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PUERTO RICO CONFERENCE

Entrepreneurship for Growth

2010

March 24, 2010 | Conrad San Juan Condado Plaza | 7:30 a.m. - 5:00 p.m.

P u e r t o R i c o C h a m b e r o f C o m m e r c e

Labor Reform Proposal

Improving Job Flexibility

Rewarding Productivity

**Creating New & Sustainable
Employments**

Jorge Galliano

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A reality that needs to be changed...

- **Puerto Rico's Labor Laws mainly focus in creating additional rights and protections for the workforce, instead of promoting productivity and competitiveness.**
- **Puerto Rico's Labor Laws lack of enough flexibility to properly interact in a globalized world.**

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A reality that needs to be changed...

**Puerto Rico's Labor
Force Participation
Rate was reduced
42% from last year.**

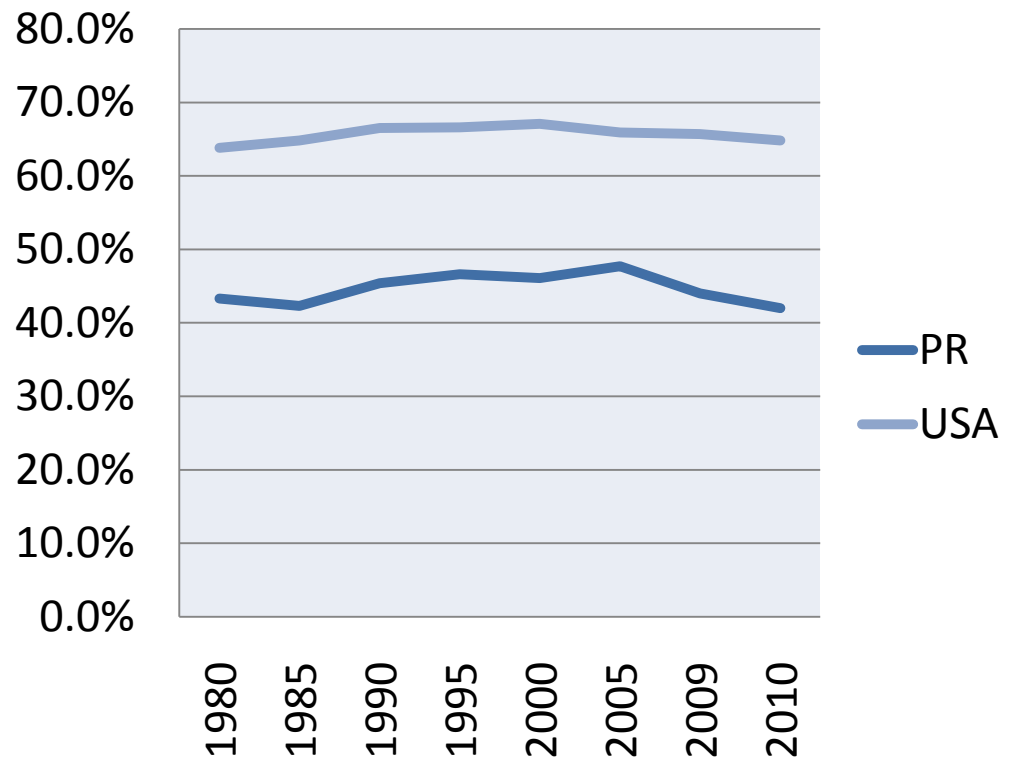
42% in Feb 2010

44% in Feb 2009

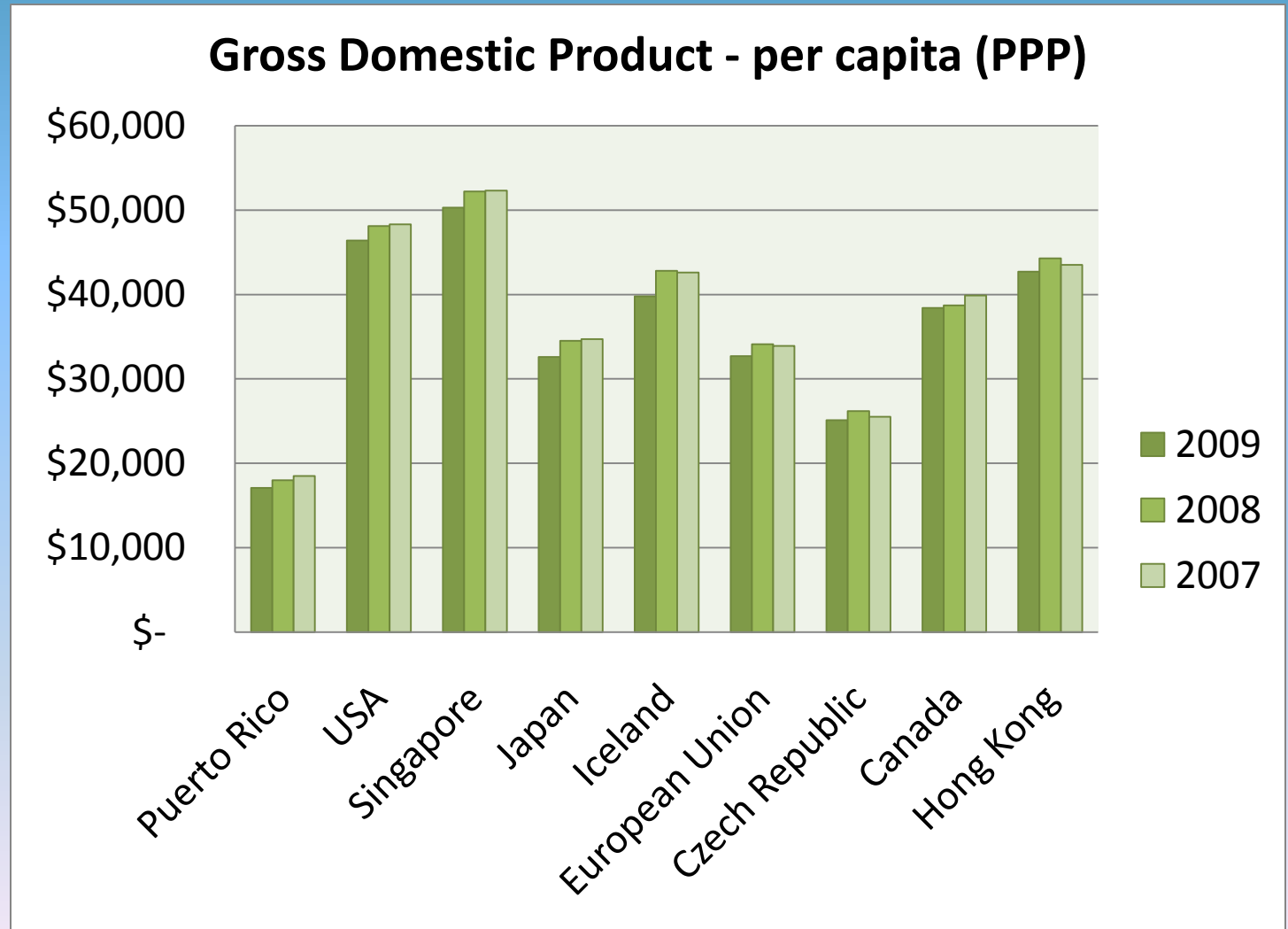
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Labor Force Participation Rate



A reality that needs to be changed...



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A reality that needs to be changed...

- **Puerto Rico's Labor Laws maintain a negative environment to attract investments and create jobs.**
- **Puerto Rico's Labor Laws affect the possibility to compete favorably and the ability of maintaining and creating new sustainable jobs.**

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Labor Reform Proposal

Rules for Employment Sustainability

- **Limit daily overtime rate to 1 ½ in all industries.**
- **Improve flexibility in the rules of work schedules, allowing alternatives of how and where the job is done; facilitating variable work schedules.**
- **Allow arrangements to:**
 - Permit compressed workweeks.
 - Grant more flexibility for meal breaks schedules

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Labor Reform Proposal

Rules for Employment Sustainability

- **Change the presumption that all dismissals are wrongful and discriminatory.**
 - Apply federal rules of interpretation and normal civil action rules
