CHARLITO PEÑARANDA, PETITIONER, VS. BAGANGA PLYWOOD CORPORATION AND HUDSON CHUA, RESPONDENTS.

G.R. NO. 159577. May 03, 2006

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PANGANIBAN, CJ:

Managerial employees and members of the managerial staff are exempted from the provisions of the Labor Code on labor standards. Since petitioner belongs to this class of employees, he is not entitled to overtime pay and premium pay for working on rest days.

The Case

Before us is a Petition for Review[1] under Rule 45 of the Rules of Court, assailing the January 27, 2003[2] and July 4, 2003[3] Resolutions of the Court of Appeals (CA) in CA-GR SP No. 74358. The earlier Resolution disposed as follows:

> "WHEREFORE, premises considered, the instant petition is hereby DISMISSED."[4]

The latter Resolution denied reconsideration.

On the other hand, the Decision of the National Labor Relations Commission (NLRC) challenged in the CA disposed as follows:

> "WHEREFORE, premises considered, the decision of the Labor Arbiter below awarding overtime pay and premium pay for rest day to complainant is hereby REVERSED and SET ASIDE, and the complaint in the above-entitled case dismissed for lack of merit.[5]

The Facts

Sometime in June 1999, Petitioner Charlito Peñaranda was hired as an employee of Baganga Plywood Corporation (BPC) to take charge of the operations and maintenance of its steam plant boiler.[6] In May 2001, Peñaranda filed a Complaint for illegal dismissal with money claims against BPC and its general manager, Hudson Chua, before the NLRC.[7]

After the parties failed to settle amicably, the labor arbiter[8] directed the parties to file their position papers and submit supporting documents.[9] Their respective allegations are summarized by the labor arbiter as follows:

> "[Peñaranda] through counsel in his position paper alleges that he was employed by respondent [Baganga] on March 15, 1999 with a monthly salary of P5,000.00 as Foreman/Boiler Head/Shift Engineer until he was illegally terminated on December 19, 2000. Further, [he] alleges that his services [were] terminated without the benefit of due process and valid grounds in accordance with law. Furthermore, he was not paid his overtime pay, premium pay for working during holidays/rest days, night shift differentials and finally claims for payment of damages and attorney's fees having been forced to litigate the present complaint.
>
> "Upon the other hand, respondent [BPC] is a domestic corporation duly organized and existing under Philippine laws and is represented herein by its General Manager HUDSON CHUA, [the] individual

> respondent. Respondents thru counsel allege that complainant's separation from service was done pursuant to Art. 283 of the Labor Code. The respondent [BPC] was on temporary closure due to repair and general maintenance and it applied for clearance with the Department of Labor and Employment, Regional Office No. XI to shut down and to dismiss employees (par. 2 position paper). And due to the insistence of herein complainant he was paid his separation benefits (Annexes C and D, ibid). Consequently, when respondent [BPC] partially reopened in January 2001, [Peñaranda] failed to reapply. Hence, he was not terminated from employment much less illegally. He opted to severe employment when he insisted payment of his separation benefits. Furthermore, being a managerial employee he is not entitled to overtime pay and if ever he rendered services beyond the normal hours of work, [there] was no office order/or authorization for him to do so. Finally, respondents allege that the claim for damages has no legal and factual basis and that the instant complaint must necessarily fail for lack of merit."[10]

The labor arbiter ruled that there was no illegal dismissal and that petitioner's Complaint was premature because he was still employed by BPC.[11] The temporary closure of BPC's plant did not terminate his employment, hence, he need not reapply when the plant reopened.

According to the labor arbiter, petitioner's money claims for illegal dismissal was also weakened by his quitclaim and admission during the clarificatory conference that he accepted separation benefits, sick and vacation leave conversions and thirteenth month pay.[12]

Nevertheless, the labor arbiter found petitioner entitled to overtime pay, premium pay for working on rest days, and attorney's fees in the total amount of P21,257.98.[13]

Ruling of the NLRC

Respondents filed an appeal to the NLRC, which deleted the award of overtime pay and premium pay for working on rest days. According to the Commission, petitioner was not entitled to these awards because he was a managerial employee.[14]

Ruling of the Court of Appeals

In its Resolution dated January 27, 2003, the CA dismissed Peñaranda's Petition for Certiorari. The appellate court held that he failed to: 1) attach copies of the pleadings submitted before the labor arbiter and NLRC; and 2) explain why the filing and service of the Petition was not done by personal service.[15]

