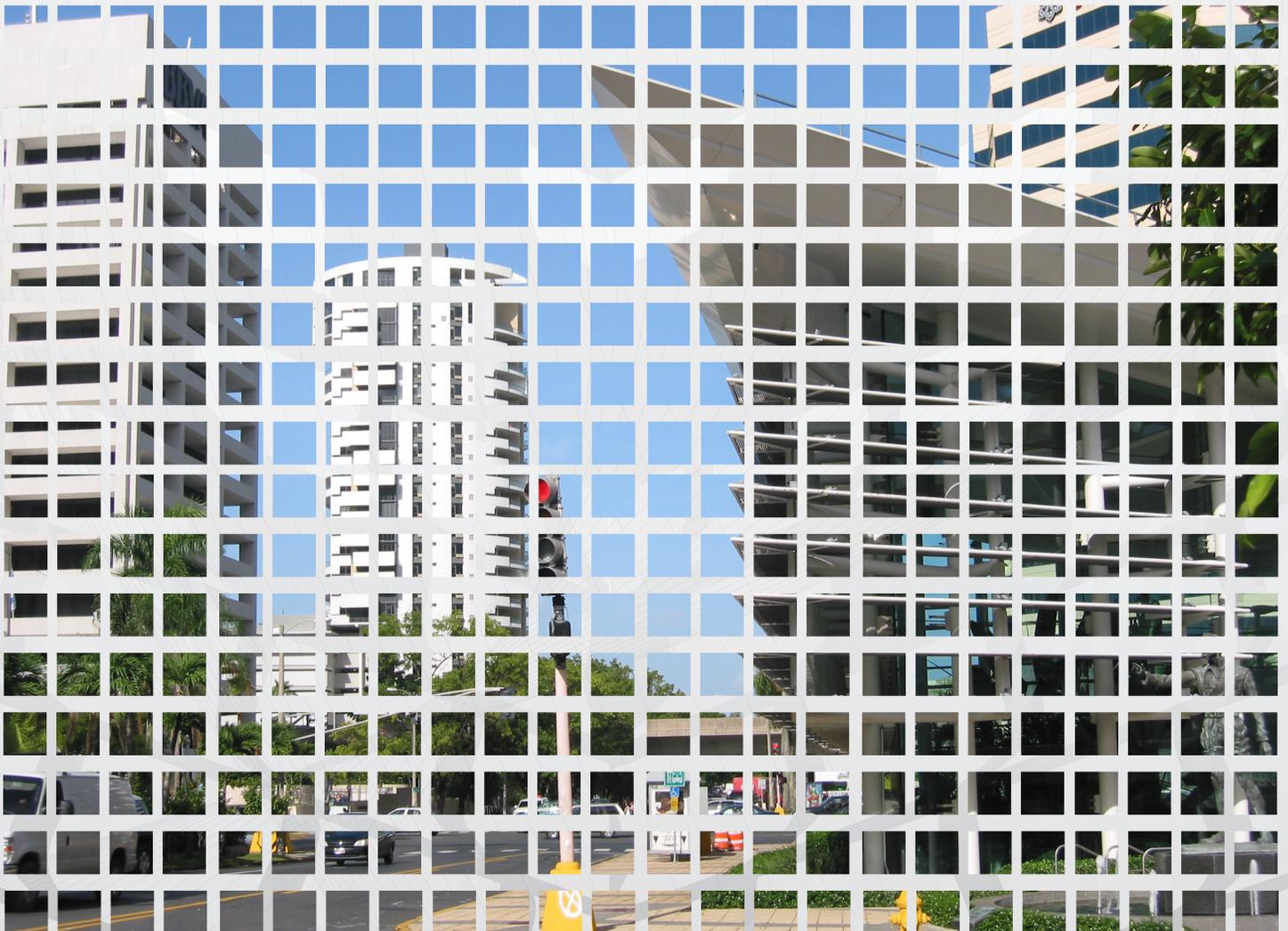




DEPARTMENT OF  
**LABOR**  
AND HUMAN RESOURCES  
GOVERNMENT OF PUERTO RICO

# Puerto Rico Economic Analysis Report 2011-2012



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**I. Overview of the Economy**

**A. Results of FY2011 and Economic Forecast for FY2012 and FY2013**

In the FY2011, the economy of Puerto Rico decreased in real terms, by 1.5% after a fall of 3.4% in FY 2010. This slight improvement in FY 2011 is a result of the growth showed in all components of the Gross National Product (GNP) in real terms, except the government consumption expenditures which presented a decline of 4.7% after a reduction of 3.4% in FY 2010. The real personal consumption expenditure, principal component of the gross national product registered an increase of 1.5% in FY 2011 and 1.2% in FY 2010.

In current prices, the personal income and the personal income per capita increased by 0.8% and 1.3%, respectively in FY 2011. Personal income includes transfer payments to individuals in Puerto Rico under various social programs. Total U.S. federal transfer payments to individuals amounted to \$15,580.0 million in FY 2011. Some transfers arise from entitlements for previously performed services or resulting from contributions to programs. Receipts from Social Security, Nutritional Assistance and Medicare were \$11,451.7 million, or 73.5% of the transfer payments to individuals in FY 2011. The remainder of the federal transfers to individuals is represented by grants, mostly concentrated in Veterans' Benefits, Pell Grant scholarships (higher education) and U.S. Civil Service retirement pensions.

**Table 1**  
**Gross National Product-current prices**  
**(million dollars - fiscal year)**

Indicator	2009r	2010r	2011p	2012*	Change					
					Absolute			Percentage		
					2010-2009	2011- 2010	2012- 2011	2010-2009	2011- 2010	2012- 2011
Gross Domestic Product	\$95,369.8	\$97,147.3	\$98,757.0	\$101,701.0	\$1,777.5	\$1,609.7	\$2,944.0	1.9%	1.7%	3.0%
Gross National Product	\$62,598.1	\$63,058.2	\$64,106.2	\$66,415.0	\$460.1	\$1,048.0	\$2,308.8	0.7%	1.7%	3.6%
Personal Income	\$58,011.4	\$58,914.9	\$59,410.8	\$59,786.0	\$903.6	\$495.8	\$375.2	1.6%	0.8%	0.6%
Personal Consumption Expenditure	\$55,533.1	\$57,170.1	\$58,889.6	\$61,043.0	\$1,637.1	\$1,719.4	\$2,153.4	2.9%	3.0%	3.7%

r - revised figures  
 p - preliminary figures  
 \* - projected figures

Source: Puerto Rico Planning Board.

**Table 2**  
**Gross National Product-constant prices**  
**(million dollars - fiscal years)**

Indicator	2009r	2010r	2011p	2012*	Change					
					Absolute			Percentage		
					2010-2009	2011-2010	2012-2011	2010-2009	2011-2010	2012-2011
Gross Domestic Product	\$10,404.3	\$10,314.2	\$10,304.5	\$10,506.0	-\$90.1	-\$9.6	\$201.5	-0.9%	-0.1%	2.0%
Gross National Product	\$6,514.6	\$6,293.9	\$6,201.5	\$6,256.0	-\$220.7	-\$92.3	\$54.5	-3.4%	-1.5%	0.9%
Personal Income	\$9,697.9	\$9,679.7	\$9,618.4	\$9,502.0	-\$18.2	-\$61.4	-\$116.4	-0.2%	-0.6%	-1.2%
Personal Consumption Expenditure	\$9,283.6	\$9,393.1	\$9,534.0	\$9,701.0	\$109.4	\$140.9	\$167.0	1.2%	1.5%	1.8%

r - revised figures

p - preliminary figures

\* - projected figures

Source: Puerto Rico Planning Board.

