

SAN MIGUEL CORPORATION, PETITIONER, VS. NATIONAL LABOR RELATIONS COMMISSION AND SAN MIGUEL BREWERY SALES FORCE UNION (PTGWO), RESPONDENTS.

G.R. No. L-57473. August 15, 1988

Ponente: NARVASA, J.

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NARVASA, J.:

On May 1, 1974, the Labor Code[1] brought into being a new employees' compensation program[2]

1)

that is tax-exempt;[3]

2)

designed to ensure promptitude, in cases of work-connected disability or death, in the award to employees and their dependents of adequate income benefit and medical or related benefits;[4]

3)

funded by monthly contributions of all covered employers;[5]

4)

compulsory on all employers and their employees not over 60 years of age;[6]

5)

the benefits of which are exclusive and in place of all other liabilities of the employer to the employee, his dependents or anyone otherwise entitled to receive damages on behalf of the employee or his dependents,[7] and

6)

having its own adjudicative machinery with original and exclusive jurisdiction to settle any dispute with respect to coverage, entitlement to benefits, collection and payment of contributions and penalties thereon or any other matter related thereto, independent of other tribunals except the Supreme Court.[8]

As might be expected, provisions were incorporated in the Code to govern the transition from the old to the new program. It was required, for instance, that all actions or claims accruing prior to the effectivity of the Code -- as well as those cases already pending before the Workmen's Compensation Units and before the Workmen's Compensation Commission as of March 31, 1975 -- were to be determined in accordance with the laws, rules and procedure in force at the time of their accrual and prior to the effectivity of the Code.[9] Such actions, accruing before the effectivity of the Code, and during a specified period subsequent thereto ending on December 31, 1974, had to be filed with the appropriate regional offices of the Department of Labor not later than March 31, 1975, otherwise they would be forever barred.[10] And the effectivity of all workmen's compensation insurance policies and indemnity bonds for self-insured employers executed under the old law was declared to continue only until their stipulated termination dates but in no case beyond December 31, 1974.[11]

Now, prior to the inauguration of this new compensation program, it had been the practice of the petitioner firm, San Miguel Corporation, to grant, to its salesmen and helpers suffering work-connected sickness or disability, their basic salary and other benefits consisting of average commission, one sack of rice per month, free hospitalization, and cost of living allowance. The aggregate value of these benefits was, of course, higher than the corresponding benefits under the Workmen's Compensation Act. This practice was discontinued by petitioner on effectivity of the new compensation scheme. It registered itself and its employees with the Social Security System,[12] commenced to pay to the State Insurance Fund the required monthly premium contributions, i.e., an amount equal to one percent (1%) of each employee's salary credit,[13] and otherwise started, to comply with all the obligations imposed on all employers by the new law.

Desiring to obviate the adverse effects the reduction in benefits caused by the change from the old to the new compensation system, the union representing the petitioner's salesmen and helpers within Metro Manila, the respondent San Miguel Sales Force Union (PTGWO), filed a complaint with the Bureau of Labor, Relations on January 3, 1978, praying that the petitioner be compelled to pay in proper cases the difference in monetary benefits between what it had theretofore been granting and that payable under the Labor Code.[14]

Shortly thereafter, the Union filed a second complaint,[15] this time with the Labor Arbiters' Office, accusing the petitioner of non-compliance with the requirements of PD 851, non-payment of premium pay for work done during rest days and holidays, and underpayment of Wages under PD 928. It also prayed for the inclusion in the bargaining unit of the salesmen and helpers in the sales offices located in Valenzuela, Bulacan and Muntinlupa.

