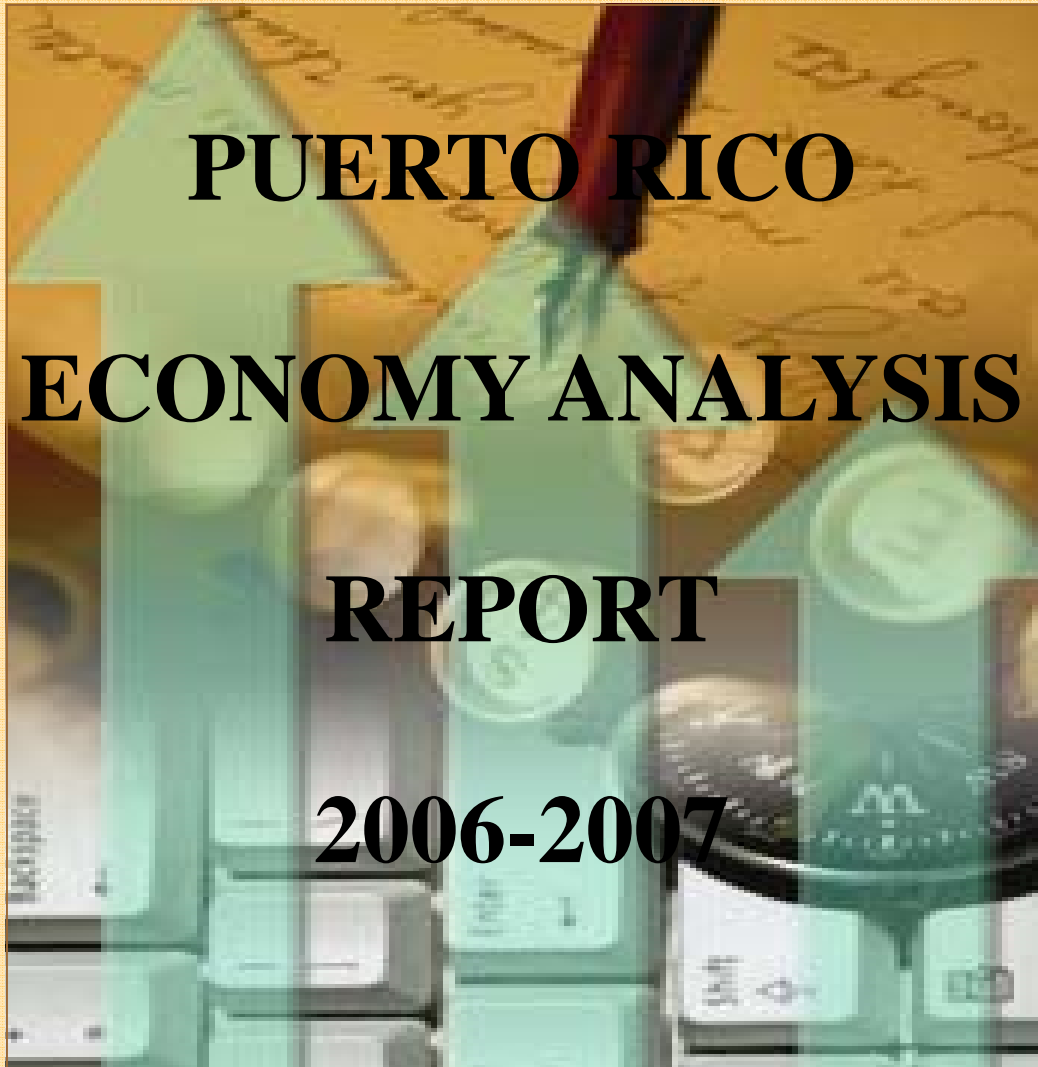




**COMMONWEALTH OF PUERTO RICO  
DEPARTMENT OF LABOR AND HUMAN RESOURCES  
BUREAU OF LABOR STATISTICS**



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## **PREFACE**

Puerto Rico's economic future of growth and expansion depends on many variables whose behavior is hard to foresee. But one thing is for sure, it is necessary to stimulate investment so as to create needed jobs for today's unemployed, and those entering the future labor force. On the other hand, it is a must to continue investing in human resources so as to prepare a world-class labor force. This need is of a paramount importance as Puerto Rico's economy has to press its readiness to compete in a global economy.

Another important trait of the local labor force and population is that it is an aging one. Baby boomers tend to stay longer in the labor force; thus limiting youth opportunity to enter successfully the labor market arena.

This report is an attempt to provide some insights into the economy, centering mainly in a brief analysis of some aspects of the labor force. For more detail on the economic behavior, it is advisable to consult the "Economic Report to the Governor and to the Legislative Assembly", prepared by the State Planning Board. Its analysis is based on the 2006 report, as the 2007 will not be out until mid 2008. Specifics on the labor force, on the other hand, may be obtained at the Bureau of Labor Statistic-Puerto Rico Department of Labor.

