

NATIONAL FOOD AUTHORITY (NFA), AND JUANITO M. DAVID, IN HIS CAPACITY AS REGIONAL DIRECTOR, NFA REGIONAL OFFICE NO. 1, SAN JUAN, LA UNION, PETITIONERS, VS. MASADA SECURITY AGENCY...

G.R. NO. 163448. March 08, 2005

Ponente: YNARES-SANTIAGO, J.

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YNARES-SANTIAGO, J.:

Assailed in this petition for review under Rule 45 of the Rules of Court is the February 12, 2004 decision[1] of the Court of Appeals in CA-G.R. CV No. 76677, which dismissed the appeal filed by petitioner National Food Authority (NFA) and its April 30, 2004 resolution denying petitioner's motion for reconsideration.

The antecedent facts show that on September 17, 1996, respondent MASADA Security Agency, Inc., entered into a one year[2] contract[3] to provide security services to the various offices, warehouses and installations of NFA within the scope of the NFA Region I, comprised of the provinces of Pangasinan, La Union, Abra, Ilocos Sur and Ilocos Norte. Upon the expiration of said contract, the parties extended the effectivity thereof on a monthly basis under same terms and condition.[4]

Meanwhile, the Regional Tripartite Wages and Productivity Board issued several wage orders mandating increases in the daily wage rate. Accordingly, respondent requested NFA for a corresponding upward adjustment in the monthly contract rate consisting of the increases in the daily minimum wage of the security guards as well as the corresponding raise in their overtime pay, holiday pay, 13th month pay, holiday and rest day pay. It also claimed increases in Social Security System (SSS) and Pag-ibig premiums as well as in the administrative costs and margin. NFA, however, granted the request only with respect to the increase in the daily wage by multiplying the amount of the mandated increase by 30 days and denied the same with respect to the adjustments in the other benefits and remunerations computed on the basis of the daily wage.

Respondent sought the intervention of the Office of the Regional Director, Regional Office No. I, La Union, as Chairman of the Regional Tripartite Wages and Productivity Board and the DOLE Secretary through the Executive Director of the National Wages and Productivity Commission. Despite the advisory[5] of said offices sustaining the claim of respondent that the increase mandated by Republic Act No. 6727 (RA 6727) and the wage orders issued by the RTWPB is not limited to the daily pay, NFA maintained its stance that it is not liable to pay the corresponding adjustments in the wage related benefits of respondent's security guards.

On May 4, 2001, respondent filed with the Regional Trial Court of Quezon, City, Branch 83, a case for recovery of sum of money against NFA. Docketed as Civil Case No. Q-01-43988, the complaint[6] sought reimbursement of the following amounts allegedly paid by respondent to the security guards, to wit: P2,949,302.84, for unpaid wage related benefits brought about by the effectivity of Wage Order Nos. RB 1-05 and RB CAR-04;[7] RB 1-06 and RB CAR-05;[8] RB 1-07 and RB CAR-06;[9] and P975,493.04 for additional cost and margin, plus interest. It also prayed for damages and litigation expenses.[10]

In its answer with counterclaim,[11] NFA denied that respondent paid the security guards their wage related benefits and that it shouldered the additional costs and margin arising from the implementation of the wage orders. It admitted, however, that it heeded respondent's request for adjustment only with respect to increase in the minimum wage and not with respect to the other wage related benefits. NFA argued that respondent cannot demand an adjustment on said salary related benefits because it is bound by their contract expressly limiting NFA's obligation to pay only the increment in the daily wage.

At the pre-trial, the only issue raised was whether or not respondent is entitled to recover from NFA the wage related benefits of the security guards.[12]

On September 19, 2002, the trial court rendered a decision[13] in favor of respondent holding that NFA is liable to pay the security guards' wage related benefits pursuant to RA 6727, because the basis of the computation of said benefits, like overtime pay, holiday pay, SSS and Pag-ibig premium, is the increased minimum wage. It also found NFA liable for the consequential adjustments in administrative costs and margin. The trial court absolved defendant Juanito M. David having been impleaded in his official capacity as Regional Director of NFA Regional Office No. 1, San Juan, La Union. The dispositive portion thereof, reads:

WHEREFORE, judgment is hereby rendered in favor of plaintiff MASADA Security Agency, Inc., and against defendant National Food Authority ordering said defendant to make the corresponding adjustment in the contract price in accordance with the increment mandated under the various wage orders, particularly Wage Order Nos. RBI-05, RBCAR-04, RBI-06, RBCAR-05, RBI-07 and RBCAR-06 and to pay plaintiff the amounts representing the adjustments in the wage-related benefits of the security guards and consequential increase in its administrative cost and margin upon presentment by plaintiff of the corresponding voucher claims.