Conciliation proceedings were had but failed to bring about an amicable settlement of the controversy. The parties then agreed to consolidate the cases and submit the same for compulsory arbitration.[16]

The decision of the Labor Arbiter, rendered on July 14, 1978,[17] sustained the Union on all issues. As regards the particular matter of compensation, the judgment held the petitioner to be "under legal obligation to pay the union members who have suffered industrial accident/illnesses, the difference between what they receive from the State Insurance fund and their monthly salary as this has been its practice and policy before the effectivity of the Code." [18]

The petitioner appealed to the National Labor Relations Commission[19] which, on January 7, 1981, upheld the decision of the Labor Arbiter and ruled that petitioner's employees are "entitled to the same computation of work-connected disability benefits as was the practice before the effectivity of the Labor Code, thereby making ** (it) liable for the deficiency in what the State Insurance Fund pays." [20]

The petitioner has instituted in this Court a special civil action of certiorari and declaratory relief,[21] imputing grave abuse of discretion to the NLRC and praying on that account for nullification and setting aside of its decision. The sole issue raised by petitioner concerns the validity of the NLRC ruling just quoted that petitioner

continues to be bound up to the present by the same obligation regarding work-connected disability benefits that it had assumed before the enactment of the Labor Code. The issue in other words is whether or not the Labor Code put an end to the petitioner's voluntarily assumed obligation, prior to the Code's enactment, of paying work-connected disability benefits to its employees of a value higher than that granted by said Code.

At the time of the initiation (in January, 1978) of the proceedings before the [Bureau of Labor Relations] by respondent Union, for the purpose of defining and in effect expanding the benefits otherwise due to its members under the new compensation program of the Labor Code, that Bureau -- and the Labor Arbiters and the National Labor Relations Commission itself, for that matter -- had no jurisdiction of the subject matter thereof. That particular subject matter had already been placed within the exclusive original jurisdiction of the Social Security System,[22] subject to appeal to the Employees' Compensation Commission. This is clearly slated by Article 180 of the Labor Code which reads as follows:[23]

"ART. 180. Settlement of claims. - The System shall have original and exclusive jurisdiction to settle any dispute from this Title with respect to coverage, entitlement to benefits, collection and payment of contributions and penalties, collection and payment of contributions and penalties thereon, or any other matter related thereto, subject to appeal to the Commission, which shall decide appealed cases within twenty (20) working days from the submission of the evidence."

This, too, is the message of Policy Instructions No. 1 of the Minister of Labor, dated April 23, 1976, that employee compensation cases in private employment are under the original jurisdiction of the SSS.

Now, it is evident that what was sought to be litigated by the Union before the Bureau of Labor Relations and later before the Labor Arbiter was the matter of its members' entitlement to benefits for work-connected disability -- whether limited to those specified by the Labor Code or inclusive of the difference between the latter and that theretofore being paid by the petitioner. In any case, it certainly was an issue unavoidably comprehended within the catch-all phrase, "any other matter related thereto," contained in the afore-quoted Section 180 of the Code. It was, therefore, undoubtedly an issue exclusively cognizable by the SSS, and consequently, one beyond the jurisdiction of the Bureau of Labor Relations, and that of the Labor Arbiters as well -- from which Article 217 of the Code in fact expressly excepts "claims for employees' compensation," among others.

Resolution of the case on this jurisdictional issue would not, however, end the controversy. To do that, it is necessary to decide the appeal on the merits. This the Court will now proceed to do.

Two reasons have been given by the respondent Commission for ruling as it did,[24] viz:

1)

the employees have already acquired a vested right to the compensation package theretofore extended by their employer for work-connected disabilities or death; consequently, the right can not be withdrawn or diminished without violating Article 100 of the Labor Code; and

2)

the exclusory proviso in Article 173 of the Code does not exempt the employer from continuing to comply with payment of compensation arising from prior unilateral grant and practice. These reasons are not persuasive.

