

Labor Standards Act which will increase manufacturing payrolls in Puerto Rico by some 14 percent within the next twelve months (as minimums are raised by 12 percent in April 1967 and an additional 16 percent one year later). The U.S. Secretary of Labor's recent decision to deny appealing Puerto Rican industries legislatively provided-for relief presages even greater job losses than had hitherto been anticipated.

Other factors which will adversely affect the level of existing employment and the future rate of industrial growth include the expiration of tax exemption grants which, given the provisions of the U.S. Internal Revenue regulations, require firms to liquidate their operations on the island in order to maximize their benefits from the tax concessions granted by Puerto Rico. Over the next four years the tax grants of 216 concerns, currently employing some 19,000 persons, will expire. In the following three years, by 1973, an additional 218 firms, with 21,000 employees, will lose their tax-exempt status. Unless the current peculiarities in the U.S. tax regulations are satisfactorily resolved a large number of these enterprises will probably be forced to abandon the island leaving behind them a small army of unemployed.

Probably Puerto Rico's gravest social problem is the under-utilization of its human resources; a matter of the gravest concern given the extreme youth of its population and the resulting high number of dependents for each citizen who is actively employed.

A staff paper prepared for the U.S.-P.R. Commission on the Status of Puerto Rico makes the following relevant observations. "During the past 20 years, between 3 percent and 7 percent of the members of the U.S. labor force have been totally unemployed. These unemployment rates are higher than in most of the developed countries but far below those prevailing in Puerto Rico. Underemployment rises and falls along with unemployment, thereby compounding its effect on output."

"... Since the 1920's, when Puerto Rico's land resources were sufficient to provide subsistence to those who could not be more productively employed elsewhere, the Island has never known even nominally full employment of its human resources. According to the conventional labor force statistics, unemployment in Puerto Rico has been roughly three times higher than in the United States, ranging between 11% and 16% of the labor force ever since 1948. The degree of under-utilization of human resources in Puerto Rico, or in any other undeveloped country, cannot be adequately measured, however, by the methods appropriate for advanced economies. In the more backward of the under-developed countries, the concept of 'looking for work', a key element in conventional labor force statistics, is practically meaningless. . . . [Rather] to measure the true extent of unemployment in an economy where it is chronically high, there must be a more stable concept of labor force from which to subtract the recorded figures of employment."

"The key assumption made in calculating the labor force base . . . is that, if work were available, Puerto Ricans in each specific age and sex group would be working or looking for work, in the same proportionate numbers as in counterpart age and sex groups in the United States. This is statistically equivalent to assuming that, except for differences in the age and sex structure of the population, the overall labor force participation rate in Puerto Rico would be the same as in the United States, *if jobs were available*. This assumption cannot be verified because nowhere in Puerto Rico have there been enough job openings to test it pragmatically. There is, however, substantial evidence in its support."

On the above premise, the author proceeds to calculate that in April 1960 Puerto Rico had a total numerical job deficiency of 243,000 (and in April 1965, despite a sizable increase in jobs, the deficiency had nevertheless increased to 263,000). The conventionally calculated unemployment estimate for April 1960 was only 56,000. The 1960 calculation shows a job deficiency equal to 30 percent of the calculated labor force. "This approximate measure of true unemployment is eight times greater than the current rate of unemployment in the United States and considerably above the highest rate of unemployment ever recorded during the depths of the great depression of the 1930's. There is perhaps no area within the United States that has ever experienced a period of unemployment of comparable duration and severity." Nevertheless, even conventionally computed unemployment estimates show several labor market areas within Puerto Rico with unemployment rates in excess of 20 percent. This demonstrates why a major objective of the Commonwealth Government must continue to be industrial decentralization.