The dominant sectors of the Puerto Rico economy in terms of production and income are manufacturing and services. The manufacturing sector has undergone fundamental changes over the years as a result of increased emphasis on higher-wage, high-technology industries, such as pharmaceuticals, biotechnology, computers, microprocessors, professional and scientific instruments, and certain high technology machinery and equipment. The service sector plays a major role in the economy. It ranks second to manufacturing in its contribution to gross domestic product and leads all sectors in providing employment. The third one is government sector, followed by construction and mining, and agriculture.

**Figure 1**  
**Composition of the Gross Domestic Product by Major Industrial Sector**  
**Fiscal Year 2011**



Manufacturing is the major contributor to the gross domestic product. In FY 2011 this sector generated \$47,987.9 million or 48.6% of gross domestic product. The manufacturing in Puerto Rico basically concentrate in two major industries, pharmaceuticals and other chemical products, and machinery and metal products. There are several reasons that explain this sector's job reduction: the net loss of patents on certain pharmaceutical products, the escalation of manufacturing production costs (particularly labor and electricity), the increased use of job outsourcing, and, currently, the effects of the global economic decline.

The service sector, which includes finance and insurance; real estate; wholesale and retail trade; transportation; communications; public utilities; and other services, has played a major role in the economy. It ranks second to manufacturing in contribution to gross domestic product and leads all sectors in providing employment. In FY 2011, the service sector contributed \$40,619.4 million to the gross domestic product, or 41.1% of the total. Of all the sectors, finance and insurance; retail trade; health care and social services; and utilities experienced the most notable growth in FY 2011, as measured by gross domestic product at current prices.

Table 3  
Gross Domestic Product by Major Industrial Sector  
(million dollars - fiscal years)

	2009r	2010r	2011p
<b>Gross Domestic Product (GDP)</b>	<b>95,369.8</b>	<b>97,147.3</b>	<b>98,757.0</b>
Agriculture	567.1	707.2	670.2
Mining	46.1	40.9	39.4
Utilities	1,966.9	1,989.2	2,000.8
Construction	1,730.6	1,435.7	1,348.8
Manufacturing	43,872.2	46,553.7	47,987.9
Wholesalers	2,845.7	2,856.0	2,847.4
Retail Trade	4,467.1	4,577.2	4,700.4
Transportation and Warehousing	894.9	910.1	907.2
Information	2,425.9	2,600.8	2,584.6
Finance and Insurance	5,104.8	5,402.9	5,496.5
Real Estate and Rental	12,644.1	12,308.0	12,081.6
Professional, Scientific, and Technical Services	1,543.6	1,531.6	1,567.2
Management of Companies and Enterprises	126.4	139.5	155.3
Administrative Services and Support	1,338.8	1,495.4	1,659.7
Educational Services	773.1	826.5	826.2
Health Care and Social Services	3,332.7	3,436.8	3,539.4
Art, Entertainment and Recreation	101.5	107.2	101.5
Accommodation and Food Services	1,671.3	1,713.5	1,763.7
Other Services	389.6	391.0	387.9
Government (1)	9,047.4	8,349.9	8,228.9

Figures are not gonna add the total due to statistical discrepancy.

r- Revised figures.

p- Preliminary figures.

( ) Negative figures.

(1) Includes Central and Municipios.

Source: Puerto Rico Planning Board.

According to the Puerto Rico Planning Board's latest projections, the real gross national product for FY 2012 is forecasted to rise by 0.9% and by 1.1% for FY 2013. The Planning Board's revised forecast for FY 2012 incorporates the projected growth of the tourism activity, personal consumption expenditures, and the public-private partnership, among others. Also includes the revised forecast also considered the effect on the Puerto Rican economy of general and global economic conditions, the U.S. economy, the volatility of oil prices, interest rates and the behavior of local exports, including expenditures by visitors.

Figure 2  
Real Gross National Product – percent change  
Fiscal Years 2008-2013



### B. Economic Activity Index

The Economic Activity Index (EAI) prepared by the Government Development Bank for Puerto Rico is a coincident indicator of ongoing economic activity. This index is composed of several variables (total payroll employment based on the Nonfarm Payroll Employment Survey, total electric power consumption, cement sales and consumption of gasoline) that highly correlate to Puerto Rico's real gross national product. The average contraction of the EAI for FY 2012 was 0.3%, after a reduction of 2.8% and 5.5%, in FY 2011 and FY 2010, respectively. In the first semester of 2012 (January 2012 through June 2012), the EAI increased an average rate of 0.3% compared to the same period of prior fiscal year (-2.1%). For this period, this represents the first increase since FY 2005.

Figure 3  
Economic Activity Index and Percent Change  
Fiscal Year 2010, 2011 and 2012

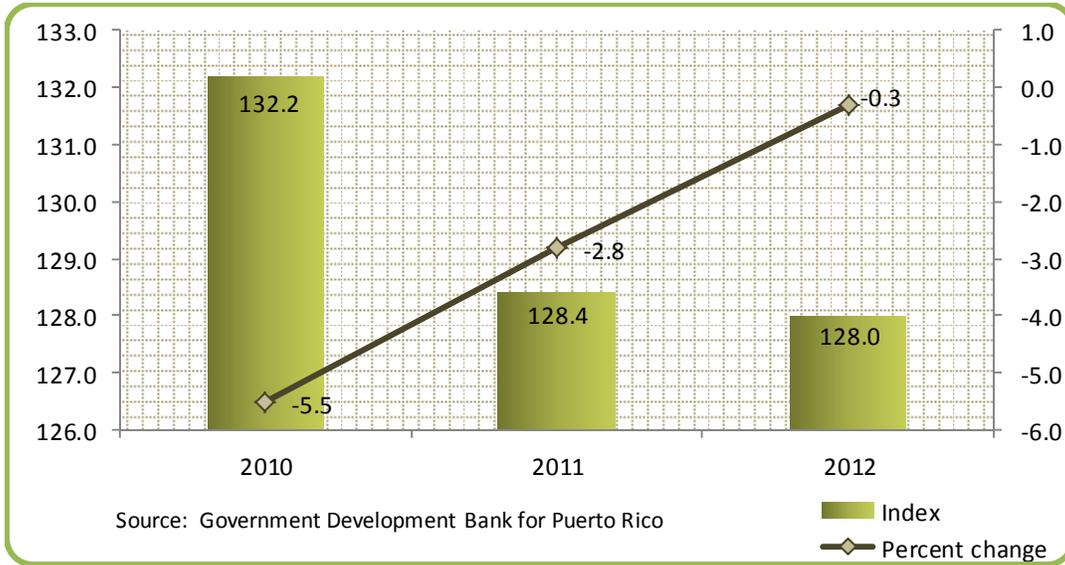
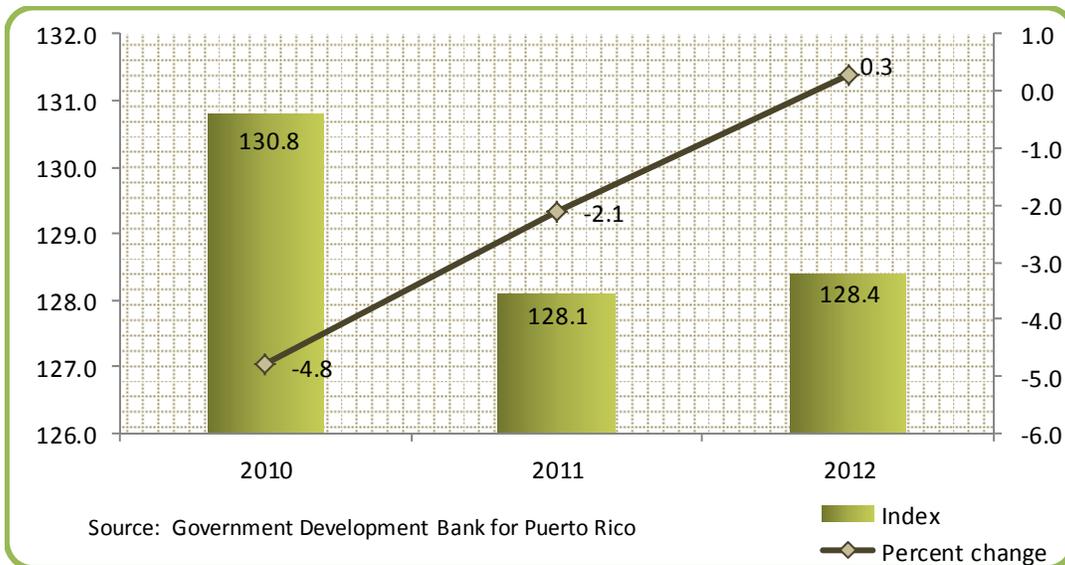