## **I. Trends and Developments**

### **A. Economic Overview**

The Island's gross domestic product totaled \$86,464 million at current prices during fiscal year 2006. This figure represents an advance of 4.6 percent, over the 2005 fiscal year (\$82,649 million). The rise in gross domestic product is thus demonstrated at a 0.6 percent (\$82,649.9 million). It is valued at constant prices.

On the other hand, the gross national product, at constant prices, stood at \$7,065.4 million showing an increment of \$46.6 million or 0.7 percent compared to last year's (2005) level.

Due to high openness in the trade index, the local economy is notably affected by economic conditions in United State and in the world. The reduced growth rate of 0.7 this year against 1.7 percent last year reflects such behavior. Other factors joined to promote the decline. Factors such as oil prices, shipping prices and prices of imported food and other consumption goods were involved.

Although not out yet, the 2007 figures are expected to reflect a slower growth rate, as economic conditions in the United State seems to get worst. It is considered to be entering a recession span. Continually higher oil prices will share the responsibility for the downward trend.

As should be expected under such conditions, employment opportunities decline, and labor market tightens. Investments decline and business expansions are curtailed. A logical result is a rise in unemployment, and a reduced labor force, as job seekers leave the job market because competition is harsh, and jobs scarce.

It is also difficult to make projections, as the employment scenario is hard to foresee. Investors are usually in the attitude of waiting to see what happens under such economic conditions.

**Gross National Product- current prices  
(million dollars-fiscal years)**

**Table 1**

				Change			
	2004r	2005r	2006p	Absolute		Percentage	
				2005-2004	2006-2005	2005-2004	2006-2005
Gross Domestic Product	79,209.4	82,649.9	86,464.0	3,440.5	3,814.2	4.3	4.6
Gross National Product	50,708.7	53,600.9	56,688.4	2,892.2	3,087.5	5.7	5.8
Domestic Demand goods & services	64,800.1	68,612.5	72,502.0	3,812.4	3,889.5	5.9	5.7
Personal Consumption Expenditure	43,396.0	46,299.8	49,579.4	2,903.8	3,279.6	6.7	7.1
durable	4,747.5	5,512.8	5,735.4	765.3	222.6	16.1	4.0
non-durable	16,755.3	17,711.8	19,376.4	956.5	1,664.6	5.7	9.4
services	21,893.2	23,075.2	24,467.5	1,182.0	1,392.3	5.4	6.0

r = revised

p = preliminary

Source: Planning Board, Social and Economic Planning, Economic Analysis

**Gross National Product- constant prices  
(million dollars-fiscal years)**

**Table 2**

				Change			
	2004r	2005r	2006p	Absolute		Percentage	
				2005-2004	2006-2005	2005-2004	2006-2005
Gross Domestic Product	10,998.8	11,068.7	11,137.2	69.9	68.5	0.6	0.6
Gross National Product	6,886.2	7,018.8	7,065.4	132.6	46.6	1.9	0.7
Domestic Demand goods & services	12,720.4	13,016.8	13,265.8	296.4	249.0	2.3	1.9
Personal Consumption Expenditure	8,846.7	9,147.0	9,351.1	300.3	204.1	3.4	2.2
durable	1,431.1	1,658.8	1,723.4	227.7	64.6	15.9	3.9
non-durable	3,361.0	3,442.0	3,577.2	81.0	135.2	2.4	3.9
services	4,054.5	4,046.2	4,050.4	(-8.3)	4.2	(0.2)	0.1

r = revised

p = preliminary

Source: Planning Board, Social and Economic Planning, Economic Analysis

## B. Labor Force Trends and Developments

### 1. Labor Force Statistics

<b>Employment Status of the Civilian Noninstitutional Population</b> <b>Average Fiscal Years 2005 to 2007</b> <i>(thousands of persons 16 years of age and over)</i>					
<b>Table 3</b>					
<b>Employment Status</b>	<b>2007</b>	<b>2006*</b>	<b>2005</b>	<b>Net Change:</b>	
				<b>2006</b>	<b>2005</b>
<b>Civilian noninstitutional population</b>	3,001	2,972	2,945	29	56
<b>Participation rate</b> <sup>1/</sup>	47.0	47.9	47.0	-0.9	0
<b>Labor Force</b>	1,409	1,422	1,385	-13	24
<b>Employment</b>	1,263	1,256	1,238	7	25
<b>Unemployment</b>	147	166	147	-19	0
<b>Unemployment rate</b> <sup>2/</sup>	10.4	11.7	10.6	-1.3	-0.2

<sup>1/</sup> Percentage of the civilian population 16 years old and over in the labor force.  
<sup>2/</sup> Percentage of unemployed persons in the labor force.

The civilian noninstitutional population is composed of those persons 16 years old and over, who are or might be in the labor force, working or looking for a job. It is necessary to look into this figure to determine the labor force participation rate. It goes up when employment opportunities increase and or, when the perception that there is work increases. It is a way to see how many persons are supporting the economy, at a given time.