Plaintiff's claims for damages and attorney's fees and defendants counterclaim for damages are hereby denied.

Defendant Juanito M. David is hereby absolved from any liability.

SO ORDERED.[14]

NFA appealed to the Court of Appeals but the same was dismissed on February 12, 2004. The appellate court held that the proper recourse of NFA is to file a petition for review under Rule 45 with this Court, considering that the appeal raised a pure question of law. Nevertheless, it proceeded to discuss the merits of the case for "purposes of academic discussion" and eventually sustained the ruling of the trial court that NFA is under obligation to pay the administrative costs and margin and the wage related benefits of the respondent's security guards.[15]

On April 30, 2004, the Court of Appeals denied NFA's motion for reconsideration.[16] Hence, the instant petition.

The issue for resolution is whether or not the liability of principals in service contracts under Section 6 of RA 6727 and the wage orders issued by the Regional Tripartite Wages and Productivity Board is limited only to the increment in the minimum wage.

At the outset, it should be noted that the proper remedy of NFA from the adverse decision of the trial court is a petition for review under Rule 45 directly with this Court because the issue involved a question of law. However, in the interest of justice we deem it wise to overlook the procedural technicalities if only to demonstrate that despite the procedural infirmity, the instant petition is impressed with merit.[17]

RA 6727[18] (Wage Rationalization Act), which took effect on July 1, 1989,[19] declared it a policy of the State to rationalize the fixing of minimum wages and to promote productivity-improvement and gain-sharing measures

to ensure a decent standard of living for the workers and their families; to guarantee the rights of labor to its just share in the fruits of production; to enhance employment generation in the countryside through industrial dispersal; and to allow business and industry reasonable returns on investment, expansion and growth.[20]

In line with its declared policy, RA 6727, created the National Wages and Productivity Commission (NWPC),[21] vested, inter alia, with the power to prescribe rules and guidelines for the determination of appropriate minimum wage and productivity measures at the regional, provincial or industry levels;[22] and the Regional Tripartite Wages and Productivity Boards (RTWPB) which, among others, determine and fix the minimum wage rates applicable in their respective region, provinces, or industries therein and issue the corresponding wage orders, subject to the guidelines issued by the NWPC.[23] Pursuant to its wage fixing authority, the RTWPB issue wage orders which set the daily minimum wage rates.[24]

Payment of the increases in the wage rate of workers is ordinarily shouldered by the employer. Section 6 of RA 6727, however, expressly lodged said obligation to the principals or indirect employers in construction projects and establishments providing security, janitorial and similar services. Substantially the same provision is incorporated in the wage orders issued by the RTWPB.[25] Section 6 of RA 6727, provides:

SEC. 6. In the case of contracts for construction projects and for security, janitorial and similar services, the prescribed increases in the wage rates of the workers shall be borne by the principals or clients of the construction/service contractors and the contract shall be deemed amended accordingly. In the event, however, that the principal or client fails to pay the prescribed wage rates, the construction/service contractor shall be jointly and severally liable with his principal or client. (Emphasis supplied)

NFA claims that its additional liability under the aforecited provision is limited only to the payment of the increment in the statutory minimum wage rate, i.e., the rate for a regular eight (8) hour work day.

The contention is meritorious.

In construing the word “wage” in Section 6 of RA 6727, reference must be had to Section 4 (a) of the same Act. It states:

SEC. 4. (a) Upon the effectivity of this Act, the statutory minimum wage rates for all workers and employees in the private sector, whether agricultural or non-agricultural, shall be increased by twenty-five pesos (P25) per day ... (Emphasis supplied)

The term “wage” as used in Section 6 of RA 6727 pertains to no other than the “statutory minimum wage” which is defined under the Rules Implementing RA 6727 as the lowest wage rate fixed by law that an employer can pay his worker.[26] The basis thereof under Section 7 of the same Rules is the normal working hours, which shall not exceed eight hours a day. Hence, the prescribed increases or the additional liability to be borne by the principal under Section 6 of RA 6727 is the increment or amount added to the remuneration of an employee for an 8-hour work.

Expresio unius est exclusio alterius. Where a statute, by its terms, is expressly limited to certain matters, it may not, by interpretation or construction, be extended to others.[27] Since the increase in wage referred to in Section 6 pertains to the “statutory minimum wage” as defined herein, principals in service contracts cannot be made to pay the corresponding wage increase in the overtime pay, night shift differential, holiday and rest day pay, premium pay and other benefits granted to workers. While basis of said remuneration and benefits is the statutory minimum wage, the law cannot be unduly expanded as to include those not stated in the subject provision.