- **Establish that, unless otherwise agreed, all new hires will be subject to a 1 year probationary period.**
- **Reduce restrictions for the use of temporary employment agreements.**

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Rules for Employment Sustainability

- **Reduce the potential monetary exposure for dismissals and employment discrimination claims:**
 - **Law No. 80** : progressive indemnity up to maximum of 6 months salary.
 - **Discrimination**: eliminate automatic punitive damages

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Rules for Employment Sustainability

- **Provide real protection from suits and concrete incentives to employers who adopt preventive and remedial measures against illegal discrimination and harassment.**
- **Restructure mandatory vacation and sick leave, so that they do not exceed the averages that exist in the USA for similar businesses.**
 - The existing maximums should be reached after 15 years of service.

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Rules for Employment Sustainability

- **Grant relief to small employers:**
 - Exempt employers with 15 or less employees from Law No. 80 and discrimination laws; and lower vacation and sick leave accrual rates.
- **Modify Christmas Bonus Law**
 - Overturn the year 2005 increases
 - Permit credit for Productivity bonuses
 - More flexible exemption procedure

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Labor Reform Proposal

Rules for Employment Sustainability

- **Reform the workers' accident compensation system**
 - Permit private sector participation.

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Labor Reform Proposal

An opportunity for transformation

- **With the new challenges and opportunities that globalization brings, Puerto Rico must make the changes necessary to compete favorably with other jurisdictions and the rest of the world.**
- **A Labor Reform is needed in order to increase the labor force participation rate and improve our ability to maintain and create new and better jobs; enhancing Puerto Rico's level and quality of life.**

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