#### a. Labor Force Participation

The table "Employment Status of the Civilian Noninstitutional Population" shows an increasing population trend from year 2005 (2,945 million) to year 2007 (3,000 million). The participation rate, on the contrary, declined to 47.0 in fiscal 2007 from 47.9 percent, the previous year. Two years back it stood at the same rate.

## **b. Unemployment**

The unemployment figures for the same time span show a similar trend. In fiscal 2007 it stood at 147,000 or 13,000 jobseekers less than in fiscal 2006. The over-the-two-year comparison reveals no change.

This annual trend should be singled out as the unemployment drop was not accompanied by a corresponding rise in overall employment. As stated earlier, the unemployment reduction could be explained by discouraged job seekers leaving the labor market. This apparently downward unemployment trend is supported by percent rates of 10.4 in 2007, 11.7 in 2006 and 10.6 in 2005.

## **c. Employment**

Total employment reached a level of 1,263,000 in fiscal 2007, from 1,256,000 a year earlier (2006), recording a gain of 1,000 individuals. The over-the-two-years gain of 25,000 is not significant enough as to impact positively the unemployment level with a reduction.

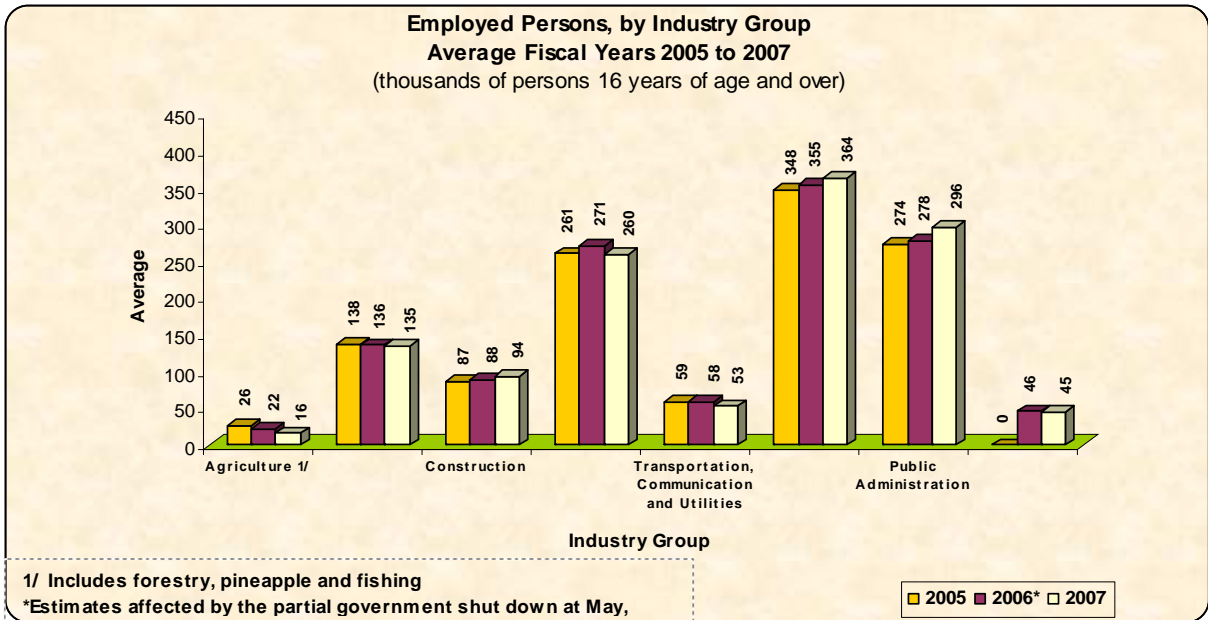
Gains of 7,000 and 25,000 do not slice significantly unemployment amounts of 147,000 and 166,000 as registered in years 2007 and 2006, respectively.

To sum up, the decline in economic growth can be traced partially to underproduction expressed by slow employment, or reduced production activity.

**Employed Persons, by Industry Group**  
**Average Fiscal Years 2005 to 2007**  
(thousands of persons 16 years of age and over)  
**Table 4**

Industrial Group	2007	2006*	2005	Net Change:	
				2006	2005
<b>All Industries</b>	1,263	1,256	1,238	7	25
<b>Agriculture <sup>1/</sup></b>	16	22	26	-6	-10
<b>Nonagricultural Industries</b>	1,247	1,234	1,212	13	35
<b>Manufacturing</b>	135	136	138	-1	-3
<b>Construction</b>	94	88	87	6	7
<b>Trade</b>	260	271	261	-11	-1
<b>Transportation, Communication and Utilities</b>	53	58	59	-5	-6
<b>Services</b>	364	355	348	9	16
<b>Public Administration</b>	296	278	274	18	22
<b>Finance, Insurance and Real Estate</b>	45	46	0	-1	0

1/ Includes forestry, pineapple and fishing  
\* Estimates affected by the partial government shut down at May, 2006.





