



## **Private Sector Associations File Legal Action to Halt Implementation of New Minimum Wage Increase**

**San Juan, PR July 1, 2024** --- In a significant move, six private sector associations have filed a legal action in the San Juan Court of First Instance to stop the implementation of the new minimum hourly wage, slated to take effect tomorrow, July 1. The petition requests that the Court halts the increase from the current minimum wage to \$10.50 per hour.

“As the legal proceedings unfold, the future of the new minimum wage remains uncertain,” said Puerto Rico Chamber of Commerce President Luis Pizarro, Esq. “The associations involved in the lawsuit emphasize the need for a balanced approach that supports both the workers and the wellbeing of businesses in Puerto Rico.”

The legal action seeks an injunction against the new wage mandate and calls for the Puerto Rico Minimum Wage Commission to fulfill its statutory duties appropriately. The petitioners argue that the Commission's recent determinations were made in violation of Section 2.05 of the Minimum Wage Act, rendering them null and void. Additionally, they request a declaratory judgment nullifying these administrative decisions and an order for the Commission to adopt a new mandatory decree to address the gap caused by the invalidated report on the cost of living and inflation in Puerto Rico. "In ASORE, we consider it unacceptable to implement the minimum wage increase without a proper analysis of the study and with a committee that is not balanced as it should be. We understand the importance of improving working conditions, but we believe that this drastic increase could result in the closure of establishments and job losses in our industry. Additionally, this is something that companies themselves have been doing without the need for government intervention", stated its President, Carlos Budet.

An analysis by Abexus Analytics, prepared for the Evaluating Commission in 2023, reveals that approximately 244,798 non-exempt workers in Puerto Rico are paid within the minimum wage range. This controversy impacts nearly one in three private sector workers on the island. Additionally, the Asociación Hecho en Puerto Rico further said "At Made in PR, we consider it unacceptable to make the decision to increase the minimum wage with the responsible committee incomplete. This measure can have a significant negative impact on local small and medium-sized businesses. It is essential to ensure complete and adequate representation in the process to avoid adverse economic consequences."

“At the Puerto Rico Manufacturers Association we care deeply about our employees and are in favor of the best pay, however the process assigned to the evaluation commission must be followed and take into consideration the impact on the economy”, stated Eric Santiago Justiniano, President of PRMA.



## VOICE AND ACTION of the Private Enterprise

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### Key Findings from the Abexus Analytics Report:

- The implementation of Law 47 in 2021 led to a significant increase in workers' pay, reducing the number of minimum wage earners by about 60,000.
- Between late 2021 and the second half of 2022, over 4,000 businesses closed their doors, with an additional 2,102 showing signs of vulnerability to rising labor costs. In these businesses, 63% of workers earned minimum wage.
- On average, 34% of private sector workers, or one in three, earned the minimum wage.
- Small and medium-sized enterprises (SMEs), particularly those outside the metropolitan area, were most adversely affected by operational adjustments.
- In the second half of 2023, while over 4,700 businesses started operations, about 2,927 businesses closed.

The report concludes that although the wage increase positively impacts economic activity overall, these benefits should be attributed to other factors, such as federal pandemic and reconstruction funds and an improved global economic environment, rather than Law 47 of 2021. It also acknowledges that the rising cost of living in Puerto Rico has consistently outpaced workers' wages, suggesting that a wage around \$10 per hour could be reasonable for both workers and the economy.

However, the analysis warns that increasing the minimum wage to \$10.50 per hour could be detrimental to economic activity, potentially leading to the closure of approximately 2,197 businesses and the loss of about 12,267 jobs.

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