Figure 4  
Economic Activity Index and Percent Change  
(Period: January – June 2010, 2011, 2012)



## ***II. Economic Development Program***

The Department of Economic Development and Commerce, in coordination with other government agencies, has been implementing the Strategic Model for a New Economy, ([www.puertoricodoesitbetter.com/en/Documents/MENE.pdf](http://www.puertoricodoesitbetter.com/en/Documents/MENE.pdf)) which is a comprehensive long-term economic development plan aimed at improving Puerto Rico's overall competitiveness and business environment and increasing private-sector participation in the Puerto Rican economy. This Model looks to promote sustained economic growth, elevate our competitiveness and create more and better jobs.

As part of this plan, the administration enacted Act No. 161 of December 1, 2009, which overhauled the permitting and licensing process in Puerto Rico in order to provide for a leaner and more efficient process to foster economic development. The administration also enacted Acts No. 82 and 83 of July 19, 2010, which provide for a new energy policy that seeks to lower energy costs and reduce energy-price volatility by reducing Puerto Rico's dependence on fuel oil and promotes diverse, renewable-energy technologies. Moreover, the administration adopted a comprehensive tax reform that takes into account the Commonwealth's current financial situation. In addition, to further stimulate economic development and cope with the fiscal crisis, on June 8, 2009, the Legislative Assembly approved Act No. 29 establishing a clear public policy and legal framework for the establishment of public-private partnerships to finance and develop infrastructure projects, and to operate and manage certain public assets.

The present government administration is emphasizing the following initiatives to enhance Puerto Rico's competitive position:

- **Permits Process.** The reengineering of Puerto Rico's permits and licensing process which overhauls the existing permits and licensing process in Puerto Rico in order to promoter a more efficient process to foster economic development.
- **Energy Policy.** At present, fluctuations in oil prices have a significant effect on Puerto Rico's overall economic performance. By implementing a new energy policy, the administration will seek to lower energy costs, reduce energy-price volatility, and

establish environmentally sustainable energy production through a reduction in ecologically harmful emissions. The administration is facilitating the development of several initiatives, including the wheeling of energy, conservation efforts, and the installation of new renewable generation capacity, among others.

- **Tax Reform.** The administration is also focused on restructure the Commonwealth's tax system in order to improve its competitiveness by simplifying the tax code and optimizing the use of industrial incentives.
- **Public-Private Partnerships.** The Public-Private Partnerships (PPPs) represents an important tool for economic development, particularly in times of fiscal imbalance. PPP's are alliances between government and non-governmental entities—such as private-sector, non-profit organizations, credit unions, and township corporations to develop infrastructure projects, manage government assets or provide services. The non-governmental partner takes on certain responsibilities and risks related to the development of the project in exchange for receiving the benefits of operating it.

**Figure 5**  
**Economic Development Program**



- **Sector Initiatives.** To complement the previously mentioned initiatives there will be specific strategic initiatives targeted to jobs creation and increasing economic activity across various sectors of the Puerto Rico economy. The Commonwealth has a natural or structural competitive advantage in several areas, such as pharmaceutical and biotechnology manufacturing. These advantages provide opportunities for the development of regional clusters in high-tech manufacturing, research and development, tourism, renewable energy, international trade and professional services.
- **Strategic/Regional Projects.** The administration has also targeted strategic/regional projects that will generate investments in all the regions of the Island in order to foster balanced economic development.
- **Labor Law Reform.** The administration seeks to encourage greater labor-force participation by providing the private sector with more flexibility in establishing feasible labor provisions. One goal of the labor-market reform will be the modernization of Puerto Rico's regulatory framework.

### ***III. Overview of the Labor Market***

#### ***1. Labor Force***

The Household Survey is designed so that each person age 16 and over who is neither in an institution (for example, correctional facilities and residential nursing and mental health care facilities) nor on active duty in the Armed Forces is included and classified in one group. The sum of the employed and the unemployed persons constitutes the civilian labor force. Persons not in the labor force combined with those in the civilian labor force constitute the civilian non-institutional population 16 years and over. In Puerto Rico, the non-institutional population has increased consistently through the decades. In FY 2012, it was estimated in 3,182,000 persons, representing an increase of 65,000 persons or 2.1%. In FY 2012, the group not in the labor force represented 59.9% of the non-institutional population; this is a larger proportion than the labor force which represented 40.1%.

Table 4  
 Employment Status of the Civilian Non-Institutional Population  
 Seasonally Adjusted – Average Fiscal Years 2010 to 2012  
 (thousands of person 16 years of age and over)

Employment Status	2012	2011	2010	Net Change	
				2012-2011	2011-2010
Civilian non-institutional population *	3,182	3,117	3,093	65	24
Participation rate <sup>1*</sup>	40.1%	41.1%	42.5%	-1.0%	-1.4%
Labor Force	1,278	1,281	1,313	-3	-32
Employment	1,086	1,077	1,103	9	-26
Unemployment	192	205	210	-13	-5
Unemployment rate <sup>2</sup>	15.0%	16.0%	16.0%	-1.0%	0.0%

\* - not available seasonally adjusted.

1/ Percentage of the civilian population 16 years old and over in the labor force.

2/ Percentage of unemployed persons in the labor force.

Source: PR Department of Labor and Human Resources. Labor Force Survey.

The fall in the labor force caused a decrease in the participation rate; this can be seen as an indicator of the persons to participate in the labor market. The FY 2012 registered the lowest point, 40.1% in the historical data and declined 1.0 percentage points when comparing with FY 2011 (41.1%). There is a relationship between the participation rate and the economic activity. Due to various factors, among them, the flow for decades of federal incentives to the population through different programs has affected the participation rate in the labor force and the informal sector of the economy. There are some differences between the participation rate in the labor force among men and women. In FY 2012 the rate for women decreased by 0.9% and for men, 1.2%. The male participation rate showed sharp consecutive drops, from 59.1% in FY 2006 to 48.8% in FY 2012, the lowest male participation rate recorded. The female rate also declined in the past years, from 38.5% in 2006 to 33.0% in FY 2012. Some factors that can influence the behavior of the participation rate of women are the changes in their civil status and their level of education.

In the Puerto Rico's labor market, self-employment represents approximately 15% of total employment according to the Household Survey. Most of the self-employment is concentrated in the service and trade sectors. In FY 2012, self-employment totaled 168,000 showing an increase of 5,000 persons when compared to FY 2011 (163,000).

## ***2. Employment***

In the Household Survey, people are considered employed if they did any work at all for pay or profit during the surveyed week. This includes all part-time and temporary work, as well as regular full-time, year-round employment. In FY 2012, the seasonally adjusted number of employed persons (which includes self-employed individuals and agriculture employment) reached a total of 1,086,000. This represents an increase of 9,000 employees in the local economy when compared to FY 2011 (1,077,000). Additionally, it means the second year with a rise in the number of worker since the beginning of the recessionary period in 2006. Analyzing the differences between the employment of men and women in FY 2012, the employment not seasonally adjusted among men increased by 15,000 and for women, decreased by 6,000. This represents an increase of 2.6% and a decline of 1.2%, respectively.

