

Puerto Rico Labor & Employment Alert

PROPOSED LABOR LAW REFORM

March 27, 2018

On March 21, 2018, Governor Ricardo Rosselló provided some details about a new Labor Law Reform.

The new Labor Law Reform proposes to lower, on a still unspecified date, the vacation and sick leave accrual of private employees to 7 days per year. In three years from the enactment of the Reform, the Christmas bonus will not be obligatory and Act 80 of May 30, 1976, the Unjust Dismissal Act, will be eliminated. The purpose of these proposed changes is to increase the rate of labor participation in Puerto Rico, which is currently around 40%, compared to an average of 63% in the US.

In exchange for the reduction in benefits, the Governor proposes to raise the minimum wage in stages from \$7.25 an hour to \$7.75 in 2019, to \$8.00 in 2020 and to \$8.25 in 2021.

The Governor also proposes to use \$200M to, in three years, grant a Work Bonus, in the form of a tax credit, amounting to between \$300 and \$2,000 per eligible tax payer. Employers will be free to grant a voluntary Christmas or productivity bonus in addition to the Work Bonus.

The Nutritional Assistance Plan (PAN) will be amended to require participants that are not disabled to look for employment, study or do community work.

When the Governor submits to the Legislative Assembly the bills to enact these measures, we will have a clearer idea of the nature, timeframe and impact of the reforms that are specifically proposed and we will advise you accordingly.

A not unsubstantial number of legislators of the Governor's party, in both the Senate and the House, have publicly expressed that they will vote against the

announced reforms to the Christmas Bonus, Unjust Dismissal Act and vacation and sick leaves.

Contact us

Please feel free to call us to clarify any doubts on the above.

Janine Guzmán
jguzman@pmalaw.com
+1 (787) 274-4938

Alicia Figueroa Llinás
afigueroa@pmalaw.com
+1 (787) 274-5253

Juan C. Pérez Otero
jcperez@pmalaw.com
+1 (787) 274-5252

María Isabel Rey Cancio
mrey@pmalaw.com
+1 (787) 274-5243

Héctor Santaella Santé
hsantaella@pmalaw.com
+1 (787) 274-5254

Julián R. Rodríguez Muñoz
jrodriguez@pmalaw.com
+1 (787) 274-5251

www.pmalaw.com