



Hon. Vance Thomas
Secretary of Labor

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United States Department of Labor
Wage and Hour Division (WHD)

**Petition to Exempt Puerto Rico of the Fair Labor Standards Act (“FLSA”)
Proposed Updates
Regulatory Information Number (RIN) 1235-AA11**

I write to you concerning the proposal by the U.S Department of Labor to revise the regulations under the FLSA referred to as “EAP” or “white collar” exception.

The Commonwealth of Puerto Rico (the “Commonwealth”) is mired in an economic and financial crisis. Its economy has been stagnant for almost two decades, and our structural deficits have persisted notwithstanding large spending reductions and revenues increases. In the past two years, we have focused on putting Puerto Rico on a path to economic recovery and long-term fiscal sustainability by addressing long-standing structural challenges. However, two of the main factors sustaining the crisis are Puerto Rico’s low labor participation rates and high labor costs.

On June 28, 2015, Puerto Rico released a report by former World Bank Chief Economist and International Monetary Fund Deputy Director Dr. Anne Krueger and other economists (the “Krueger Report”). The report concludes that Puerto Rico faces insolvency. The Krueger Report also notes that high unemployment and federal labor laws have caused low labor participation rates and harmed Puerto Rico’s competitiveness.¹ The report illustrates that full-time employment at the minimum wage is equivalent to 77 percent of per capita income in Puerto Rico, versus 28 percent stateside, and how 28 percent of hourly workers in Puerto Rico earn \$8.50 or less versus only 3 percent in the states. These findings are consistent with a report published by the Federal Reserve Bank of New York.² Both reports

¹ Anne Krueger, Renjit Teja and Andrew Wolfe, “*Puerto Rico—A Way Forward*”, June 28, 2015.

² Federal Reserve Bank of New York, “*Report on the Competitiveness of Puerto Rico’s Economy*”, 2012.



agree that federal labor regulations have important implications on Puerto Rico's economic competitiveness.

Increasing the salary level for required exemption from \$455 to \$970 a week (or from \$23,660 to \$50,440 for a full year worker) to executives, administrative, professional, outside sales, and computer employees, would be detrimental to the small and medium businesses, exacerbating our already fragile economy. Raising the threshold will increase the costs of doing business in Puerto Rico, and this is something we cannot afford under our current economic juncture.

Neither the Commonwealth nor private sector employers will be able to cope with the rise in labor costs caused by proposed changes to the "white collar" exemptions. The Department's proposal to increase the threshold will negatively impact our efforts of creating jobs. We hereby request that Puerto Rico be exempted from the proposed regulations.

Vance Thomas
Secretary