## ***3. Unemployment***

According to the Household Survey, persons are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. In FY 2012, unemployment seasonally adjusted registered 192,000 or 13,000 jobseekers less than in 2011. The unemployment rate seasonally adjusted for FY 2012 was 15.0%, 1.0 percentage points lower than FY 2011 (16.0%). In FY 2012 the unemployment rate not seasonally adjusted for men was 17.0% and 12.5% for women. This represents respective decreases of 1.7% and 0.1%, when compared to FY 2011.



The data for employment by sector or industries is based on the Payroll Survey, which is designed to measure number of payrolls records by sector. Historically, Government; Trade, Transportation and Utilities; Professional and Business Services; and Educational and Health Services, have been the sectors of the economy providing the most employment in Puerto Rico.

**Table 5**  
**Total Non Farm Employment in Puerto Rico**  
**Seasonally Adjusted – Average Fiscal Years 2010 to 2012**  
**(Thousands of persons)**

Industrial Group	2012p	2011r	2010r	Net Change	
				2012-2011	2011-2010
<b>Total Non Farm</b>	<b>923.1</b>	<b>923.8</b>	<b>941.6</b>	<b>-0.7</b>	<b>-17.8</b>
Mining, Logging and Construction	33.6	31.8	35.9	1.8	-4.1
Manufacturing	82.5	85.6	88.3	-3.1	-2.7
Trade, Transportation and Utilities	165.0	174.3	173.3	-9.3	1.0
Information	18.5	18.8	18.8	-0.3	0.0
Financial Industries	43.9	43.8	45.8	0.1	-2.0
Professional and Business Services	104.1	105.6	102.4	-1.5	3.2
Educational and Health Services	116.7	114.1	111.4	2.6	2.7
Leisure and Hospitality	72.5	71.2	70.8	1.3	0.4
Government	267.7	260.7	276.1	7.0	-15.4

p= preliminar r= revised

Figures may not always add to the totals due to round off or industrial groups not included.

Source: PR Department of Labor and Human Resources. Current Employment Survey (CES).

In FY 2012, according to the revised data of the Establishment Survey, the total employment seasonally adjusted was 923,100, reflecting a drop of 0.1%, an over the year comparison (FY 2011-923,800) and a reduction of 700 employees. That decreasing figure represents an improvement of the labor market when compared with previous year. In FY 2012, the following industries reflected growth in employment: Government (7,000); Educational and Health Services (2,600); Construction (1,800); Leisure and Hospitality (1,300); and Financial Industries (100).

There have been changes in the sector's composition in the past years. Among them, the percentage representation of the government sector in total employment which increase from 28.1% (FY 2000) to 29.0% (FY 2012). The Government sector is the major employer in Puerto Rico. In FY 2012, this sector, seasonally adjusted, employed 267,700 workers. In average, between FY 2011 and FY 2012 this sector rises by 7,000 employees. The Trade, Transportation and Utilities sector is the second more important in employment terms. In FY 2012, seasonally adjusted, amounted 165,000 representing a decline of 9,300 employees compared to FY 2011. The proportion of the Trade, Transportation and Utilities sector in total employment declined from 28.1% (FY 2000) to 17.9% (FY 2012). The Educational and Health sector, seasonally adjusted, showed an increase of 2,600 between FY 2011(114,100) and FY 2012 (116,700). This sector represented a rise in the representation of the total employment of 7.9% (FY 2000) to 12.6% (FY 2012).

The representation of Mining, Logging and Construction sector, seasonally adjusted, in total employment declined from 7.2% in FY 2002 to 3.6% in FY 2012. The payroll employment in the construction sector, seasonally adjusted, during FY 2012 was 33,600, an increase of 1,800 from FY 2011 (31,800). The employment payroll in the manufacturing sector during FY 2012 was 82,500, a decline of 3,100 compared with FY 2011 (85,600). The share of the manufacturing sector in the total employment fell from 14.0% in FY 2000 to 8.9% in FY 2012, maintaining its decreasing tendency.

### **5. Wages**

According to the 2011 Occupational Employment Survey, the estimated employment was 930,940. The hourly mean wage was \$13.07 and the hourly median wage was \$9.54. In terms of employment and wages by major occupational group available, the Sales and Related Occupations had the highest employment coverage with 106,920. The hourly mean and median wage for this group was \$10.89 and \$8.85, respectively. Other occupational groups that stand out in terms of employment was, Education, Training and Library Occupations, 93,360 workers; Production Occupations, 67,090 workers; Food Preparation and Serving Related Occupations, 66,530 workers; and Protective Services Occupations, 62,790 workers.

Table 6  
Employment and Wages by Major Occupational Group, 2011

Occupational Group	Employment	Hourly Wage	
	Total	Mean	Median
<b>Ocupaciones, total</b>	<b>930,940</b>	<b>\$13.07</b>	<b>\$9.54</b>
Management Occupations	34,160	\$33.55	\$27.65
Business and Financial Operations Occupations	40,410	\$18.14	\$15.37
Computer and Mathematical Occupations	9,240	\$20.19	\$17.77
Architecture and Engineering Occupations	12,740	\$23.70	\$21.08
Life, Physical, and Social Science Occupations	6,430	\$20.56	\$17.61
Community and social Services Occupations	18,330	\$13.24	\$12.78
Legal Occupations	4,710	\$28.92	\$25.58
Education, Training, and Library Occupations	n/a	\$15.13	\$14.81
Arts, Design, Entertainment, Sports, and Media Occupations	6,210	\$14.35	\$12.20
Healthcare Practitioners and Technical Occupations	45,220	\$17.03	\$13.42
Healthcare Support Occupations	12,020	\$9.72	\$8.80
Protective Services Occupations	62,790	\$11.18	\$9.83
Food Preparation and Serving Related Occupations	66,530	\$8.90	\$8.61
Building and Grounds Cleaning and Maintenance Occupations	42,010	\$8.91	\$8.56
Personal Care and Service Occupation	13,820	\$9.34	\$8.63
Sales and Related Occupations	106,920	\$10.89	\$8.85
Office and Administrative Support Occupations	n/a	\$11.26	\$9.31
Farming, Fishing, and Forestry Occupations	1,310	\$11.96	\$9.72
Construction and Extraction Occupations	34,800	\$10.09	\$8.87
Installation, Maintenance, and Repair Occupations	30,780	\$13.54	\$11.36
Production Occupations	67,090	\$10.71	\$9.03
Transportation and Material Moving Occupations	52,410	\$10.08	\$8.73

\*n/a - Not available.

Source: PR Department of Labor and Human Resources. Occupational Employment Survey (OES)