In its later Resolution dated July 4, 2003, the CA denied reconsideration on the ground that petitioner still failed to submit the pleadings filed before the NLRC.[16]

Hence this Petition.[17]

The Issues

Petitioner states the issues in this wise:

> "The [NLRC] committed grave abuse of discretion amounting to excess or lack of jurisdiction when it entertained the APPEAL of the respondent[s] despite the lapse of the mandatory period of TEN DAYS.
>
> "The [NLRC] committed grave abuse of discretion amounting to an excess or lack of jurisdiction when it rendered the assailed RESOLUTIONS dated May 8, 2002 and AUGUST 16, 2002 REVERSING AND SETTING ASIDE the FACTUAL AND LEGAL FINDINGS of the [labor arbiter] with respect to the following:
>
> "I. The finding of the [labor arbiter] that [Peñaranda] is a regular, common employee entitled to monetary benefits under Art. 82 [of the Labor Code].

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"II. The finding that [Peñaranda] is entitled to the payment of OVERTIME PAY and OTHER MONETARY BENEFITS."[18]

The Court's Ruling

The Petition is not meritorious.

Preliminary Issue:Resolution on the Merits

The CA dismissed Peñaranda's Petition on purely technical grounds, particularly with regard to the failure to submit supporting documents.

In Atillo v. Bombay,[19] the Court held that the crucial issue is whether the documents accompanying the petition before the CA sufficiently supported the allegations therein. Citing this case, Piglas-Kamao v. NLRC[20] stayed the dismissal of an appeal in the exercise of its equity jurisdiction to order the adjudication on the merits.

The Petition filed with the CA shows a prima facie case. Petitioner attached his evidence to challenge the finding that he was a managerial employee.[21] In his Motion for Reconsideration, petitioner also submitted the pleadings before the labor arbiter in an attempt to comply with the CA rules.[22] Evidently, the CA could have ruled on the Petition on the basis of these attachments. Petitioner should be deemed in substantial compliance with the procedural requirements.

Under these extenuating circumstances, the Court does not hesitate to grant liberality in favor of petitioner and to tackle his substantive arguments in the present case. Rules of procedure must be adopted to help promote, not frustrate, substantial justice.[23] The Court frowns upon the practice of dismissing cases purely on procedural grounds.[24] Considering that there was substantial compliance,[25] a liberal interpretation of procedural rules in this labor case is more in keeping with the constitutional mandate to secure social justice.[26]

First Issue:Timeliness of Appeal

Under the Rules of Procedure of the NLRC, an appeal from the decision of the labor arbiter should be filed within 10 days from receipt thereof.[27]

Petitioner's claim that respondents filed their appeal beyond the required period is not substantiated. In the pleadings before us, petitioner fails to indicate when respondents received the Decision of the labor arbiter. Neither did the petitioner attach a copy of the challenged appeal. Thus, this Court has no means to determine from the records when the 10-day period commenced and terminated. Since petitioner utterly failed to support his claim that respondents' appeal was filed out of time, we need not belabor that point. The parties alleging have the burden of substantiating their allegations.[28]

Second Issue:

Nature of Employment

Petitioner claims that he was not a managerial employee, and therefore, entitled to the award granted by the labor arbiter.

Article 82 of the Labor Code exempts managerial employees from the coverage of labor standards. Labor standards provide the working conditions of employees, including entitlement to overtime pay and premium pay for working on rest days.[29] Under this provision, managerial employees are "those whose primary duty consists of the management of the establishment in which they are employed or of a department or subdivision."[30]

The Implementing Rules of the Labor Code state that managerial employees are those who meet the following

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conditions:

> "(1) Their primary duty consists of the management of the establishment in which they are employed or of a department or subdivision thereof;
>
> "(2) They customarily and regularly direct the work of two or more employees therein;
>
> "(3) They have the authority to hire or fire other employees of lower rank; or their suggestions and recommendations as to the hiring and firing and as to the promotion or any other change of status of other employees are given particular weight."[31]

The Court disagrees with the NLRC's finding that petitioner was a managerial employee. However, petitioner was a member of the managerial staff, which also takes him out of the coverage of labor standards. Like managerial employees, officers and members of the managerial staff are not entitled to the provisions of law on labor standards.[32] The Implementing Rules of the Labor Code define members of a managerial staff as those with the following duties and responsibilities:

