

****Title:****

Republic of the Philippines Donated by the Privatization and Management Office v. National Labor Relations Commission and NACUSIP/BISUDECO Chapter/George Emata, Domingo Rebancos, Nelson Berina, Roberto Tirao, Amado Villote, and Bienvenido Felina

****Facts:****

Bicolandia Sugar Development Corporation (BISUDECO) suffered severe financial losses in the 1980s, leading it to secure loans from the Philippine Sugar Corporation (PHILSUCOR) and the Philippine National Bank (PNB). Under Proclamation No. 50 (1986) and a subsequent Deed of Transfer, PNB transferred its rights over BISUDECO's loans to the Asset Privatization Trust (APT), now the Privatization and Management Office (PMO).

In 1988, BISUDECO, together with APT, entered a Supervision and Financing Agreement with PHILSUCOR to manage the mill. APT, as the asset holder, initiated foreclosure proceedings and acquired BISUDECO's properties.

On December 15, 1990, BISUDECO entered a Collective Bargaining Agreement with NACUSIP/BISUDECO Chapter, covering rank-and-file workers until December 15, 1996. Due to ongoing financial struggles, APT decided to sell BISUDECO's assets in 1992, leading to a Notice of Termination for all BISUDECO employees effective September 30, 1992, generating protests from the union.

On April 24, 1996, several employees, including George Emata and others (Emata, et al.), filed a Complaint alleging unfair labor practices and claiming labor standard benefits against APT, BISUDECO, PHILSUCOR, and the entity purchasing BISUDECO's assets.

The Labor Arbiter dismissed the unfair labor practice claims but awarded separation pay and other benefits to employees who refused their checks. APT appealed, but the National Labor Relations Commission (NLRC) dismissed the appeal for being late. The Court of Appeals upheld this decision.

APT, now PMO, filed for certiorari, arguing for merit-based consideration due to substantial justice but was denied, leading PMO to file a petition before the Supreme Court.

****Issues:****

1. Whether there was an employer-employee relationship between PMO and the BISUDECO employees, and thus if PMO is liable for the separation benefits.
2. Whether BISUDECO's closure due to serious business losses exempted PMO from

obligation to pay separation benefits.

3. Whether the employees' claims were barred by prescription under Article 291 of the Labor Code.

Court's Decision:

1. **Employer-Employee Relationship**: The Supreme Court held that PMO did not become an employer of BISUDECO employees by virtue of acquiring BISUDECO's assets. PMO's role was related to asset conservation and preparation for privatization rather than operational continuation, thus no employer-employee relationship existed.

2. **Business Losses and Liability for Separation Pay**: Despite BISUDECO's severe business losses, the PMO had voluntarily undertaken the obligation to pay separation benefits per a Board resolution sans necessity of profit consideration. This voluntary assumption negated the plea of exemption due to financial losses.

3. **Prescription of Claims**: The claim for labor standard benefits by Emata, et al. remained within the prescriptive period. The complaint was initiated within three years from the rise of the cause of action, affirming Article 291's application. Hence, their claims had not prescribed.

The Supreme Court concluded that despite procedural missteps, the substantial justice warranted the grant of separation benefits to the employees as their claims did not prescribe.

Doctrine:

1. **Employer-Employee Relationship**: A transfer of corporate assets to a governmental conservator, specifically without continuation intent of the enterprise, does not establish an employer-employee relationship (Proclamation No. 50).

2. **Voluntary Liability**: A governmental entity may voluntarily assume financial liability despite not being the employer, solidified through express resolutions or policy decisions acknowledging such obligations.

3. **Prescription of Money Claims**: Claims filed within three years from the cause of action's accrual are valid, reinforcing laborer's entitlements per Article 291 of the Labor Code, positing duration computation begins from the concrete determination of the claim by labor authorities.

Class Notes:

- **Employer-Employee Relationship**: Establishing relationships based on continuance of

business operations; distinction between asset conservation for privatization and operational continuation.

- ****Separation Benefits under Financial Difficulty****: Article 298, Labor Code - exemption from separation pay during severe business losses, voluntarily overridden by express agreements implying liability irrespective of financial conditions.

- ****Prescription Period for Claims****: Article 291, Labor Code - three-year period for monetary claims from the time cause accrued, not four years, differentiating between types of monetary claims vis-a-vis unfair labor practices.

****Historical Background:****

This case finds roots in the Philippine Government's broader program of asset privatization in the late 1980s. Enacted under Proclamation No. 50, the goal was to manage and privatize non-performing and heavily indebted government entities. The complexities of transitioning labor rights during the privatization phase added procedural and substantial layers as public policy intersected with labor rights, reflective of the socioeconomic adjustments during this reformative period.