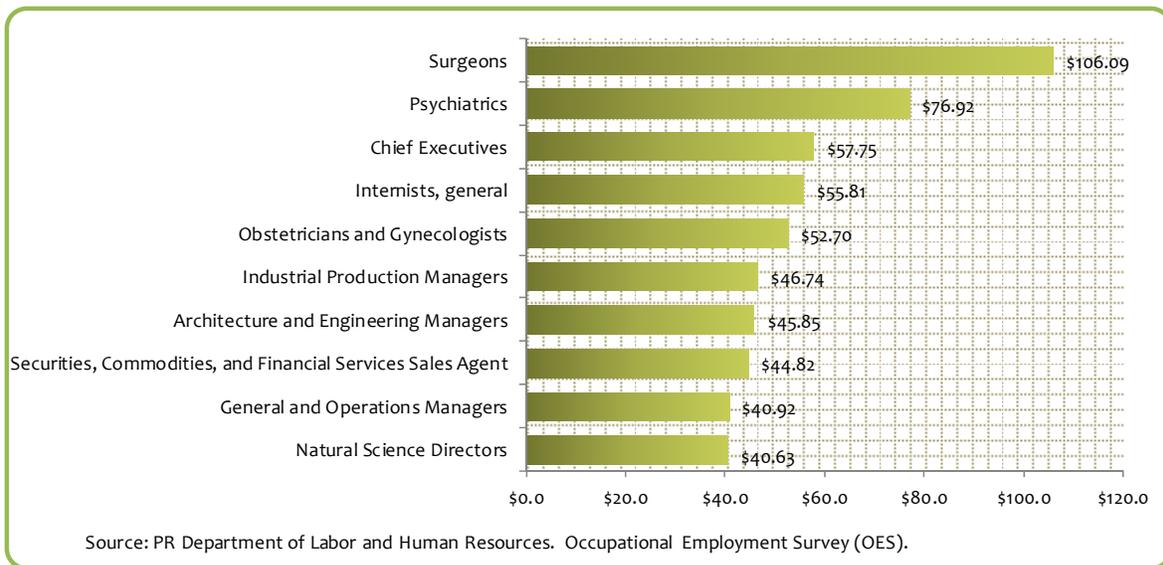
The ten highest paying occupations were professional and managerial. The highest mean wage was reached by Surgeons with \$106.09. Other occupations with high hourly mean wages were: Psychiatrics, \$76.92; Chief Executives, \$57.75; Internists, \$55.81; and Obstetricians and Gynecologists, \$52.70.

Table 7  
Highest Paying Occupations, 2011

Occupation	Hourly Mean	Annual Mean
Surgeons	\$106.09	*
Psychiatrics	\$76.92	\$73.40
Chief Executives	\$57.75	\$45.61
Internists, general	\$55.81	\$50.60
Obstetricians and Gynecologists	\$52.70	\$43.59
Industrial Production Managers	\$46.74	\$44.50
Architecture and Engineering Managers	\$45.85	\$44.93
Securities, Commodities, and Financial Services Sales Agent	\$44.82	\$31.60
General and Operations Managers	\$40.92	\$31.70
Natural Science Directors	\$40.63	\$41.49

Source: PR Department of Labor and Human Resources. Occupational Employment Survey (OES)

Figure 7  
Highest Paying Occupations, 2011



**6. Business Employment Dynamics (BED)**

Opening and Expanding private sector business establishments in Puerto Rico gained 45,676 jobs in the fourth quarter of 2011 (October to December), an increase of 4,084 from previous quarter. Over the quarter, expanding establishments added 36,996 jobs, while opening establishments added 8,680. Gross job losses amounted to 37,845 in the fourth quarter of 2011, an increase of 1,199 from the third quarter of 2011. This was the second increase in gross job losses since March of 2011. In the fourth quarter of 2011, contracting establishments lost 29,654 jobs, while closing establishments accounted for a loss of 8,191 jobs.

**Table 8**  
**Three-Month Private Sector Gross Job Gains and Losses**  
**Seasonally Adjusted**

Category	3 months ended				
	Dec 2010	March 2010	June 2011	Sept 2011	Dec 2011
	<b>Levels</b>				
Gross job gains	45,464	36,260	38,389	41,592	45,676
At expanding establishments	38,257	30,751	31,944	35,166	36,996
At opening establishments	7,207	5,509	6,445	6,426	8,680
Gross job losses	37,113	41,528	41,232	36,646	37,845
At contracting establishments	29,474	35,731	33,513	29,791	29,654
At closing establishments	7,639	5,797	7,719	6,855	8,191
<b>Net employment change <sup>1</sup></b>	<b>8,351</b>	<b>-5,268</b>	<b>-2,843</b>	<b>4,946</b>	<b>7,831</b>

<sup>1</sup> The net employment change is the difference between total gross job gains and total gross job losses.

Source: PR Department of Labor and Human Resources. Business Employment Dynamics (BED).

From October to December of 2011, gross job gains represented 6.8% of private sector employment. Over the quarter, gross job gains at expanding establishments represented 5.5% of private sector employment, and gross job gains at opening establishments represented 1.3%. Nationally, this quarter gross job gains at expanding establishments represented 5.1% of private sector employment, and at opening establishments represented 1.2%. The same data for job losses shows that, gross job losses represented 5.6% of private sector employment. Gross job losses at contracting establishments represented 4.4% of private sector employment, which was less than to the national rate at contracting establishments (4.8%).

**Table 9**  
**Three – Month Private Sector Gross Job Gains and Losses as Percent of Employment**  
**Seasonally Adjusted**

Category	3 months ended				
	Dec 2010	March 2010	June 2011	Sept 2011	Dec 2011
	Rates (percent)				
<b>Total Private for Commonwealth of Puerto Rico</b>					
Gross job gains	6.8	5.4	5.8	6.2	6.8
At expanding establishments	5.7	4.6	4.8	5.2	5.5
At opening establishments	1.1	0.8	1.0	1.0	1.3
Gross job losses	5.5	6.2	6.2	5.4	5.6
At contracting establishments	4.4	5.3	5.0	4.4	4.4
At closing establishments	1.1	0.9	1.2	1.0	1.2
<b>Net employment change<sup>1</sup></b>	1.3	-0.8	-0.4	0.8	1.2
	Rates (percent)				
<b>Total Private for United States as a whole</b>					
Gross job gains	6.6	5.9	6.4	6.5	6.3
At expanding establishments	5.3	4.9	5.2	5.3	5.1
At opening establishments	1.3	1.0	1.2	1.2	1.2
Gross job losses	6.1	5.7	5.8	5.9	6.0
At contracting establishments	4.9	4.7	4.7	4.8	4.8
At closing establishments	1.2	1.0	1.1	1.1	1.2
<b>Net employment change<sup>1</sup></b>	0.5	0.2	0.6	0.6	0.3

<sup>1</sup> The net employment change is the difference between total gross job gains and total gross job losses.

Source: PR Department of Labor and Human Resources. Business Employment Dynamics (BED).

Another way to evaluate the dynamics of employment change is to count the number of establishments that opened, closed, expanded, or contracted during a given quarter. Out of 46,043 active private sector establishments, a total of 9,757 establishments gained jobs from October to December of 2011. Of these, 8,189 were expanding establishments and 1,568 were opening establishments. During the fourth quarter of 2011, 8,337 establishments lost jobs. Of these, 6,974 were contracting establishments and 1,363 were closing establishments.

Table 10  
 Number of Private Sector Establishments by Direction of Employment Change  
 Seasonally Adjusted

Category	3 months ended				
	Dec 2010	March 2010	June 2011	Sept 2011	Dec 2011
Establishments gaining jobs	9,863	8,507	8,577	8,526	9,757
Expanding establishments	8,488	7,118	7,214	7,199	8,189
Opening establishments	1,375	1,389	1,363	1,327	1,568
Establishments losing jobs	8,813	10,401	9,444	8,715	8,337
Contracting establishments	7,152	8,757	7,743	7,268	6,974
Closing establishments	1,661	1,644	1,701	1,447	1,363
Net establishment change <sup>1</sup>	-286	-255	-338	-120	205

<sup>1</sup> The net establishment change is the difference between the number of opening establishments and the number of closing establishments.

Source: PR Department of Labor and Human Resources. Business Employment Dynamics (BED).

From October to December of 2011, a total of 1,095 new private sector non-farm businesses created 5,555 jobs. This represented an increase of 287 establishment births and 1,099 jobs from the previous quarter. The jobs gains by these new establishments represented 0.8 percent of total births employment. The historical time series of birth data shows that the number of establishment births has remained around 1,200 every quarter, while employment from births dropped from 52,610 in the fourth quarter 2003 to 5,555 in the fourth quarter of 2011.

#### IV. Other Indicators

##### 1. Insured Unemployment

###### a. Characteristics of the Insured Unemployed

The situation in overall unemployment is reflected by the trend in total weeks claimed since 2009 (3,087,944); 2010 (2,834,409) to 2010 (2,173,158) weeks. But, a clear decreasing pattern is observed in the number of claimants registered dropping from 670,565 two years ago to 458,941 in 2011. The number of exhausters unemployed presented the same pattern as it fall from 62,067 in 2009 to 58,028 in year 2011.

