

STATEMENT OF RAFAEL
HERNANDEZ COLON,
PRESIDENT OF THE
SENATE OF THE COMMON-
WEALTH OF PUERTO RICO,
BEFORE THE SUBCOMMITTEE
ON LABOR ON FAIR LABOR
STANDARDS UNITED STATES
SENATE - JULY 19th, 1971.

My name is Rafael

Hernández Colón and I am
the President of the Senate
of the Commonwealth of Puerto
Rico. I am also President of
the Popular Democratic Party,
which was the majority party
from 1941 to 1968, the period
during which the economic
development program that trans-
formed the economy of Puerto
Rico was conceived and devel-
oped. I am here to testify

in relation to the Senate Bill 1861 whose purpose is to ammend the Fair Labor Standards Act of 1938 to increase the minimum wage under the Act and to extend its coverage.

Both, the Senate of the Commonwealth of Puerto Rico and the Popular Democratic Party, believe in high wages and the protection of the rights of the Puerto Rican workers. Our administrative and legislative history gives ample proof of this. Our labor legislation, including the Puerto Rico Minimum Wage Act, which empowers our Minimum Wage Board to decree paid vacations and sick leave along with wage rates, is one

of the most liberal under
the American flag.

We endorse the in-
creases in the basic
minimum proposed in this
Bill. We are also aware
of the great incidence and
persistence of unemployment
among our people and of the
great human suffering that
it brings about. Therefore,
the retention and creation
of an adequate number of
jobs by our economy is of
the utmost concern to us.
The position sustained by
our party in regard to the
application of the minimum
wage provisions of the Fair
Labor Standards Act to
Puerto Rico that has been
expressed by our past admi-
nistrations and legislatures

every time that proposals have been made to ammend this law has been that the flexible, industry committee system, should be maintained.

My position in this occasion in regards to the possible ammendments of the Act must include some substantial changes motivated by our cognizance of the hardships that our workers are experiencing in trying to cope with the unusual rate of erosion of their purchasing power in these years of inflation, and can be summarized as follows:

Although having attained a high rate of economic growth in the past three decades, Puerto Rico still

has a much lower per capita personal income than even the least affluent States of the Union, as these figures show:

<u>State</u>	<u>Per Capita Personal Income-1969</u>
Mississippi	\$2,192
Arkansas	2,520
Alabama	2,567
Puerto Rico	1,294

Many years will pass until Puerto Rico may catch up with even these states and that could only happen if the conditions necessary for fast economic growth are present in our economy.

In spite of this extraordinary rate of

growth, unemployment continues to be a most serious and pressing economic problem. This is so because simultaneously with the creation of new, relatively well paid jobs in the modern sectors of the economy, employment in the traditional industries has shrunk dramatically.

As urgently as ever we must rely on our economic development program and especially on the growth of labor intensive industry for the creation of the jobs that are needed to employ our fast growing labor force. In the last two years we have experienced a marked slowdown in the creation of new industrial

jobs, a crisis in our hotel industry, and a sharp reduction in employment in agriculture.

The number of our people migrating in fiscal 1970 (44,000) was the highest in over a decade.

Puerto Rico has found partial but far from satisfactory relief to its unemployment problem through the migration of a considerable proportion of its labor.

Main recipients of this exodus are the larger industrial cities of the East, mainly the New York-New Jersey metropolitan area.

Well known are the conditions of overcrowded housing and schools,

delinquency, and unemployment in those cities.

Adaptation of Puerto Ricans to life in these communities has been slow and painful.

Migration has not been an easy solution to their problems. It is obvious that

the difficulties created by and for the Puerto Rican emigrants and their recipient communities could have been avoided or reduced to much smaller proportions had an adequate number of jobs been created in the island to induce many potential emigrants to remain there.

We still believe that the growth of industrial employment opportunities in

the next few years will depend to a large extent on the maintenance of cost levels that permit our industries to compete successfully. However, due to the extraordinary increase in the cost of living in the last few years we are, in this occasion, particularly preoccupied by the loss of purchasing power of the wages of the Puerto Rican workers as much as we are with the incidence of unemployment. Therefore, we are suggesting ways to compensate for such losses through the minimum wage system under this Act and through other redistributive measures by the government

of Puerto Rico.

