

The Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) excludes Puerto Rico from the Department of Labor’s Final Rule regarding “white collar” exempt employees

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On June 30, 2016, President Barack Obama signed into law the Puerto Rico Oversight, Management, and Economic Stability Act, or “PROMESA.” Section 404 of PROMESA excludes Puerto Rico from the Department of Labor’s Final Rule regarding “white collar” exempt employees (those in executive, administrative or professional positions). See our May 18, 2016 Labor & Employment Law Alert.

In consequence, the Final Rule regarding salary requirements for exempt employees does not apply to Puerto Rico until (i) the Comptroller General of the United States examines the economic conditions of Puerto Rico and issues a report to Congress assessing the impact of applying said regulation to Puerto Rico and (ii) the U.S. Secretary of Labor, taking into account the assessment and report of the Comptroller General, provides a writtendetermination to Congress that applying such rule to Puerto Rico would not have a negative impact on the economy of Puerto Rico. The Comptroller General of the United States must transmit said report to Congress no later than two years after the date of enactment of PROMESA.

On the other hand, Section 403 of PROMESA authorizes the Governor of Puerto Rico, subject to the approval of the Financial Oversight and Management Board established by the statute, to designate a time period not to exceed four years during which employers in Puerto Rico may pay employees who are initially employed after the date of enactment of the Act and have not attained the age of 25, a subminimum wage that is not less than \$4.25 an hour. However, the statute prohibits employers to take any action to displace employees (including actions such as reduction in hours, wages, or employment benefits) for purposes of hiring individuals at such reduced hourly wage.

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