**Table 11**  
**Unemployment Insurance Benefits<sup>1</sup>**

<b>Item</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Weeks Claimed	2,173,158	2,834,409	3,087,944
Claimants	458,941	683,450	670,565
Exhausters	58,028	79,910	62,067

<sup>1</sup> Revised in August, 2012.

**Source: PR Department of Labor and Human Resources. Research and Statistics Division.**

***b. Gender and Age***

In FY 2012 the gender distribution of the sample was 18,587 males or 52.9% and 16,556 females or 47.1% of the total (35,143). This represents a reduction of, 15,650 of the total, and a decrease of 1.2 percentage points and a rise of 1.2 percentage points in male and females, respectively when comparing with FY2011.

In relation to age of both sexes, persons between 25 to 34 years comprised the most significant group with an average of 34.1% for the FY 2012 (same as FY 2011). It was followed by the age cohort between 35 to 44 years representing 23.6% of all claimants (24.6% in FY 2011). The group with the smallest representation was 65 years or more with 1.7% (same proportion as FY 2011).

Table 12  
 Characteristics of the Insured Unemployed  
 Gender and Age – FY 2012

Gender	Average	Percent
<b>Total</b>	<b>35,143</b>	<b>100.0</b>
Male	18,587	52.9
Female	16,556	47.1
<b>Age</b>		
<b>Total</b>	<b>35,134</b>	<b>100.0</b>
<22	1,690	4.8
22-24	3,484	9.9
25-34	11,977	34.1
35-44	8,299	23.6
45-54	6,017	17.1
55-59	1,930	5.5
60-64	1,137	3.2
>65	600	1.7
INA	9	0.1

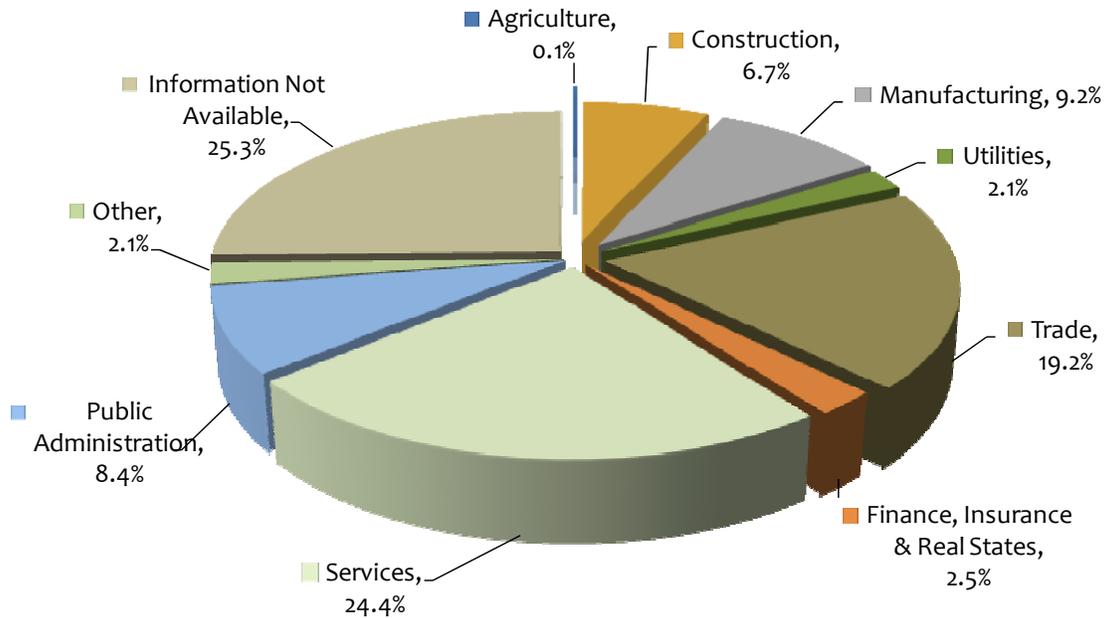
INA - Information Not Available

Source: PR Department of Labor and Human Resources. Research and Statistics Division.

**c. Information by Industry**

The industry reporting the greatest workers loss was Services, as it holds 24.4% of all claimants in FY 2012 (21.7% in FY 2011). In Services category, restaurants and entertainment declined as people reduce leisure activities from their immediate priorities. The other proportions of workers loss, Trade industry, 19.2% (17.2% in FY 2011) and Public Administration, 8.4% (15.1% in FY 2011). Construction recorded 6.7% (10.0% in FY 2011), and Manufacturing, 9.2% (8.3% in FY 2011) of the total claimants.

Figure 8  
 Characteristic of the Insured Unemployed  
 Industrial Category FY 2012



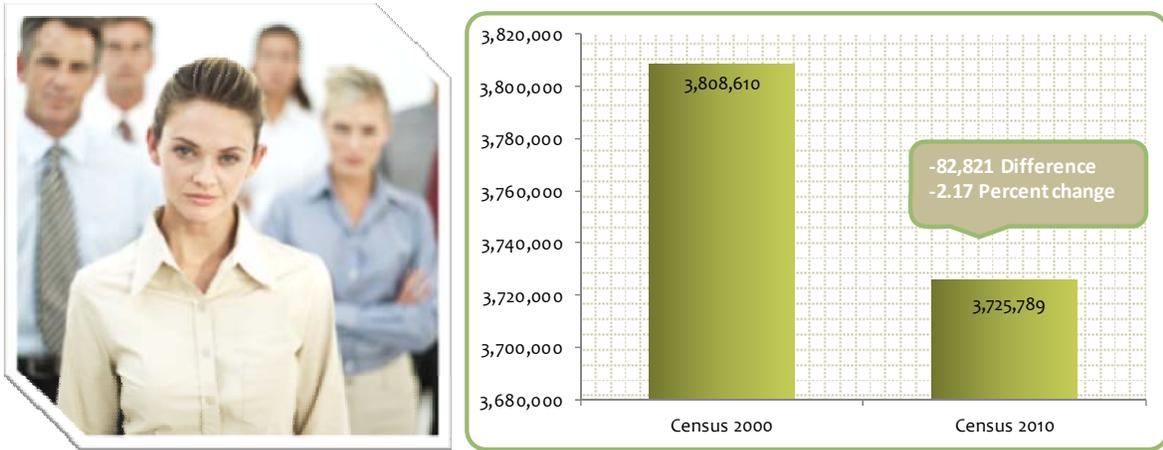
Source: PR Department of Labor and Human Resources. Research and Statistics Division.

## V. Population

### 1. Demographic

According to the final report of the 2010 U.S. Census, the population of Puerto Rico showed a reduction of 82,821 persons or 2.7% from the 2000 to 2010 decade, as presented in the above data. This is the first time since the U.S. Census had been performed in the Island that its population was reduced from one decade to the other. In fact, when compared to all 50 states of the United States, Puerto Rico would be ranked as the place to have suffered the largest population loss. In some more densely populated municipalities, such as San Juan, the population reduction reached 9.0%. Of the 78 municipalities comprising the Island, 42 showed a decreased in its population in relation to the 2000 U.S. Census.

Figure 9  
Population by Age 0 to 14 (Percent Change)  
2000 – 2010



Source: U.S. Census Bureau, 2010 Census.

There are a number of reasons attributable to this decline including, lower birth rates demonstrated by the reduction of school enrollment and lower death rates that is increasing the median age of the population. Increased emigration to the United States is also a factor, as people move to improve their economic perspective and sometimes, because Puerto Rico is a densely populated territory, to improve quality of life in other ways. One relevant fact is that people who are leaving are many young people under 40 years old, which causes a reduction in the workforce. One alarming problem of the exodus is that is led by educated professionals, young and middle-aged.