#### **d. Industry Employment**

Nonagricultural employment industries reported a rising trend annually and over a two years comparison span. Increments of 13,000 and 35,000 jobs were posted at each period, respectively.

Within nonagricultural, the Public Administration industry had the largest job gain. This industry has shown a continued job rise over the last four-year span. These expansions had continued in spite of a government policy of reducing its payroll. The fact is, that there are several local areas where the Public Administration Industry is the main employment source. Service was the second industry contributing with significant job rises over the comparison frames. Advances of 9,000 and 16,000 jobs were recorded, respectively. A third industry, construction, joined the group sustaining the economy's expansion rhythm with gains of 6,000 yearly and 7,000 over the two year period. Unfortunately, all of the other industries comprising the nonagricultural category reported losses. These sectors were trade, transportation, communication and public utilities and manufacturing.

#### **e. Wages**

The general median hourly wage for Puerto Rico was \$8.22 in year 2005. But there were occupations surpassing by far that figure, as is the case of Management from varied industries that stood at a median of \$24.81. Such was the situation of occupations in the Legal Field which recorded a median of \$22.36. Other occupations as Architecture and Engineering plus Computer and Mathematical at medians of \$19.23 and \$17.07, respectively did well for the local market.

The median hourly earnings data paint a slightly different scenario for the highest paying occupations as most of them are related to the Health Care and Services industry. Five of the highest paying occupations belong to this industry as illustrated by Obstetrician and Gynecologist (INA), Surgeons (\$64.06), Anesthesiologists (56.50), Internist General (\$29.91) and Pediatricians General (\$40.22). Other occupations with significant hourly earnings in the local market were Engineering Managers (\$40.69), Judges and Magistrates (\$39.24) and Industrial Production Managers (\$38.50).

**Employment and Wages by Major Occupational Group, 2005**

**Table 5**

	Employment		Hourly Wage	
	Total	Percent	Mean	Median
<b>Occupations</b>	<b>1,026,290</b>	<b>100.0</b>	<b>\$10.69</b>	<b>\$8.22</b>
Management	36,320	3.5	29.78	24.81
Business and financial	36,050	3.5	15.92	13.70
Computer and mathematical	8,220	0.8	19.03	17.07
Architecture and engineering	12,580	1.2	20.89	19.23
Life, physical, and social science	9,030	0.9	17.49	15.71
Community and social services	18,290	1.8	11.79	11.69
Legal	5,090	0.5	26.46	22.36
Education, training and library	71,090	6.9	13.26	12.44
Arts, design, entertainment, sports and media	6,730	0.7	13.52	11.34
Healthcare practitioner and technical	45,160	4.4	13.12	10.10
Healthcare support	10,690	1.0	7.51	6.75
Protective service	66,370	6.5	9.80	9.45
Food preparation and serving related	68,350	6.7	6.72	6.42
Building and grounds cleaning and maintenance	43,600	4.2	7.17	6.50
Personal care and service	16,640	1.6	7.45	6.50
Sales and related	110,690	10.8	8.74	6.54
Office and administrative support	196,900	19.2	9.48	8.25
Farming, fishing, and forestry	2,050	0.2	7.60	6.68
Construction and extraction	65,350	6.4	8.06	7.10
Installation, maintenance, and repair	37,950	3.7	11.18	9.43
Production	88,550	8.6	9.01	7.47
Transportation and material moving	70,590	6.9	7.61	6.64

**Highest Paying Occupations, 2005**

**Table 6**

Occupation	Hourly Earnings	
	Mean	Median
Obstetricians and gynecologists	\$75.90	*
Surgeons	66.35	\$64.06
Anesthesiologists	60.46	56.50
Chief executives	51.24	41.56
Internists, general	49.04	29.91
Pediatricians, general	42.78	40.22
Engineering managers	40.96	40.69
Advertising and promotions managers	39.39	28.84
Judges and magistrates	39.01	39.24
Industrial production managers	38.83	38.50