> "(1) The primary duty consists of the performance of work directly related to management policies of the employer;
>
> "(2) Customarily and regularly exercise discretion and independent judgment;
>
> "(3) (i) Regularly and directly assist a proprietor or a managerial employee whose primary duty consists of the management of the establishment in which he is employed or subdivision thereof; or (ii) execute under general supervision work along specialized or technical lines requiring special training, experience, or knowledge; or (iii) execute under general supervision special assignments and tasks; and
>
> "(4) who do not devote more than 20 percent of their hours worked in a workweek to activities which are not directly and closely related to the performance of the work described in paragraphs (1), (2), and (3) above."[33]

As shift engineer, petitioner's duties and responsibilities were as follows:

> "1. To supply the required and continuous steam to all consuming units at minimum cost.
>
> "2. To supervise, check and monitor manpower workmanship as well as operation of boiler and accessories.
>
> "3. To evaluate performance of machinery and manpower.
>
> "4. To follow-up supply of waste and other materials for fuel.
>
> "5. To train new employees for effective and safety while working.
>
> "6. Recommend parts and supplies purchases.
>
> "7. To recommend personnel actions such as: promotion, or disciplinary action.
>
> "8. To check water from the boiler, feedwater and softener, regenerate softener if beyond hardness limit.
>
> "9. Implement Chemical Dosing.
>
> "10. Perform other task as required by the superior from time to time."[34]

The foregoing enumeration, particularly items 1, 2, 3, 5 and 7 illustrates that petitioner was a member of the managerial staff. His duties and responsibilities conform to the definition of a member of a managerial staff under the Implementing Rules.

Petitioner supervised the engineering section of the steam plant boiler. His work involved overseeing the

operation of the machines and the performance of the workers in the engineering section. This work necessarily required the use of discretion and independent judgment to ensure the proper functioning of the steam plant boiler. As supervisor, petitioner is deemed a member of the managerial staff.[35]

Noteworthy, even petitioner admitted that he was a supervisor. In his Position Paper, he stated that he was the foreman responsible for the operation of the boiler.[36] The term foreman implies that he was the representative of management over the workers and the operation of the department.[37] Petitioner's evidence also showed that he was the supervisor of the steam plant.[38] His classification as supervisor is further evident from the manner his salary was paid. He belonged to the 10% of respondent's 354 employees who were paid on a monthly basis; the others were paid only on a daily basis.[39]

On the basis of the foregoing, the Court finds no justification to award overtime pay and premium pay for rest days to petitioner.

WHEREFORE, the Petition is DENIED. Costs against petitioner.

SO ORDERED.

Ynares-Santiago, Austria-Martinez, Callejo, Sr., and Chico-Nazario, JJ., concur.

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[1]Rollo, pp. 4-11.

[2] Id. at 64-65 & 298-299. Former Sixteenth Division. Penned by Justice Rodrigo V. Cosico (Division chairperson), with the concurrence of Justices Rebecca de Guia-Salvador and Regalado E. Maambong (members).

[3] Id. at 51-52.

[4] Id. at 65 & 299.

[5] Id. at 34.

[6] Petitioner's Memorandum, p. 3; rollo, p. 266.

[7] Id. at 2; id. at 265.

[8] The labor arbiter assigned to the case was Arturo L. Gamolo.

[9] Decision of the Labor Arbiter, p. 1; rollo, p. 21.

[10]Id. at 2; id. at 22.

[11] Id. at 3; id. at 23.

[12]Id. at 4; id. at 24.

[13] Id. at 5; id. at 25.

[14] NLRC Resolution dated May 8, 2002, p. 2; rollo, p. 33.

[15] Assailed CA Resolution dated January 27, 2003, pp. 1-2; rollo, pp. 298-299.

[16] Assailed CA Resolution dated July 4, 2003, p. 1; id. at 51.

[17] This Petition was deemed submitted for decision on June 29, 2005 upon this Court's receipt of petitioner's Memorandum, which he signed with the assistance of Atty. Angela A. Librado. Respondents' Memorandum,

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signed by Atty. Leo N. Caubang, was received by this Court on May 26, 2005.

[18]Petitioner's Memorandum, pp. 5-6; rollo, pp. 268-269.

