

PRDOLHR SCSEP Program Stand-Alone StatePlan PY 2020-2023

I. Economic Projections and Impact

In order to discuss properly long-term projections for jobs in industries and occupations in Puerto Rico one must consider how the current economic landscape, following the impact of Hurricanes Irma and María and the recent earthquake on January 6th 2020 and the aftershocks have limited the government's ability to develop counter measures. There have been, undoubtedly, profound social and economic changes that have led to population decline with migration and an increasing aging population. Nevertheless, low-cost interventions such as having industrial and service sectors adapt to older age requirements and adapting better to generational preferences are proven mechanisms that have been well documented in other jurisdictions worldwide. In almost any scenario you may contemplate, Puerto Rico continues to have a shrinking economic base and a higher percentage of older adults in a challenging labor market. In fact, at the beginning of the 21st century, the population in Puerto Rico remained relatively young, with a high percentage in the 25 to 34 year cohort, and a noticeable decline in older cohorts per U.S. Census Bureau data (remember that other than yearly adjustment the U.S. Census data is from 2010). By 2010 the population younger than 34 years old had declined by approximately 243,000 individuals while the population 45 years and older increased by almost the same amount, or 233,000 individuals. In fact, the population 65 years or older almost equals the population younger than 16 years old in number manifesting a significant shrinkage of the working-age population. In fact, by 2010 individuals under 19 and individuals 20-44 years old, both major cohorts of the younger population were in negative territory. This is why one of the main drivers of the economic contraction in population is the steadily increasing outmigration. This high emigration catalyzed the aging trends in Puerto Rico.

The expected challenges in the labor market and changing occupational structures in labor and labor demand underlie the importance of promoting lifelong learning and increasing individual skill,s which is a key component of what the SCSEP Program does for the participants of the Program. It would be an understatement to remark that there have been profound shifts away from the

conditions that existed at the time Puerto Rico's initial economic strategy was conceived in the 1950's. Until 1955, agriculture constituted Puerto Rico's main economic sector. Sugar cane, mostly for export to the U.S. mainland, was the main crop, followed by coffee and tobacco. Sugar cane production declined as prices remained low, agricultural labor migrated to the United States, and urban expansion took over much of the sugar cane land. Coffee production, taking place mostly in the mountainous areas away from the pressures of urban expansion and supported by guaranteed minimum prices and has remained stable. Tobacco production has virtually disappeared. On the other hand, considerable expansion has occurred in the production of dairy products, beef, pork, eggs, and poultry, although significant amounts of these products are still imported on the island, primarily from the United States mainland. Although there is still production of fruits and garden vegetables, as well as starchy vegetables such as bananas and plantains. Today agriculture accounts for only 3% of our labor force and is less than 1% of GDP, concentrating primarily on crops that can be sold throughout the United States.

There was a significant shift in the industrial composition of Puerto Rico's economy initiated by the sharp decrease in the manufacturing sector and an increase in services. In the 1950's and 1960's, the Puerto Rican government encouraged a massive migration of poor agricultural workers to the east coast of U.S. and opened the way locally to a predominantly industrial economy.

Puerto Rico's manufacturing sector has shifted from the original labor-intensive industries, such as the manufacturing of tobacco, leather, and apparel products, to more capital-intensive industries, such as pharmaceuticals, chemicals, machinery, and electronics. Major manufacturing activities in the order in which they contribute to the manufacturing domestic income are chemical and allied products, machinery and metal products, food and kindred products, stone, clay, and glass products, tobacco, paper and allied products, and textile mill products with the metropolitan area of San Juan and the region of Mayaguez as the leading center for clothing manufacturing including U.S. military uniforms.

In Puerto Rico, the Labor Force Participation Rate (LFPR) has fallen from 48.0 % in 1970 to 46.1% in 2000 and from 38% to 40% in the years between 2010 and 2018. The Labor Force Participation Rate (LFPR) was expected to be 40.50 percent by

the end of December of 2019. These figures may drop significantly in the first quarter of 2020 giving the effect of the tremors of January 7, 2020, and the continuing significant aftershocks affecting infrastructure of businesses and housing severely in the Southwestern part of the island. During calendar year 2019 the LFPR varied between 39.9 and 41.9. The local research firm “Estudios Técnicos” in a study commissioned by the Economic Development and Commerce Department (DDEC by its Spanish acronym) projected that in the long-term the LFPR rate would stand at around 41.00 for about a year, or during 2020 and then it would oscillate between 41.30 in 2021 and 41.50 in 2022 not going past 42.00 as an average by 2024.

The participation rates are substantially lower than on the U.S. mainland across all age groups. Local economist believe that these lower participation rates should not be attributed to any particular demographic segment but seems to be the result of a combination of factors, such as; an aging population, outmigration of relatively young cohorts and a falling birth rate (which has fallen by more than one third in the past 20 years). In the case of those of working age 65+ the LFPR went down much faster, from 15.9% in 1970, 11.8% in 1980, to 8.4% in the 1990's, 7.6% between 2000 and 2010 and hovering around 4.2% to 4.5% between 2016 and 2019.

