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# **The Differentiated Use of Remittances and its Impact on Social Equality. A Study in the Cuban Capital**

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## **Context and Methodology of the Study**

In the 1990s, Cuba was characterized by an economic crisis as a result of the collapse of the socialist block. In that context, the then existing correlation between income and cost of living disappeared immediately. Salaries no longer provided a livelihood and they lost their capacity to meet the population's basic needs in an acceptable way. Workers and their families experienced a significant decrease in their capacity to buy goods. To mitigate the effects of the crisis, Cuban families considered both migration and incorporation into the nascent private sector. However, even though the private sector created new opportunities for the families that were able to take advantage of those options, it also generated greater economic inequalities based on access to the dollar and the Cuban convertible peso (CUC) currencies. A social heterogeneity emerged with unequal access to opportunities, currency, and advantageous/disadvantageous positions of some groups with respect to others.

More recently in 2011, the Cuban government has stimulated greater development of private enterprises by introducing changes in the Cuban economy through the so-called "Update of the Economic and Social Model." At the same time, remittances by the Cuban diaspora to their families in

Cuba have increased. In this sense, remittances have played a dual role. First, by sending remittances, the Cuban diaspora has been able to help families back home solve some of their basic needs. In addition, the use of remittances has served as working capital for the development of private enterprises that have facilitated an improvement in the material living conditions of relatives, friends, neighbors or recipient partners<sup>1</sup> (Delgado, 2015). Nevertheless, despite the favorable economic impacts that the use of remittances has brought about, they have at the same time reinforced inequalities in both the material and emotional well-being of the recipient groups as compared to others. Furthermore, it has also created new expressions of social inequality. This complex reality is analyzed in this article, which answers the question: What effects does the differentiated use of remittances by Cuban families have on social inequality?

To answer this question, a descriptive-analytical, explanatory and comparative study is carried out. A mixed methodology is followed by a combination of qualitative and quantitative methods and techniques. The study was conducted in 2013 in Havana, capital of Cuba, which is the territory where the most diverse expressions of economic inequality occur. In general, 74 families were surveyed, 41 of whom used remittances for family consumption, and, of those, 33 also used them as working capital for the development of private enterprises. The information obtained from the completed questionnaires was complemented with interviews by experts on the Cuban economy, remittance, and social inequalities.

### **Sociodemographic profiles and social inequality**

The findings of this study show that the perception of social inequalities vary by sociodemographic characteristics (such as sex, age, skin color, level of education, occupation and municipality of residence) as a consequence of a differentiated access to and use of remittances by those groups. To shed light on this pattern, two groups were formed based on the use of remittances.

One group included those who used remittances only for family consumption, were mainly of mixed race or black women, under the age of 30 and over the age of 60, and with bachelor's degrees. They were workers in the state sector and residents in impoverished areas in the *Centro Habana* municipality. The second group included those who used remittances as

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<sup>1</sup> For more details on these effects, see <http://www.anuariocemi.uh.cu/index.php/MMig/article/view/24/23>

working capital for businesses that produced more capital and greater access to consumption and purchasing power. The members of this advantaged group were mostly white men, in the range of between 31- 60 years of age, and had completed high school. They were owners of private enterprises and residents in the socioeconomically developed *Plaza de la Revolución* municipality.

In general, the two groups are different when compared to each other, due to their values, interests, mobility experiences, future plans, access to spaces of consumption and services, brands they buy, and how they enjoy their vacation and spare time. When comparing the two groups, it can be noticed that the working capital remittances' recipients developed successful private enterprises. They used part of their economic gains to enjoy family vacations abroad. They enjoyed traveling around the world, but also spending time in spas and hotels in Cuba. They mention having greater personal satisfaction because remittances allowed them to enjoy moments of leisure with their family in spaces that they would not have access to without working capital remittances.

However, those who used remittances only for family consumption had less access to enjoy those options. Both groups position themselves in different social stratum based on their socio-economic conditions. The ones who receive working capital remittances have moved up from medium to higher stratum while the ones who used remittances only for family consumption have positioned themselves from medium to lower stratum. These findings reveal that new dynamics and economic actors have emerged, while at the same time that economic inequalities are reproduced, and new economic inequalities are shaped.

### **New ideas, meanings and expressions of inequality**

The socio-cultural impact of remittances were also salient in this study. These refer to the transmission of ideas, concepts, knowledge, values, and expressive forms introduced into Cuba by the diaspora. In this study, Cubans living abroad shared ideas, knowledge, and pieces of advice with their family recipient of remittances in order to contribute to the development of private enterprises in Cuba. The interest in applying capitalist modes of operation stands out. They highlighted the importance of values such as effectiveness and efficiency in business development. Likewise, some of these recipients have shifted away from the search for collective well-being in order to pursue more individualistic pursuits. The study demonstrated differences in how the families from the two groups interpret the development of private enterprises nowadays.

Likewise, there are differences in the perceptions of the respondents regarding the degree of impact the use of remittances produces in their lives. Those who used remittances for family consumption confirm a tendency to develop survival strategies, while recipients of remittances used for working capital focus on strategies for capital accumulation and experience greater upward social mobility.

In summary, this study suggests that the differentiated use of remittances introduces significant changes into the current Cuban socioeconomic scenario. It also reflects both a reinforcement of historical social inequalities and the emergence of new expressions. Improved material and spiritual well-being is interpreted and enjoyed differently by the two groups in the study, based on how they use the remittances. Remittances are playing both an economic and socio-cultural role in the Cuban mentality. The use and impact of the remittances presents important questions for consideration in the project of developing a future for Cuba.