The settled rule in statutory construction is that if the statute is clear, plain and free from ambiguity, it must be given its literal meaning and applied without interpretation. This plain meaning rule or *verba legis* derived from

the maxim index animi sermo est (speech is the index of intention) rests on the valid presumption that the words employed by the legislature in a statute correctly express its intention or will and preclude the court from construing it differently. The legislature is presumed to know the meaning of the words, to have used words advisedly, and to have expressed its intent by use of such words as are found in the statute. Verba legis non est recedendum, or from the words of a statute there should be no departure.[28]

The presumption therefore is that lawmakers are well aware that the word “wage” as used in Section 6 means the statutory minimum wage. If their intention was to extend the obligation of principals in service contracts to the payment of the increment in the other benefits and remuneration of workers, it would have so expressly specified. In not so doing, the only logical conclusion is that the legislature intended to limit the additional obligation imposed on principals in service contracts to the payment of the increment in the statutory minimum wage.

The general rule is that construction of a statute by an administrative agency charged with the task of interpreting or applying the same is entitled to great weight and respect. The Court, however, is not bound to apply said rule where such executive interpretation, is clearly erroneous, or when there is no ambiguity in the law interpreted, or when the language of the words used is clear and plain, as in the case at bar. Besides, administrative interpretations are at best advisory for it is the Court that finally determines what the law means.[29] Hence, the interpretation given by the labor agencies in the instant case which went as far as supplementing what is otherwise not stated in the law cannot bind this Court.

It is not within the province of this Court to inquire into the wisdom of the law for indeed, we are bound by the words of the statute.[30] The law is applied as it is. At any rate, the interest of the employees will not be adversely affected if the obligation of principals under the subject provision will be limited to the increase in the statutory minimum wage. This is so because all remuneration and benefits other than the increased statutory minimum wage would be shouldered and paid by the employer or service contractor to the workers concerned. Thus, in the end, all allowances and benefits as computed under the increased rate mandated by RA 6727 and the wage orders will be received by the workers.

Moreover, the law secures the welfare of the workers by imposing a solidary liability on principals and the service contractors. Under the second sentence of Section 6 of RA 6727, in the event that the principal or client fails to pay the prescribed wage rates, the service contractor shall be held solidarily liable with the former. Likewise, Articles 106, 107 and 109 of the Labor Code provides:

ART. 106. Contractor or Subcontractor. – Whenever an employer enters into contract with another person for the performance of the former’s work, the employees of the contractor and of the latter’s subcontractor, if any, shall be paid in accordance with the provisions of this Code.

In the event that the contractor or subcontractor fails to pay the wage of his employees in accordance with this Code, the employer shall be jointly and severally liable with his contractor or subcontractor to such employees to the extent of the work performed under the contract, in the same manner and extent that he is liable to employees directly employed by him.

...

ART. 107. Indirect Employer. – The provisions of the immediately preceding Article shall likewise apply to any person, partnership, association or corporation which, not being an employer, contracts with an independent contractor for the performance of any work, task, job or project.

ART. 109. Solidary Liability. – The provisions of existing laws to the contrary notwithstanding, every employer or indirect employer shall be held responsible with his contractor or subcontractor for any violation of any provision of this Code. For purposes of determining the extent of their civil liability under this Chapter,

they shall be considered as direct employers.

Based on the foregoing interpretation of Section 6 of RA 6727, the parties may enter into stipulations increasing the liability of the principal. So long as the minimum obligation of the principal, i.e., payment of the increased statutory minimum wage is complied with, the Wage Rationalization Act is not violated.

In the instant case, Article IV.4 of the service contract provides:

IV.4. In the event of a legislated increase in the minimum wage of security guards and/or in the PADPAO rate, the AGENCY may negotiate for an adjustment in the contract price. Any adjustment shall be applicable only to the increment, based on published and circulated rates and not on mere certification.[31]

In the same vein, paragraph 3 of NFA Memorandum AO-98-03- states:

3. For purposes of wage adjustments, consider only the rate based on the wage Order issued by the Regional Tripartite Wage Productivity Board (RTWPB). Unless otherwise provided in the Wage Order issued by the RTWPB, the wage adjustment shall be limited to the increment in the legislated minimum wage;[32]

The parties therefore acknowledged the application to their contract of the wage orders issued by the RTWPB pursuant to RA 6727. There being no assumption by NFA of a greater liability than that mandated by Section 6 of the Act, its obligation is limited to the payment of the increased statutory minimum wage rates which, as admitted by respondent, had already been satisfied by NFA.[33] Under Article 1231 of the Civil Code, one of the modes of extinguishing an obligation is by payment. Having discharged its obligation to respondent, NFA no longer have a duty that will give rise to a correlative legal right of respondent. The latter's complaint for collection of remuneration and benefits other than the increased minimum wage rate, should therefore be dismissed for lack of cause of action.