Hence, with a staggering economy because of a multi-billion dollar public debt and the impact of two hurricanes in 2017 (the economic impact long-term of the tremor of January 7, 2020 and the aftershocks is being studied), the common perception among the residents of Puerto Rico is that the unemployment rates are higher. Nevertheless, a recent report by the PRDOLHR reveals that the private sector has experienced growth in every main industry. During fiscal year 2019, which covers the period between July 1, 2018 to June 30, 2019, the employment level was the island's highest in the past 14 years. In fact, employment in the private sector showed an increase of 3.6 percent in fiscal year 2019, after the fall that had occurred in fiscal year 2018 of -3.3 percent attributed chiefly to the aftereffects of Hurricanes Irma and Maria. Also, it's noteworthy that the U.S. Department of Labor (DOL) stated that this increase had been the largest in the last 19 years. Moreover, non-agricultural wage employment grew by 1.7 percent in 2019 compared to a drop of -3.8 percent in 2018. The industries that reported the greatest growth in PY 2019 were construction (17.3 percent); professional &

commercial services (4.1 percent); recreation and lodging (3.9 percent); trade, transportation and utilities (3.6 percent); and information (2.8 percent). Of these, the construction industry experienced its greatest increase in 15 years. The trade, transportation and utilities, as well as the professional and commercial services sectors saw the most significant upsurge in 19 years while the information and recreation industries also had its most significant growth in six years. More importantly, the self-employment sector grew by 3.3 percent in fiscal year 2019 after it had been reduced by -3.7 percent the previous fiscal year. Meanwhile, the public sector labor force rate was reduced by -4.3 percent, which marks a consecutive, decade-long decline. The unemployment rate in fiscal year 2019 was reduced by 1.2 percentage points, whereas in fiscal year 2018 the reduction was 0.3 percentage points. More specifically, the number of unemployed persons decreased by -12.6 percent during fiscal year 2019 after having experienced a -3.8 drop in fiscal year 2018. The unemployment rate during 2019 was at the lowest point in September at 7.6 percent and the highest was December at 8.4 percent. In the long-term, the Puerto Rico Employment Rate is projected to trend around 37.80 percent in 2021 and 38.10 percent in 2020 according to the latest econometric models

In terms of long-term job projections, the period between 1999 and 2019 showed reductions in middle wage occupations yet there have been increases in the Healthcare Industry and Technical Occupations. Within the last two Program Years, PY 2017 and PY 2018 the PRDOLHR SCSEP Program was able to train and certify in Home-Health Care a total 82 participants.

The emphasis on lifelong learning and up-skilling acquires greater importance when unemployment levels are high and the reality of rapid technological change impacting various occupations require updating acquired skills for older adults. Revitalizing urban centers and adapting more industries to older age requirements are steps in the right direction. An aging population requires specialized services such as those related to home care and the PRDOLHR intends to provide, at a minimum and based on the participant's IEP's formal training leading to certification once a year between July 1st of 2020 and June 30th 2024. Although Puerto Rico is perhaps best known as a Caribbean tourism hub there are many career opportunities available outside the hospitality industry. According to U.S. Department of Labor (DOL) reports the following occupations are amongst

those expected to have the most job openings from 2020 to 2024. Most of these careers have no particular educational requirements for employment although some may require a high school diploma or its equivalent. As a general rule, the State Grantee being the PRDOLHR tends to have at least 65 percent of its participants with a High School education and a smaller percentage of participants with a vocational degree or an equivalency. The suggested occupations with most job openings best suited for our SCSEP participants would be: combined food preparation and serving workers, including those at fast food restaurants; waiters and waitresses; counter attendants, cafeteria, food concession, and coffee shop; restaurant cooks; retail salespersons; cashiers; stock clerks and order fillers; general office clerks; customer service representatives; janitors or custodians; school or special client bus drivers; and home health aides. Of all of these occupations the fastest-growing, based on expected increases in employment between 2020 and 2024 of 22 percent or more would be restaurant cooks, home health aides, school or special client bus drivers and general office clerks. Since those with some university level education or Bachelor's degrees or higher educational backgrounds are never more than 10 percent to perhaps 15 percent of all active participants the IEP's should reflect efforts to get those participants either licensed or certified if they no longer are or to take any and all necessary professional or board exams as required.

Hence, training in office and administrative skills to upgrade skills will be developed to be offered once a year, starting in November of 2020 to 2024 for SCSEP applicants. The subject was discussed with Path–Stone NCOA and the AARP Foundation, the only two National grantees with authorized positions for SCSEP besides PRDOLHR as State grantee.

Puerto Rico's economic challenges and social changes have spurred an increase in creative job opportunities, which are listed in PRDOLHR's digital magazine "Tendencias", drafted and published by the agency's Bureau of Labor Statistics. Creative occupations are present in almost all industries and the most prominent have recognized that the creative element in their employees is one of the keys to success. In terms of creative careers most in demand with the percentage of projected growth to 2024 in Puerto Rico those would include the traditional ones: poets and creative writers; art directors; scenographers and exhibition designers;

and fine artists, painters sculptors and illustrators and others less traditional such as: video game designers; web page developers, etc.