The incidence of unemployment at present in Puerto Rico:

The annual rate of unemployment has remained virtually static during the last decade, ranging between 10 and 13%. It has risen during the last three years:

1968-1969-----	10.6%
1969-1970-----	10.8%
1970-1971-----	11.5% (preliminary estimate)

Moreover, only 63.2% of those employed worked steadily and 36.8% worked only intermitently (1970 figures). Nearly one half of the unemployment registered was of persons 25 years old or younger. Insured unemployment

also increased 32% during the first 9 months of fiscal 1971 compared to the same period of 1970 (from 19,000 to 25,000).

The need for the creation of additional jobs:

There is at present a great need for the creation of additional jobs in the manufacturing sector of the Puerto Rican economy and especially in the labor intensive industries that pay wages at or near the minimum and that employ roughly 64% of the industrial labor force. Of course, we prefer to promote the large, capital intensive, high labor productivity industries, that can pay the highest wages, but the number

of jobs that they can provide

is far from sufficient to

alleviate our unemployment.

After an average of 7,000

additional manufacturing jobs

a year in the period 1960-69,

employment has remained stable

between 1969 and 1971. In fact,

from fiscal 1969 to fiscal 1970

there was a reduction of 2,000

jobs in manufacturing and

1971 has not shown a much

better record.

We most sincerely believe

that an indiscriminate automatic

raise of 40 cents an hour or

25% in the hourly rate for

all Puerto Rican industries

on January 1972 and another

raise of 25 cents or 12.5%

one year later, without the

benefit of appeal to hardship

committees would be an excessive burden over a number of industries in Puerto Rico and a very serious blow to our economic development program if such burden were to be borne by these industries alone.

Recommendations:

I respectfully submit the following recommendations to this Sub-Committee:

(1) That the Federal Minimum Wage be raised as proposed.

(2) That in the application of any increases in the minimum wage to Puerto Rico, some sort of industry by industry, flexible

system, should be retained. Such system, working adequately, should insure that the highest feasible rates be fixed for every industry according to its ability to pay. I venture to suggest to this honorable committee to explore the possibility of ordering an investigation of how the wage industry committees have been working and how well they have been complying with the directives given by the Act, particularly that of setting wage rates as high as possible under the economic circumstances. If you reach the conclusion that something is wrong with the way these committee have

been working, as it has been suggested, I propose that the necessary measures be taken by way of legislation to insure the most precise compliance with the legislative intent without eliminating the flexible system.

These measures would conceivable include the elimination of the industry committee system and leaving the responsibility of setting the wage rates for every industry to the Secretary of Labor, subject to appeals by labor and industry.

(3) That a directive be included among the provisions for Puerto Rico to the effect that wage

raises decreed or ordered by industry committees at every biennial review should be at least sufficient to compensate for the loss of purchasing power of the workers' wages since the last review. In this respect we suggest that an adequate means of measuring the cost of living for all Puerto Rican workers be found. I have been told by my economic advisors that the cost of living index published by the Department of Labor of Puerto Rico is valid only for the lowest paid sector of our labor force and that it maybe seriously underestimating the rate of increase of consumer's prices for our labor force as a whole.

We also suggest that the wage rate increases ordered by the committees be at least proportioned to the average wage increase for the same industry in the United States.

(4) If this honorable Committee reaches the conclusion that it should extend an automatic increase for Puerto Rican industries, in cents per hour or as a proportion of the increase for the mainland, that the hardship review provision of the Act be retained as a safety valve to prevent unduly harsh effect on industries that may be

experiencing serious economic difficulties and whose closing may aggravate our unemployment problems. Also that any such automatic increases be spaced at a two year interval instead of the one year interval proposed in the Bill.

To end my testimony, let me say that so far I have tried to express to you how important I think is for the Puerto Rican people that our economy be able to create the increasing amount of wealth and of jobs that our society requires in order to attain its most legitimate aspirations. But I must also say, that both the Senate of Puerto

Rico and the Popular Democratic Party are quite aware of the growing inequities in the distribution of income among Puerto Ricans. One way to correct these injustices is by raising the wages of our workers, especially the lowest paid. Another means is by making possible that our unemployed be able to earn a decent living. However, those means would not be sufficient unless we utilize another highly efficient instrument: public income and expenditures policy. The tax system of the Commonwealth of Puerto Rico and its administration must be redesigned and

improved in order to
achieve a more just
distribution of the tax
burden. We must provide
our poor with more and
much better basic public
services and income security,
this would include the
possibility of directly
supplementing the wages
of the lowest paid workers
of our economy as it becomes
economically feasible.

We are pledged to do
all we can toward the creation
of wealth and its most equitable
distribution.