The right to compensation or benefit for the loss or impairment of an employee's earning capacity due to work-related illness or injury is premised on the occurrence of the illness or injury. It accrues upon, and not

before, the happening of these contingencies.[25] Since as has already been stated, claims for indemnity under the Labor Code are to be adjudicated "in accordance with the law and rules at the time their causes of action accrued,"[26] the benefits due to an employee suffering from a compensable disability must be computed in accordance with the method existing at the time of the illness or the injury. It is thus obvious that an employee acquires no vested right to a program of compensation benefits simply because it was operative at the time he became employed and had been subsequently discontinued. That he must have incurred the illness or injury during the program's effectivity, given the cut-off date set by the law,[27] is the only fact which operates to vest the right to be indemnified according to either the phased-out scheme or the new one.[28]

Compensation in accordance with the employer's schedule of benefits in effect prior to the effectivity of the Labor Code is in this case being sought for disabilities which admittedly would be suffered long after said Labor Code had come into effect and the new compensation program implemented. Clearly, on such accruing claims no recovery of compensation from the employer can be had on the basis of the old indemnity scheme which in simple fact would no longer be in existence at the time of birth or generation of the employees' causes of action. What would then already be in force would be an entirely different program imposing upon the employer nothing more than the liability to remit monthly premiums to the State Insurance Fund. In the event of illness or injury, and once a claim is made under such a new indemnification scheme, it is the Fund which becomes liable to compensate the employee for the disability, and its liability is "exclusive and in place of all other liabilities of the employer," regardless of whether these liabilities are "provided for in Section 699 of the Revised Administrative Code, Republic Act Eleven hundred sixty-one, as amended, Commonwealth Act Numbered one hundred eighty-six, as amended, Republic Act Numbered Six hundred ten, as amended, Republic Act Numbered Forty-eight hundred sixty-four, as amended, ** (or) other laws whose benefits are administered by the system **." [29]

The exclusionary provision aforecited clearly admits of no exception under which payment of the additional indemnity sought in this case may be justified. It is in fact apparent therefrom, and from the rules set forth in the Code regarding the institution of claims and the continued effectivity of the abolished systems until the cut-off date therein prescribed, that the new scheme was intended to replace the old, whether the latter had been established by law or by a voluntary employer policy or practice. The clear intent of the law is that the employer should be relieved of the obligation of directly paying his employees compensation for work-connected illness or injury on the theory that this is part of the cost of production or business activity; and that no longer would there be need for adversarial proceedings between an employer and employee in which there were specific legal presumptions operating in favor of the employee and statutorily specified defenses available to an employer.[30] To repeat, the new compensation program now imposes on the employer nothing more than the obligation to remit monthly premiums to the State Insurance Fund, and it is the latter on which is laid the burden of compensating the employee for any disability.[31] Once the employer pays his share to the fund, all obligation on his part to his employees is ended.[32] The petitioner asserts, and the respondents do not deny, that it has in fact remitted and continues to date to remit millions of pesos to the State Insurance Fund as mandatory premiums or contributions to defray the cost of compensation and disability benefits not only for its employees but others as well. The employer would be unwarrantedly reverted to the old setting were it to be compelled both to remit its contributions to the Fund under the prevailing set-up and to answer for the difference between what it used to pay and what is due to the employee from the Fund. It is manifestly unfair to require the employer in effect to maintain two systems of compensation, one governed by the Labor Code, and the other, by the old Workmen's Compensation Act. This would entail a return to the adversarial type of proceeding involving particular presumptions and specific statutory defenses under an act which has already been repealed, and resolution of issues for which the adjudicative machinery previously set up no longer exists. This is a situation certainly not

intended by the law.

WHEREFORE, the petition is hereby GRANTED, and the decision of the National Labor Relations Commission dated January 7, 1981 is hereby REVERSED and SET ASIDE, and a new one entered dismissing the private respondent's complaint. No pronouncement as to costs.

Cruz, Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

[1] P.D. No 442

[2] To be enforced and implemented by the Employees Compensation Commission in conjunction with the Government Service Insurance System and the Social Security System

[3] Id Art. 166

[4] Id.

[5] Id., Art. 183. The contributions are pooled into the State Insurance Fund.