## C. Other Indicators

### 1. Insured Unemployment

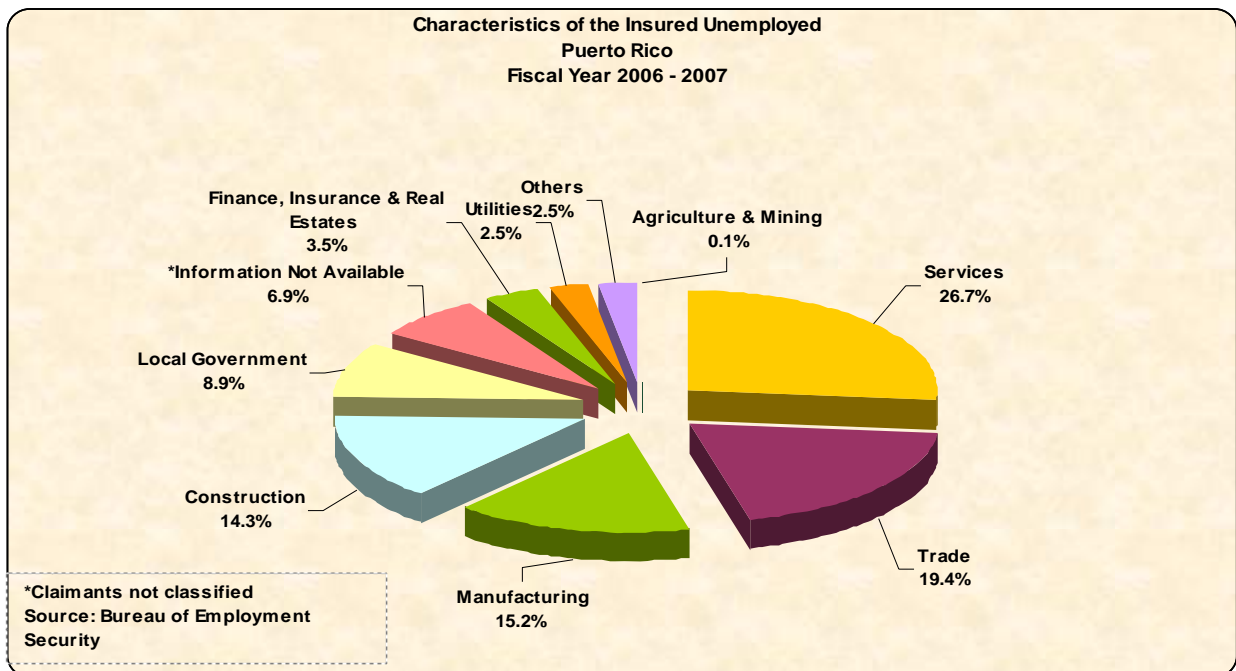
#### Unemployment Insurance Benefits

Item	2007	2006	2005
Weeks Claimed	2,028,317	2,003,832	2,140,926
Claimants	416,006	401,456	398,818
Exhaustees	46,820	46,920	48,439

Source: B.L.S. – P.R. Department of Labor and Human Resources  
 Research and Statistics Division  
 ETA– 515 & ETA-202

#### a. Characteristics of the Insured Unemployed

The rise in overall unemployment is reflected by the upward trend in total weeks claimed since 2005 (2,140,926) to 2007 (2,028,317 weeks). The same trend is observed in the number of claimants registered as it moved from 398, 818 two years ago to 416, 006 in 2007. The number of exhaustees, however posted a contrasting move as it declined from 48,439 in 2006 to 46,820 in year 2007.



An average sample of 34,626 unemployment insurance claimants during fiscal year 2007 was used to analyze their characteristics.

<p style="text-align: center;"><i>Characteristics of the Insured Unemployed Puerto Rico Fiscal Year 2006-2007</i></p> <p style="text-align: center;"><i>Gender and Age</i></p>		
<i>Gender</i>	<i>Average</i>	<i>Percent</i>
<b>Total</b>	<b>34,626</b>	<b>100.0</b>
<b>Male</b>	18,070	52.2
<b>Female</b>	16,556	47.8
<i>Age</i>		
<b>Total</b>	<b>34,626</b>	<b>100.0</b>
<b>&lt;22</b>	2,100	6.1
<b>22-24</b>	3,520	10.2
<b>25-34</b>	11,452	33.1
<b>35-44</b>	8,378	24.2
<b>45-54</b>	5,759	16.6
<b>55-59</b>	1,923	5.5
<b>60-64</b>	1,075	3.1
<b>&gt;65</b>	419	1.2

**b. Gender**

The were 18,070 males or 52.2 percent and 16,556 females for 47.8 percent of the total. This has been a pattern for the last years as unemployed men are usually more than unemployed women collecting unemployment insurance benefits.

**c. Age**

According to age of both sexes, persons between 25 to 34 years old comprised the most significant group with an average percent of 33.1. It was followed by the next age cohort, those between 25 to 44 years old that represented a 24.2 percent of all claimants. The least group was comprised by 65 years old or more whose representation was a minimum 1.2 percent.

#### **d. Industry**

The industry reporting the greatest workers loss was services as it got a 26.7 of all claimants. Trade was second with a 19.4 percent of unemployed claimants. Both industries are characterized by a high labor turnover entry and low pay jobs are tropical of them. These industries are highly vulnerable to economic changes. Auto dealers (trade) are facing a slowdown in sales as a result of the situation. In services, restaurants and entertainment declined as people stop going out. Manufacturing recorded a 15.2 percent of the total claimants. This high representation is explained by a low activity in the sector as many firms lost incentives under section 936 of the Federal Tax Code. This section exempted manufacturing firms from paying certain taxes to stimulate employment creation. The 14.3 percent in the construction industry is typical since this industry lays off workers as it moves from one building phase to another.

