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**Petition to Exempt Puerto Rico of the Fair Labor Standards Act ("FLSA")  
Proposed Updates on Defining and Delimiting the Exemptions for  
Executive, Administrative, Professional, Outside Sales and Computer  
Employees - 29 CFR 541**

Our Company leases and launders linens, uniforms and other products for hospitality providers, manufactures, medical providers, and other businesses throughout Puerto Rico. We have been operating continually in Puerto Rico since 1966 and employ over 250 persons.

Already struggling with mounting debt, high unemployment, and overall economic decline, Puerto Rico now faces the increase to the white collar exemption minimum threshold to \$50,440 – the same level faced by mainland employers. While mainland employers have been quite vocal in their distaste for this change, and the devastating impact it will have on business, their concerns pale in comparison to the what will be faced by employers in the Commonwealth if the increase is implemented.

Puerto Rico is already teetering on the brink of economic collapse. According to economists, business leaders and government officials alike, Puerto Rico's economic woes stem largely from the fact that the Commonwealth continues to follow the same wage rules, including the exemption requirements, as the mainland. That works fine when the two have roughly comparable economic statuses. That's hardly the case here, however. As such, if the change to the threshold requirement for the white collar exemption is implemented, and Puerto Rico is forced to follow the mainland's lead, the consequences for Puerto Rico and its suffering business community will be dire. The numbers don't lie. For example, compliance with the federal minimum wage requirements has been



devastating for Puerto Rico. Prior to 1974, Congress held Puerto Rico's minimum wage below that of the mainland. Then, Puerto Rico was ordered to equalize its minimum wage rate with the federal figure by 1983. The Puerto Rican minimum wage has moved in lock-step with the federal minimum ever since. Has this been a success for Puerto Rico employers and workers? Hardly. The minimum wage in Puerto Rico is equal to 77% of per capita income, compared with 28% in the U.S. overall. Today, a full-time job at the minimum wage of \$7.25 pays 77 percent of Puerto Rico's per capita income, compared with 28 percent in the United States.

Furthermore, forcing relatively high wages for lower-level workers on Commonwealth employers that can't afford them only prevents these same employers from being incentivized to create new jobs, and thereby employ more workers. The tourism sector is a good example. A recent World Bank study found that the minimum wage, relative to the value added per worker, is nearly twice as high in Puerto Rico as it is in the Bahamas and Jamaica, and three times that of the U.S. mainland. It's not just a coincidence that the number of hotel rooms in Puerto Rico is reported to be flat since the 1970s, and tourist arrivals are reported to be down over the past decade. As a vendor to hotels and restaurants these are not just numbers to us - but what we are living each day as our costs mount, and our ability to share these increases with customers who are themselves struggling is almost non-existent. Experts have been consistent in recommending that Congress allow Puerto Rico to set its wage below the federal minimum, finding that without this basic change job growth simply won't occur.

With Puerto Rico already suffering under the weight of an excessive federal minimum wage, the Administration has now proposed to increase the minimum weekly salary required to exempt an employee from the minimum wage and overtime pay rates under the FLSA. Wages for both hourly and salaried employees in all categories of employment are generally lower in Puerto Rico. For example, the average wages for "all management" workers in Puerto Rico is around 63% of the national average for the same general occupational category. Only 53% of the average wages paid to workers under the "all management" classification exceed the contemplated salary threshold. None of the lower level supervisor categories in Puerto Rico presently average more than \$50,440.

The lower wages are mirrored by a lower cost of living. Consumer prices including rent are more than 25% higher on the mainland, while purchasing power is almost 28% higher in Puerto Rico. Individuals meeting the current white collar exemption threshold are not suffering in Puerto Rico, and with the



lower prices and higher buying power, they are able to do be far better position than their mainland counterparts.

Forcing the new threshold salary on Puerto Rico will have a far greater impact than it will on the mainland. A far greater percentage of the managerial and professional employees in Puerto Rico will not qualify for the continued white collar exemption, likely by a far greater margin that their mainland counterparts. As a result, Puerto Rico employers will be faced with the choice of either providing significantly greater salary increases to these employers than mainland employers to lawfully maintain the exemption, drop the exemption, or simply decline to follow the law, while hoping they don't get caught. The economic consequences are compounded in Puerto Rico where non-exempt employees are afforded costly entitlements that exempt employees don't get, in ways mainland employers typically couldn't fathom. For example, current Puerto Rico law requires a premium rate of up to double time for daily overtime and for working during the designated meal period and double time for a seventh consecutive day of work performed, statutory sick and vacation leave benefits, and a host of other entitlements that make any required transition of exempt to non-exempt prohibitive, well beyond the impact of what any mainland employers may experience.

Weighed down by a minimum wage requirement and favorable employment laws that already make it almost impossible to successfully do business in Puerto Rico, creating a further burden for Puerto Rico with the increase to the white collar exemption threshold is simply not an option. And, at the very least, should it become the law of the mainland, Puerto Rico and its business community must be exempted so that the current threshold requirements remain either untouched, or subjected only to minimal increases.

Our plan is to continue to operate in Puerto Rico, and provide stable employment opportunities to minimum wage workers, exempt white collar professionals and the like. But, like other island employers, we need help - not short-sighted changes to how we pay that have no basis in economic reality.

Michael B Shulevitz  
President

CC: Hon Pedro Pierluisi, Resident Commissioner