports are increasing, including in state media, that the MLC could soon be abolished.

At the parliamentary session in July, Prime Minister Marrero announced major changes to monetary policy, which are to be implemented between September and November. (Cubaheute)