#### **2. Price Index**

The Consumer Prices Index for the fiscal years 2005 (263.4), 2006 (303.0) and 2007 (345.7) had percent increases of 15.0 and 14.1 from one year to the other.

The purchasing power of the dollar was 38, 33 and 29 cents for each year of the reference period, respectively, when comparing with the value of 100 in 1984 (base period).

For the reference period of years 2005 to 2007, the principal group with greatest gain in its index was Food & Beverages with percent increases of 20.2 and 19.7 between each year of the reference period. These changes were caused primarily by the rise in prices of Fruits and Vegetables.

Between the years 2005 and 2006, the second group ranked in terms of expansion in its index, was Transportation with a rise of 11.8 percent. This change occurred in private transportation due to gasoline price increments. In the year 2007, the second group that presents an advance in its index was Other Articles and Services with a gain of 7.8 when comparing to the prior year due, mainly, to increase in the rate of interest of personal loans.

The third group that exhibited significant increments in its index for the reference period was Housing, with percent changes of 9.1 and 5.9 between the years 2005-2006 and 2006-2007, respectively. These changes were the result of addition in the cost of service of water and sewage, and in the fuel adjustment to produce electricity.

The other four principal groups, excluding Apparel, registered advances in their indexes between 5.7 and 3.9 percent for the years 2006 and 2007.

Apparel was the group with the least variation in its index with values of 81.1, 81.1 and 84.0 for the years 2005, 2006, and 2007, respectively.

**Consumer Price Index for All Families in Puerto Rico**  
**Fiscal Years**  
**2005 - 2007**

Groups of items	Indexes (1984=100)			Percent changes	
	Fiscal Years			Fiscal Years	
	2005	2006	2007	2006	2007
<b>ALL ITEMS</b>	<b>263.4</b>	<b>303.0</b>	<b>345.7</b>	<b>15.0</b>	<b>14.1</b>
<b>FOOD AND BEVERAGES</b>	<b>510.5</b>	<b>613.4</b>	<b>734.1</b>	<b>20.2</b>	<b>19.7</b>
Food in General	558.5	677.4	815.3	21.3	20.4
Food at home	652.8	799.0	967.0	22.4	21.0
Food away from home	163.1	167.5	178.8	2.7	6.7
Alcoholic Beverages	221.2	227.9	245.2	3.0	7.6
<b>HOUSING</b>	<b>134.6</b>	<b>146.9</b>	<b>155.5</b>	<b>9.1</b>	<b>5.9</b>
Shelter	125.9	130.8	134.4	3.9	2.8
Housefurnishings and Services	139.4	155.5	166.8	11.5	7.3
<b>APPAREL AND UPKEEP</b>	<b>81.1</b>	<b>81.1</b>	<b>84.0</b>	<b>0.0</b>	<b>3.6</b>
<b>TRANSPORTATION</b>	<b>185.4</b>	<b>207.2</b>	<b>215.3</b>	<b>11.8</b>	<b>3.9</b>
Private	160.6	183.7	192.3	14.4	4.7
Public	302.1	318.1	323.4	5.3	1.7
<b>MEDICAL CARE</b>	<b>269.3</b>	<b>282.2</b>	<b>298.4</b>	<b>4.8</b>	<b>5.7</b>
<b>EDUCATION AND RECREATION</b>	<b>154.5</b>	<b>162.3</b>	<b>168.7</b>	<b>5.0</b>	<b>3.9</b>
<b>OTHERS GOODS AND SERVICES</b>	<b>177.1</b>	<b>186.4</b>	<b>201.0</b>	<b>5.3</b>	<b>7.8</b>

## **II. Long-Term Trends and Outlook**

### **A. Population**

Population is the underlying force structuring the economy. Its expansion affects directly the total labor force as individuals sixteen years old and over enter the labor market. So this indicator must be observed beforehand to develop employment creation strategies to meet their needs. According to projections based on 2000 Census, total population will amount to 4,022,446 inhabitants in 2010 from 3,808,610 in year 2000. In year 2015, the population is expected to reach a figure of 4,095,642 and 4,149,291 in year 2020.

Other factors contributing continually to the population expansion are Puerto Ricans coming back from United States. Aliens, is another factor, coming mainly from the neighboring Dominican Republic that add to local population growth. These two factors are hard to project statistically.

### **B. Employment Projections**

Total employment has been projected to year 2010 expecting a level of 1,453,509 jobs. Trade is the industry to record the highest expansion. Its growing annual rate should be at 3.2 percent to generate around 71,126 job opportunities. It will be responsible for a 25.1 per cent of all new jobs.

Construction, a stronghold of the economic expansion is expected to contribute with 16,531 jobs throughout the projected period. This gain represents a 23.1 percent of its overall employment.