[19] 351 SCRA 361, February 7, 2001.

[20] 357 SCRA 640, May 9, 2001.

[21] Petitioner attached his pay slips and job designation, and the company's manpower schedule as Annexes "C," "D," and "E" (CA rollo, pp. 20-31).

[22] Petitioner submitted the parties' position papers before the labor arbiter and their respective supporting documents (CA rollo, pp. 43-64).

[23]Chua v. Absolute Management Corporation, 412 SCRA 547, October 16, 2003; Pacific Life Assurance Corporation v. Sison, 359 Phil. 332, November 20, 1998; Gregorio v. Court of Appeals, 72 SCRA 120, July 28, 1976.

[24] Pacific Life Assurance Corporation v. Sison, id.; Empire Insurance Company v. National Labor Relations Commission, 355 Phil. 694, August 14, 1998; People Security Inc. v. National Labor Relations Commission, 226 SCRA 146, September 8, 1993; Tamargo v. Court of Appeals, 209 SCRA 518, June 3, 1992.

[25] Chua v. Absolute Management Corporation, supra note 23; Cusi-Hernandez v. Diaz, 336 SCRA 113, July 18, 2000.

[26]Constitution Art. II, Sec. 18 and Art. XIII, Sec. 3. See Ablaza v. Court of Industrial Relations, 126 SCRA 247, December 21, 1983.

[27] New Rules of Procedure of the National Labor Relations Commission, Rule VI, Sec. 1.

[28] Rules of Court, Rule 131, Sec. 1.

[29] Labor standards is found in Book 3 of the Labor Code, entitled "Conditions of Employment." Arts. 87 and 93 provide:

> "Arts. 87. Overtime work. - Work may be performed beyond eight (8) hours a day provided that the employee is paid for the overtime work, an additional compensation equivalent to his regular wage plus at least twenty-five (25%) per cent thereof. Work performed beyond eight hours on a holiday or rest day shall be paid an additional compensation equivalent to the rate of the first eight hours on a holiday or rest day plus at least thirty percent thereof."
>
> "Art. 93. Compensation for rest day, Sunday or holiday work. - (a) Where an employee is made or permitted to work on his scheduled rest day, he shall be paid an additional compensation of at least thirty percent (30%) of his regular wage. An employee shall be entitled to such additional compensation for work performed on Sunday only when it is his established rest day.
>
> (b) When the nature of the work of the employee is such that he has no regular workdays and no regular rest days can be scheduled, he shall be paid an additional compensation of at least thirty percent (30%) of his regular wage for work performed on Sundays and holidays.
>
> (c) Work performed on any special holiday shall be paid an additional compensation of at least thirty percent (30%) of the regular wage of the employee. Where such holiday work falls on the employees scheduled rest day, he shall be entitled to an additional compensation of at least fifty percent (50%) of his regular wage.
>
> (d) Where the collective bargaining agreement or other applicable employment contract stipulates the payment

of a higher premium pay than that prescribed under this Article, the employer shall pay such higher rate."

[30]The other definition of a managerial employee found in the Labor Code Art. 212(m) is in connection with labor relations or the right to engage in unionization. Under this provision, a managerial employee is one "vested with powers or prerogatives to lay down and execute management policies and/or to hire, transfer, suspend, lay off, recall, discharge, assign or discipline employees." C. Azucena, Everyone's Labor Code, 58 (2001 ed.).

[31] Implementing Rules of the Labor Code, Book III, Rule I, Sec. 2(b).

[32] Labor Code, Art. 82.

[33] Implementing Rules of the Labor Code, Book III, Rule I, Sec. 2(c).

[34] Job Description, submitted as petitioner's Annex to his Memorandum; rollo, p. 312.

[35] See Quebec v. National Labor Relations Commission, 361 Phil. 555, January 22, 1999; Salazar v. National Labor Relations Commission, 326 Phil. 288, April 17, 1996; National Sugar Refineries Corporation v. National Labor Relations Commission, 220 SCRA 452, March 24, 1993.

[36] Petitioner's Position Paper, p. 1; rollo, p. 14.

[37]Webster's Third New International Dictionary, 889 (1976).

[38] Servicing Schedule, submitted as petitioner's Annex to his Memorandum; rollo p. 315.

[39] Respondent's Termination Report submitted to the Department of Labor and Employment; rollo, pp. 49-61.

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