

MINDANAO FEDERATION OF LABOR, PETITIONER, VS. UNIVERSITY OF THE PHI-LIPPINES, AS OWNERS OF THE U.P. LAND GRANT, RESPONDENT.

G.R. No. L-28464. September 25, 1985

Ponente: ESCOLIN, J.

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ESCOLIN, J.:

The issue raised in this petition for certiorari may be propounded thus: Are the workers and employees of the University of the Philippines Land Grant in Basilan City covered by the provisions of Rep. Act 1880[1] and therefore entitled to overtime compensation for work rendered beyond the minimum 40-hour, 5-day work week?

The former Court of First Instance [now Regional Trial Court] of Zamboanga del Sur as well as the Court of Appeals resolved this question in the negative. We reverse.

Prior to the effectivity of Rep. Act 1880 on June 22, 1957, the laborers and employees of the UP Land Grant, an agricultural enterprise engaged in the production of rubber, black pepper, citrus, coconut, coffee and other agricultural products, worked on an 8-hour-a-day, 6-day-a-week schedule. As a matter of administrative policy of the University, however, work rendered beyond the daily or weekly requirement was considered overtime and was compensated accordingly.

After the enactment of Rep. Act 1880, the Manager of the UP Land Grant, without prior consultation with the U.P. Board of Regents, reduced the work week from six to five days. This action was taken in the belief that it was in compliance with the provisions of said legislation. Section 1 of Rep. Act 1880 provides as follows:

"Section 1. Section five hundred and sixty-two, second paragraph of the Revised Administrative Code is hereby amended to read as follows:

Section 562. Legal hours of labor-minimum requirement. — x x x

"Such hours, except for schools, courts, hospitals and health clinics, or where the exigencies of service so require, shall be as prescribed in the Civil Service Rule and as otherwise from time to time disposed in temporary executive orders in the discretion of the President of the Philippines, but shall be eight (8) hours a day for five (5) days a week or a total of forty (40) hours a week, exclusive of time for lunch. x x x"

Presidential Executive Order No. 251, Series of 1957 implemented Rep. Act 1880 in this wise:

"The office hours of all bureaus and offices of the government, including government-owned or controlled corporations, but except schools, courts, hospitals and health clinics, shall be from eight o'clock in the morning to twelve o'clock noon, and from one o'clock to five o'clock in the afternoon, Monday to Friday; Provided, that when the interest of the public service so require, the head of any department, bureau or office may extend the daily hours of labor for any or all of them to do overtime work, not only on work days but also on Holidays."

The action of the Manager in reducing the work week to five [5] days was subsequently disapproved by the Board of Regents. This turn of events prompted petitioner Mindanao Federation of Labor, the recognized collective

bargaining agency of the permanent employees of the UP Land Grant, to institute before the Court of First Instance of Zamboanga del Sur an action for declaratory relief against the University of the Philippines as owner of the Land Grant. The complaint prayed for a judicial declaration of the rights and duties of the employees of the University of the Philippines under Rep. Act 1880.

After UP had filed its answer, the case proceeded to trial on the merits. Thereafter, the court rendered a decision dismissing the complaint. It rationalized its judgment thus:[2]

"It is understood that the U.P. Land Grant undertakes, performs and carries agricultural operations and at times, there is a necessity of the continuity of the work in order that its products can be made marketable otherwise those products undergoing the process of preparation in order to turn them out from raw materials into finished ones would become more wastes. The authors of R.A. 1880 at the time it was created could very well note the many special circumstances existing in the U.P. Land Grant wherein the laborers and employees must work beyond the hours prescribed in the law because the exigencies of services would so necessarily require.

"It is true that the defendant is a government owned or controlled corporation but the University of the Philippines by virtue of Act No. 1870 as amended, otherwise known as U.P. Charter, exists not as a profit-earning institution; and anything that comes to it as earning does not benefit any private person.

"The authors of R.A. No. 1880 at the time of its creation could foresee that because of circumstances which at times would exist and make it necessary for the U.P. Land Grant to require its laborers and employees to render more than 40 hours of work a week, therefore the defendant herein falls under the exception, namely the situation "where the exigencies of service so require". In the light of the foregoing considerations judgment is hereby rendered dismissing the complaint with costs against the plaintiff."

On appeal, the then Court of Appeals, in CA-G.R. No. 31178-R, upheld the above pronouncement of the trial court. Hence, the present recourse.

We reverse. In the case of the University of the Philippines v. Court of Industrial Relations, et al.[3] this Court held that since the UP was established "to provide advance instruction in literature, philosophy, the sciences and arts, and to give professional and technical training,"[4] it performs a government function; and it is neither a corporation created for profit nor an industry or business organization, but an institution of higher education.

Be that as it may, the governmental function of the U.P. as an institution of learning should be distinguished from its proprietary or corporate function as administrator of its Land Grant. This Land Grant was created under Public Act No. 3608, enacted on February 8, 1930. Sections 3 and 4 thereof read:

"Section 3. The control and administration of these land grants is hereby vested permanently in the Board of Regents of the University of the Philippines; Provided, however, that said control and administration shall not empower said Board to sell or alienate all or any portion of these lands without the previous consent of the Philippine Legislature.

"Section 4. All incomes, receipts and profits derived from the administration of these land grants shall form part of the general fund of the University of the Philippines and be subject to appropriation by the Board of Regents of said institution and devoted only for the purpose for which the said university was established."

From the above quoted Section 4, it is quite evident that the UP Land Grant was created as a business concern for profit. While the profits derived therefrom ultimately accrue to the general fund of the University of the Philippines as a school, the fact remains that insofar as it administers and controls the Land Grant, the UP performs a function essentially proprietary in character. In this sense, it operates as a government-owned or controlled corporation, which, under Executive Order No. 251, herein above cited, is within the coverage of Rep.

Act 1880.

As aptly observed by both the trial and the appellate courts, the nature and purpose of the UP Land Grant necessitate the rendition by the employees of work beyond the minimum hours prescribed by Rep. Act 1880. But while in such cases the law recognizes the right of the employer to demand overtime work from his employees, it imposes the concomitant obligation upon the employer to pay his workers additional compensation for overtime, Sundays' and legal holidays' work as well as nighttime work.[5] The University of the Philippines, as administrator of the UP Land Grant, cannot evade this liability. As we said in *Prisco v. CIR*,[6] "when the government (or a government instrumentality) engages in business, it abdicates part of its sovereign prerogatives and descends to the level of a citizen, and thereby subjects itself to the laws and regulations governing the relation of labor and management."

ACCORDINGLY, the decision of the Court of Appeals in CA-G.R. No. 31178-R is set aside; and the employees and workers of the UP Land Grant are hereby declared to be within the coverage of Rep. Act 1880 as well as Com. Act 444. No costs.

SO ORDERED.

Aquino, (Chairman), Concepcion, Jr., Abad Santos, Cuevas, and Alampay, JJ., concur.

[1] The 40-hour week Labor Law

[2] Record on Appeal, pp. 31-32

[3] G.R. No. L-15416, prom. April 28, 1960

[4] Section 2, Act 1870

[5] Com. Act No. 444

[6] 102 Phil. 515

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