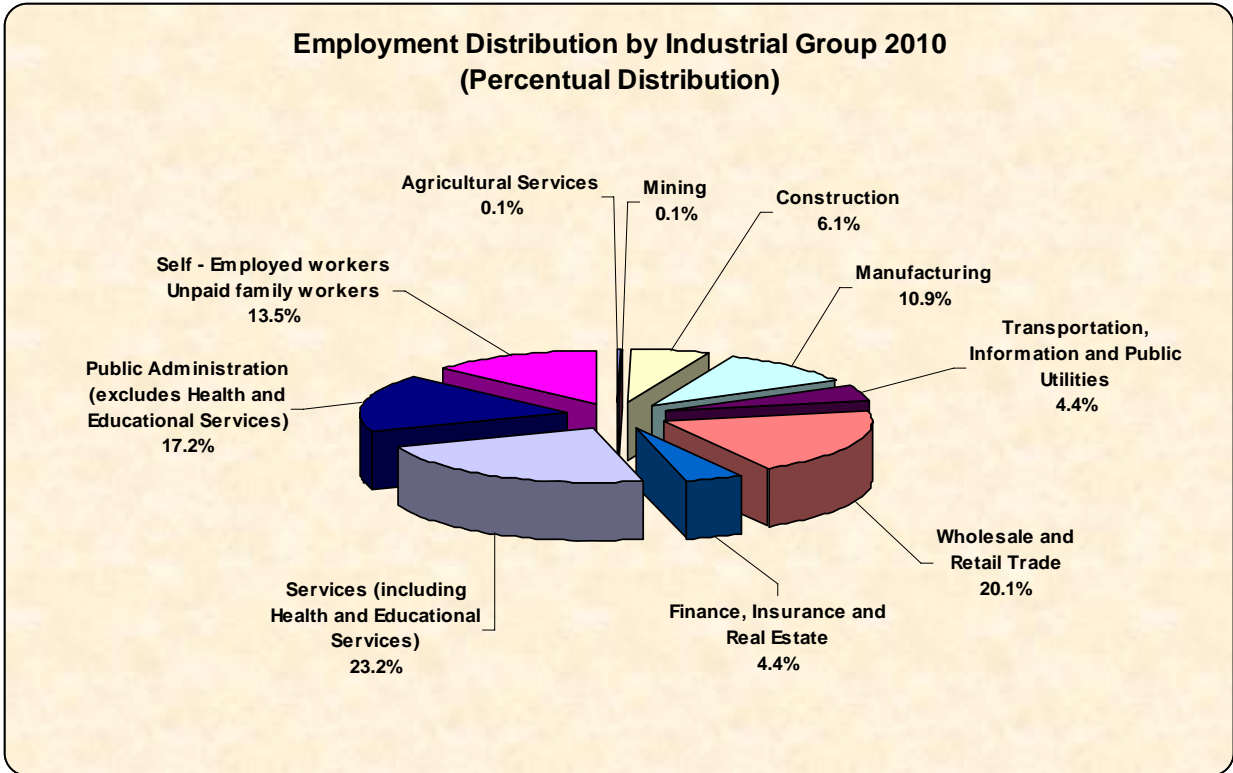
Manufacturing will reach a level of 159,091 workers by year 2010. It represents a gain of 16,255 jobs or 11.4 per cent.

Service indicates expansion in all of the sectors comprising it. This industry will be responsible for the creation of 19,835 or 30.3 per cent of all new jobs.