[6] Id., Arts. 168, 170

[7] Id., Art. 173. The benefits are obviously exclusive of those under the old Workmen's Compensation Act (Act No. 3428, as amended) and the Employers' Liability Act. Art. 173 further provides that payment of compensation under the program shall bar the recovery of benefits under Sec. 699 of the Revised Administrative Code; R.A. No. 1161 (the Social Security Act), as amended; C.A. No. 186 (the GSIS Law), as amended; R.A. No. 610 (the AFP Pension Act), as amended; and R.A. No. 4864 (re the Police Commission), as amended.

[8] Id., Arts. 180, 217. N.B. Art. 217 explicitly excepts from the jurisdiction of Labor Arbiters and the National Labor Relations Commission "claims for employees' compensation, social security, medicare and maternity benefits." Art. 297 abolished the entire machinery administering, enforcing and adjudicating claims under the old Workmen's Compensation Act No. 3428 as amended).

[9] Arts 294 and 300

[10] Art 292

[11] Art 298

[12] Art. 171

[13] Art. 183

[14] Rollo, pp. 27-29

[15] Id., pp. 2-3, 303-304

[16] Id., p. 304

[17] id., pp. 68-80

[18] Rollo, p. 65

[19] The appeal having been docketed as NLRC Case No. RB-IV-20078-78

[20] Rollo, pp. 18-25

[21] The Court, of course, has no original jurisdiction over actions of declaratory relief, but takes cognizance of the proceeding at bar as one of certiorari

[22] SEE footnote 2, p. 1, supra

[23] Emphasis supplied

[24] SEE Rollo, p. 24

[25] In *Chavez v. ECG & GSIS*, 149 SCRA 82, 91, the Court ruled that "The determining point of the accrual of the cause of action is the time the complainant employee becomes disabled or incapacitated to do his regular work because that is the time when the benevolent mantle of the law commences to cover and protect him."

[26] Articles 292 and 294, Labor Code, supra, footnotes 4 and 5 of page 2

[27] Articles 292 and 300, Labor Code, id.

[28] In *Chavez*, supra, the Court was confronted with the issue of whether petitioner's compensation claim for ailments contracted by him prior to the effectivity of the New Labor Code on November, 1974 but filed thereafter, should be adjudicated under the old Workmens Compensation Act (Act No 3428, as amended) or under the New Labor Code, the Court declared that it was the latter which applies, "for what's important is when compensation is sought" (at page 86).

[29] Article 173, Labor Code; SEE *Ysmael Maritime Corporation v. Hon. Celso Avelino, etc., et al.*, G.R. No. L-43674, 151 SCRA 333, 336-337, relating to compensation actions under the Civil Code, with a review of relevant cases and conflicting rulings

[30] In *Stertz, et al. v. Industrial Insurance Commission*, 158 P. 256, the Washington Supreme Court observed, as regards a workmen's compensation law similar to that established by the Labor Code, that "By the working class The-new legislation was craved from a horror of lawyers and judicial trials. What they wanted, as this act expressly recites in its first section, was compensation, not only safe, but sure. To win only after litigation, to collect only after the employment of lawyers, to receive the sum only after months or years of delay, was to the comparatively indigent claimant little better than to get nothing. The workmen wanted a system entirely new. It is but fair to admit that they had become impatient with the courts of law. **."

[31] SEE *de Jesus v. Employees Compensation Commission, et al.*, 142 SCRA 92, 99-100

[32] The following observations in *Stertz*, supra, are also pertinent: "To resume, ours is not an employers' liability act. It is not even an ordinary compensation act. It is an industrial insurance statute. * * All the features of an insurance act are present. Not only are all remedies between master and servant abolished, and, in the words of the statute, all phases of them withdrawn from private controversy, but the employee is no longer to look to the master even for the scheduled and mandatory compensation. He must look only to a fund fed by various employers. Let a claim be rejected by the commission, the latter and not the employer is to be sued. Nor is the commission so much as selected by the parties. The state administers the fund. ** ."

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