The same goes for respondent's claim for administrative cost and margin. Considering that respondent failed to establish a clear obligation on the part of NFA to pay the same as well as to substantiate the amount thereof with documentary evidence, the claim should be denied.

WHEREFORE, the petition is GRANTED. The February 12, 2004 decision and the April 30, 2004 resolution of the Court of Appeals which dismissed petitioner National Food Authority's appeal and motion for reconsideration, respectively, in CA-G.R. CV No. 76677, are REVERSED and SET ASIDE. The complaint filed by respondent MASADA Security Agency, Inc., docketed as Civil Case No. Q-01-43988, before the Regional Trial Court of Quezon, City, Branch 83, is ordered DISMISSED.

SO ORDERED.

Davide Jr., C.J., (Chairman), Quisumbing, Carpio and Azcuna, JJ., concur.

[1] Rollo, p. 35. Penned by Associate Justice Bienvenido L. Reyes and concurred in by Associate Justices Conrado M. Vasquez, Jr. and Arsenio J. Magpale.

[2] August 1, 1996 to August 1, 1997.

[3] Records, pp. 12-18.

[4] Contract, II.19, Records, p. 15. See also Memorandum, AO-98-03-005, Records, p. 56.

[5] Issued by Ricardo S. Martinez, Sr., CESO III, Regional Director, Records, pp. 30-31; and by Ciriaco A. Lagunzad III, Executive Director, DOLE, National Wages and Productivity Commission, Records, pp. 37-38.

[6] Records, pp. 1-11.

[7] Took effect on March 1, 1997 and May 1, 1997, respectively. (Comment, Rollo, p. 259).

[8] Mandating two-tiered increases in the minimum daily wage effective March 5, 1998/July 1, 1998 and June 8, 1998/December 18, 1998, respectively. (Comment, Rollo, pp. 259-260).

[9] Took effect on December 1, 1999 and November 8, 1999, respectively. (Comment, Rollo, p. 260).

[10] Complaint, Records, pp. 9-10.

[11] Records, pp. 50-53.

[12] Pre-trial Order, Records, p. 104.

[13] Rollo, p. 100.

[14] Id. at 113.

[15] The dispositive portion thereof, reads:

WHEREFORE, in view of the discussions conveyed above, the instant appeal is hereby DISMISSED.

SO ORDERED. (Rollo, p. 45)

[16] Rollo, pp. 47-48.

[17] Martillano v. Court of Appeals, G.R. No. 148277, 29 June 2004.

[18] An Act to Rationalize Wage Policy Determination by Establishing the Mechanism and Proper Standards Therefor, Amending for the Purpose Article 99 of, and Incorporating Articles 120, 121, 122, 123, 124, 126 and 127 into Presidential Decree No. 442, as amended, Otherwise Known as the Labor Code of the Philippines, Fixing New Wage Rates, Providing Wage Incentives for Industrial Dispersal to the Countryside, and for Other Purposes.

[19] See UERM-Memorial Medical Center v. National Labor Relations Commission, 336 Phil. 66, 68 (1997).

[20] Section 2 of RA 6727.

[21] Article 120, Labor Code.

[22] Article 121, Id.

[23] Article 122, Id.

[24] Article 123, Id.

[25] Section 7 of Wage Order No. RB 1-05, Rollo, p. 299; Section 6 of Wage Order No. RB-CAR-04, Rollo, p. 302; Section 7 of Wage Order No. RB 1-06, Rollo, p. 305; Section 5 of Wage Order No. RB-CAR-05, Rollo, pp. 307-308; Section 8 of Wage Order No. RB 1-07, Rollo, p. 312; and Section 6 of Wage Order No. RB-CAR-06, Rollo, p. 334.

[26] Item (o), Definition of Terms.

[27] Commissioner of Customs v. Court of Tax Appeals, G.R. Nos. 48886-88, 21 July 1993, 224 SCRA 665, 670.

[28] Enjay, Inc. v. National Labor Relations Commission, 315 Phil. 648, 656 (1995), citing Globe-Mackay Cable and Radio Corporation v. National Labor Relations Commission, G.R. No. 82511, 3 March 1992, 206 SCRA 701.

[29] Energy Regulatory Board v. Court of Appeals, G.R. No. 113079, 20 April 2001, 357 SCRA 30, 40.

[30] Commissioner of Internal Revenue v. Manila Star Ferry, Inc., G.R. Nos. 31776-78, 21 October 1993, 227 SCRA 317, 322.

[31] Contract, Records, p. 17.

[32] Records, p. 56.

[33] Complaint, Records, p. 3.

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