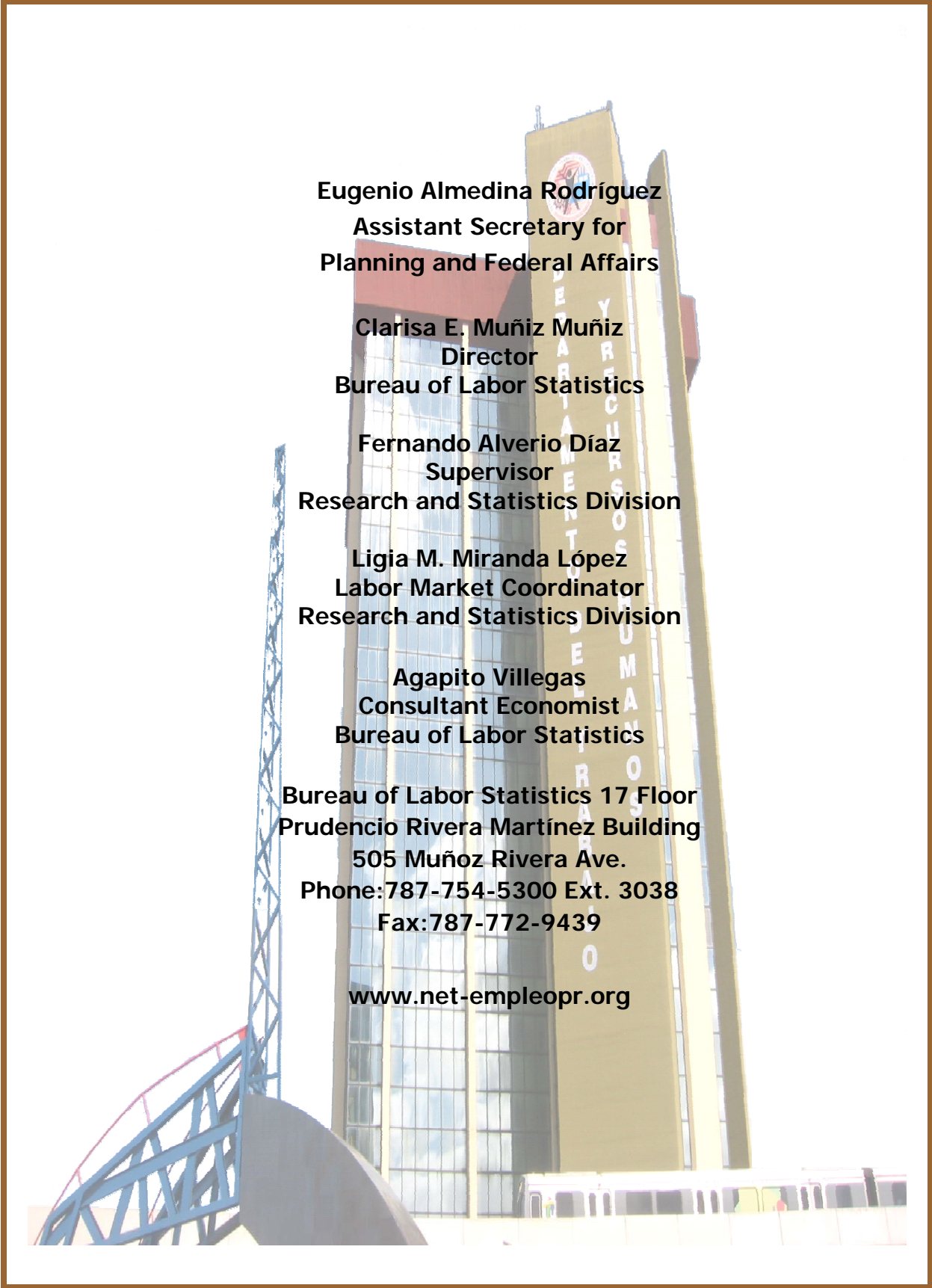
The other industry sectors are expected to post gains but not as significant as the previously mentioned.

**Employment by Industrial Group (Distribution and Percent)**

Industrial Group	TOTAL EMPLOYMENT IN PUERTO RICO					
	2000	%	2010	%	Change	%
Total *	1,170,584	100.0**	1,453,509	100.0	282,925	24.2
Agricultural Services	1,595	0.1	2,098	0.1	503	31.5
Mining	1,413	0.1	1,462	0.1	49	3.5
Construction	71,430	6.1	87,961	6.1	16,531	23.1
Manufacturing	142,836	12.2	159,091	10.9	16,255	11.4
Durable Goods	57,078	4.9	71,737	4.9	14,659	25.7
Non Durable Goods	85,758	7.3	87,354	6.0	1,596	1.9
Transportation, Information and Public Utilities	52,920	4.5	63,366	4.4	10,446	19.7
Trade	220,588	18.8	291,714	20.1	71,126	32.2
Wholesale	43,701	3.7	49,590	3.4	5,889	13.5
Retail	176,887	15.1	242,124	16.7	65,237	36.9
Finance, Insurance and Real Estate	50,936	4.4	63,986	4.4	13,050	25.6
Services (including Health and Educational Services)	272,131	23.2	337,688	23.2	65,557	24.1
Public Administration (excludes Health and Educational Services)	187,020	16.0	250,482	17.2	63,462	33.9
* Includes self employed workers and unpaid family workers	169,715	14.5	195,661	13.5	25,946	15.3
** Sum does not equal 100.00 because of rounding						







**Eugenio Almedina Rodríguez**  
**Assistant Secretary for**  
**Planning and Federal Affairs**

**Clarisa E. Muñoz Muñoz**  
**Director**  
**Bureau of Labor Statistics**

**Fernando Alverio Díaz**  
**Supervisor**  
**Research and Statistics Division**

**Ligia M. Miranda López**  
**Labor Market Coordinator**  
**Research and Statistics Division**

**Agapito Villegas**  
**Consultant Economist**  
**Bureau of Labor Statistics**

**Bureau of Labor Statistics 17 Floor**  
**Prudencio Rivera Martínez Building**  
**505 Muñoz Rivera Ave.**

**Phone: 787-754-5300 Ext. 3038**

**Fax: 787-772-9439**

**[www.net-empleopr.org](http://www.net-empleopr.org)**