The illustration (map) indicates the municipalities with positive and negative growth from 2000 to 2010. The largest city in Puerto Rico is San Juan, the Island's capital; it has a population of 395,326, and its population decreased in 39,048 persons from 2000 to 2010. The second largest city is Bayamón with 208,116 persons and Carolina with 176,762, both adjacent to San Juan. Those municipalities showed a decrease in population of 7.11% and 5.01%, respectively.

**2. Population by Age and Sex**

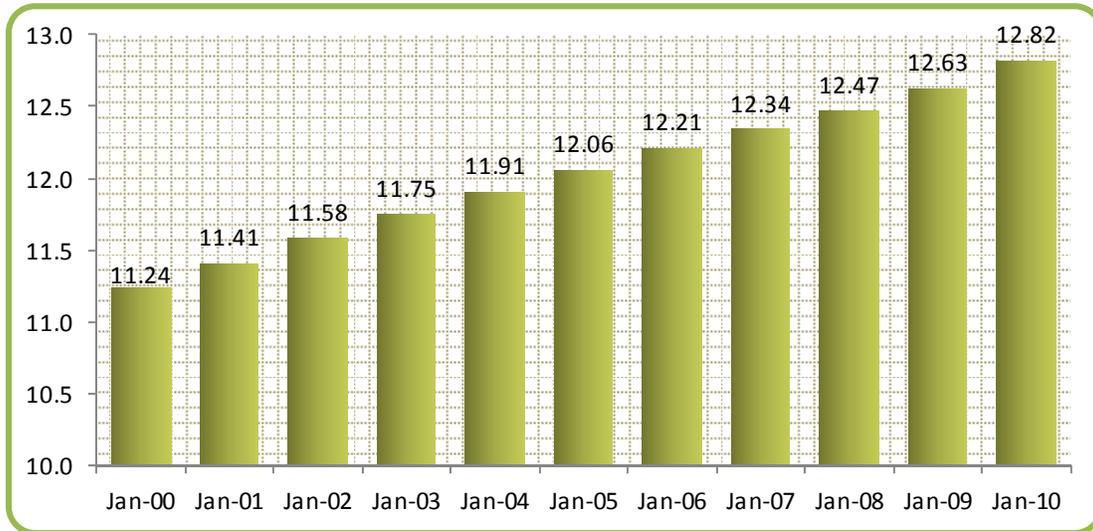
The comparison of the changes in the population composition by age and sex between the 2000 and 2010 decade is very significant in many aspects. Among the most salient finding is a reduction of the population in all age brackets from ages under 5 to the 44 years. Meanwhile, an increase of population in age brackets from 45 years and over is substantially noticeable.

**Figure 11**  
**Population by Age 0 to 14 (Percent Change)**  
 2000 – 2010



Source: U.S. Census Bureau, 2010 Census.

Figure 12  
Population by Age 65 and above (Percent Change)  
2000 – 2010



Source: U.S. Census Bureau, 2010 Census.

These changes present a new challenge in the definition of public policies for government officials, the private, academic and nonprofit sectors. The planning process and definition of priorities are critical to successfully cope with this reality. In one hand, the reduction of young population requiring less academic services and the reduction of the productive labor workforce paying less taxes; and in the other, an aging population demanding more medical and supportive services.

Another significant fact of the population composition in Puerto Rico is the higher representation of males from ages 0 to 24 years and this relation from 25 years and over with higher representation of females.

The table below presents the population distribution by age and sex for 2000 and 2010 data from the U.S. Census for Puerto Rico.

Table 13  
Age Groups and Sex: 2000 and 2010

Age/Years	2000						2010					
	Number			Percent			Number			Percent		
	Both sexes	Male	Female	Both sexes	Male	Female	Both sexes	Male	Female	Both sexes	Male	Female
Total population	3,808,610	1,833,577	1,975,033	100.0	100.0	100.0	3,725,789	1,785,171	1,940,618	100	100	100
Under 5	295,406	151,287	144,119	7.8	8.3	7.3	224,756	115,173	109,583	6	6.5	5.6
5 to 9	305,162	156,253	148,909	8.0	8.5	7.5	240,004	123,228	116,776	6.4	6.9	6
10 to 14	305,800	155,984	149,816	8.0	8.5	7.6	268,571	137,289	131,282	7.2	7.7	6.8
15 to 19	313,436	159,309	154,127	8.2	8.7	7.8	284,259	144,853	139,406	7.6	8.1	7.2
20 to 24	301,191	149,426	151,765	7.9	8.1	7.7	260,850	130,577	130,273	7	7.3	6.7
25 to 29	271,507	133,018	138,489	7.1	7.3	7.0	244,159	118,578	125,581	6.6	6.6	6.5
30 to 34	262,825	126,164	136,661	6.9	6.9	6.9	248,173	119,708	128,465	6.7	6.7	6.6
35 to 39	264,849	124,421	140,428	7.0	6.8	7.1	241,270	115,981	125,289	6.5	6.5	6.5
40 to 44	250,814	116,278	134,536	6.6	6.3	6.8	242,258	114,941	127,317	6.5	6.4	6.6
45 to 49	233,120	107,736	125,384	6.1	5.9	6.3	247,986	115,470	132,516	6.7	6.5	6.8
50 to 54	229,916	106,091	123,825	6.0	5.8	6.3	239,821	110,600	129,221	6.4	6.2	6.7
55 to 59	188,883	87,131	101,752	5.0	4.8	5.2	223,607	102,262	121,345	6	5.7	6.3
60 to 64	160,564	74,276	86,288	4.2	4.1	4.4	218,077	100,090	117,987	5.9	5.6	6.1
65 to 69	134,281	60,982	73,299	3.5	3.3	3.7	175,411	80,178	95,233	4.7	4.5	4.9
70 to 74	106,670	47,461	59,209	2.8	2.6	3.0	136,251	61,731	74,520	3.7	3.5	3.8
75 to 79	83,078	35,996	47,082	2.2	2.0	2.4	100,740	43,625	57,115	2.7	2.4	2.9
80 to 84	53,402	22,697	30,705	1.4	1.2	1.6	67,000	27,582	39,418	1.8	1.5	2
85+	47,706	19,067	28,639	1.3	1.0	1.5	62,596	23,305	39,291	1.1	0.8	1.3
Median age (years)	32.1	30.4	33.7	(X)	(X)	(X)	36.9	35.1	38.6	(X)	(X)	(X)

X Not applicable.

Source: U.S. Census Bureau, 2010 Census.

**a. Median Age**

The median age is a helpful parameter to evaluate the demographic changes of a city or country. Puerto Rico shows a very notable increase in the median age of the population from 2000 to 2010 decade. The general population aged approximately five years from 32.1 in year 2000 to 36.6 in 2010.

The median age for the male population increased from 30.4 in year 2000 to 35.1 or close to five years for the period. The female population had a smaller increase of two years for the decade. This indicates, as previously discussed, that the male population is presenting more changes in its demographic behavior.

**Figure 13**  
**Median of Age by Sex**  
**2000 and 2010**



Source: U.S. Census Bureau, 2010 Census

**b. Standard Metropolitan Areas**

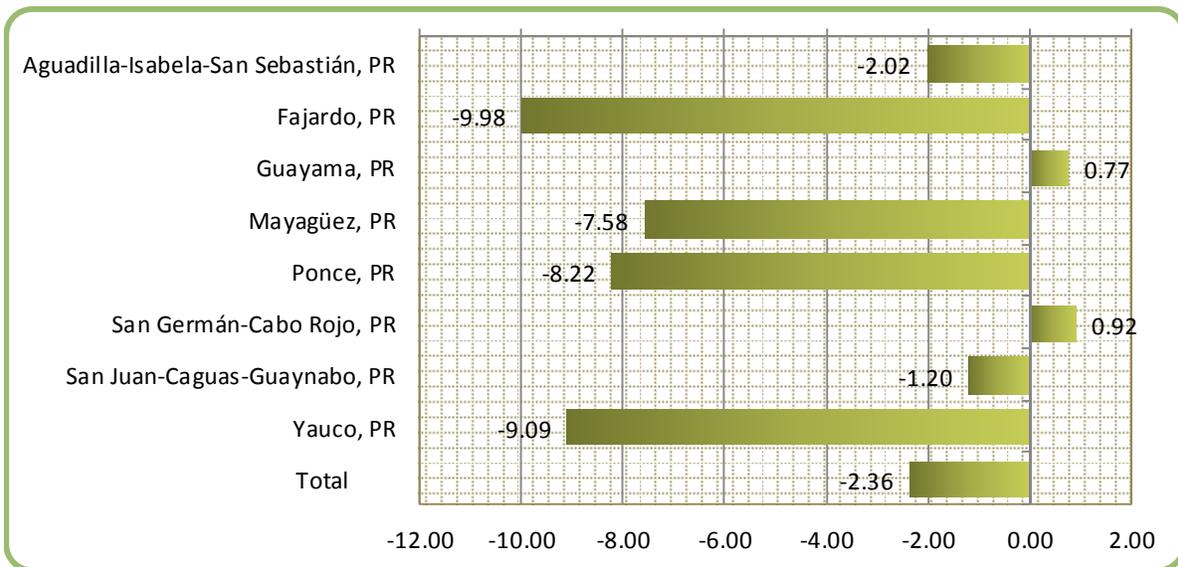
Puerto Rico is divided in eight Metropolitan Statistical Areas (MSA) comprising most of its 78 municipalities and five micropolitan areas which are rural sectors with small amount of economic activities and population. Among the metropolitan areas, San Juan has the largest population with 2,478,905 inhabitants in 2010. This population presented a reduction of 30,102 persons or 1.21% from that of 2000. The second largest metropolitan area in terms of population is Aguadilla MSA with a population of 312,602 in year 2000 and 306,292 in 2010, a reduction of 2.06% for the decade. It is very significant that four of the eight metropolitan areas showed a reduction in population close to 10% for the decade; these are Fajardo, Mayaguez, Ponce and Yauco.

Table 14  
Population by Metropolitan Areas  
2000 - 2010

Metropolitan Statistical Area	Census 2010	Census 2000	Diference 2010 vs 2000	Percent Change 2010 vs 2000
Aguadilla-Isabela-San Sebastián, PR	306,292	312,602	-6,310	-2.02
Fajardo, PR	70,692	78,533	-7,841	-9.98
Guayama, PR	84,214	83,570	644	0.77
Mayagüez, PR	106,330	115,048	-8,718	-7.58
Ponce, PR	243,147	264,919	-21,772	-8.22
San Germán-Cabo Rojo, PR	137,462	136,212	1,250	0.92
San Juan-Caguas-Guaynabo, PR	2,478,905	2,509,007	-30,102	-1.20
Yauco, PR	107,333	118,063	-10,730	-9.09
Total	3,534,375	3,619,954	-85,579	-2.36

Source: U.S. Census Bureau, 2010 Census.

Figure 14  
Population by Metropolitan Areas  
Percent Change 2000-2010



Source: U.S. Census Bureau, 2010 Census.

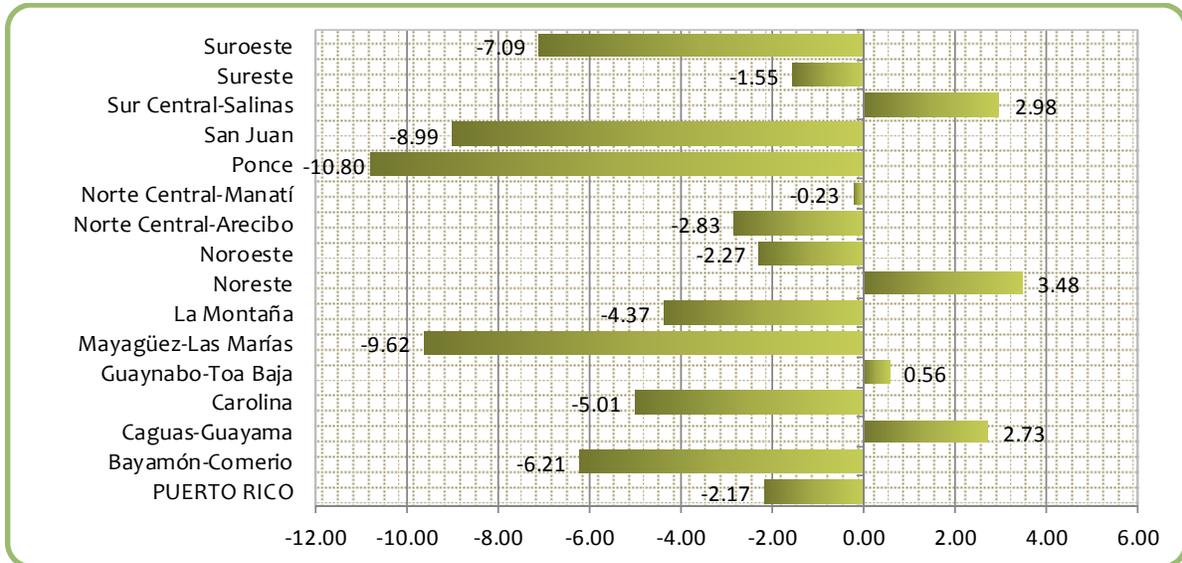
In terms of the geographic organization of the Workforce Investment Act, Puerto Rico is organized in 15 local areas embracing the 78 municipalities of the Island. Of these, only four shows increase in its population; these are the Caguas-Guayama Consortium with a population increase of 2.73% from 2000 to 2010, the Guaynabo-Toa Baja Consortium with a minimal increase of 0.56%, the northeast with 3.48% and Sur-central Salinas with 2.98%. The remaining areas had a reduction in their population being the most significant the Areas of Mayaguez, Ponce and San Juan with average reductions of 10% in the population.

**Table 14**  
**Population Change Standard Metropolitan Areas**  
**2000 - 2010**

Local Area	Census 2010	Census 2000	Diference 2010 vs 2000	Percent of Change 2010 vs 2000
<b>PUERTO RICO</b>	3,725,789	3,808,610	-82,821	-2.17
Bayamón-Comerio	228,894	244,046	-15,152	-6.21
Caguas-Guayama	430,719	419,286	11,433	2.73
Carolina	176,762	186,076	-9,314	-5.01
Guaynabo-Toa Baja	289,739	288,138	1,601	0.56
Mayagüez-Las Marías	98,961	109,495	-10,534	-9.62
La Montaña	49,496	51,757	-2,261	-4.37
Noreste	63,605	61,468	2,137	3.48
Noroeste	57,630	58,971	-1,341	-2.27
Norte Central-Arecibo	59,068	60,786	-1,718	-2.83
Norte Central-Manatí	99,613	99,839	-226	-0.23
Ponce	166,327	186,475	-20,148	-10.80
San Juan	395,326	434,374	-39,048	-8.99
Sur Central-Salinas	54,352	52,778	1,574	2.98
Sureste	78,999	80,243	-1,244	-1.55
Suroeste	77,570	83,489	-5,919	-7.09

**Source: U.S. Census Bureau, 2010 Census.**

Figure 14  
Population (Percent Change) By WIA Local Areas  
2000 – 2010



Source: U.S. Census Bureau, 2010 Census.

**NOTES**

1. Parts of the Economic Overview and Economic Development Program were extracted from the 2012 Financial Information and Operating Data Report on the Puerto Rico Government Development Bank ([www.bgfpr.com](http://www.bgfpr.com)).

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