

REPUBLIC OF THE PHILIPPINES REPRESENTED BY PRIVATIZATION AND MANAGEMENT OFFICE, PETITIONERS, VS. NATIONAL LABOR RELATIONS COMMISSION (THIRD DIVISION) AND NACUSIP/BISUDECO CHAPTE...*G.R. No. 174747. March 09, 2016*

Ponente: LEONEN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-174747/>**LEONEN, J.:**

Under Proclamation No. 50, Series of 1986,[1] no employer-employee relationship is created by the acquisition of Asset Privatization Trust (now Privatization and Management Office) of government assets for privatization. It is not obliged to pay for any money claims arising from employer-employee relations except when it voluntarily holds itself liable to pay. These money claims, however, must be filed within the three-year period under Article 291[2] of the Labor Code. Once liability is determined, a separate money claim must be brought before the Commission on Audit, unless the funds to be used have already been previously appropriated and disbursed.

This resolves a Petition for Review on Certiorari[3] assailing the Decision[4] dated February 27, 2004 and Resolution[5] dated September 19, 2006 of the Court of Appeals. The Decision and Resolution affirmed the National Labor Relations Commission Resolutions dated May 10, 2002[6] and June 21, 2002[7] dismissing petitioner's appeal for failure to file the appeal within the reglementary period.

Asset Privatization Trust was a government entity created under Proclamation No. 50 dated December 8, 1986 for the purpose of conserving, provisionally managing, and disposing of assets that have been identified for privatization or disposition. NACUSIP/BISUDECO Chapter is the exclusive bargaining agent for the rank-and-file employees of Bicolandia Sugar Development Corporation, a corporation engaged in milling and producing sugar.[8] Since the 1980s, Bicolandia Sugar Development Corporation had been incurring heavy losses.[9] It obtained loans from Philippine Sugar Corporation and Philippine National Bank, secured by its assets and properties.[10]

Under Proclamation No. 50, as amended, Administrative Order No. 14 dated February 3, 1987, the Deed of Transfer dated February 27, 1987, and the Trust Agreement dated February 27, 1987,[11] Philippine National Bank ceded its rights and interests over Bicolandia Sugar Development Corporation's loans to the government through Asset Privatization Trust.[12]

On November 18, 1988, Bicolandia Sugar Development Corporation, with the conformity of Asset Privatization Trust, entered into a Supervision and Financing Agreement[13] with Philippine Sugar Corporation for the latter to operate and manage the mill until August 31, 1992.[14]

Due to Bicolandia Sugar Development Corporation's continued failure to pay its loan obligations, Asset Privatization Trust filed a Petition for Extrajudicial Foreclosure of Bicolandia Sugar Development Corporation's mortgaged properties on March 26, 1990. There being no other qualified bidder, Asset Privatization Trust was

issued a certificate of sale upon payment of P1,725,063,044.00.[15]

On December 15, 1990, NACUSIP/BISUDECO Chapter and Bicolandia Sugar Development Corporation entered into a Collective Bargaining Agreement to be in effect until December 15, 1996.[16] Asset Privatization Trust and Philippine Sugar Corporation were also joined as parties.[17]

Sometime in 1992, the Asset Privatization Trust, pursuant to its mandate to dispose of government properties for privatization, decided to sell the assets and properties of Bicolandia Sugar Development Corporation. On September 1, 1992, it issued a Notice of Termination to Bicolandia Sugar Development Corporation's employees, advising them that their services would be terminated within 30 days. NASUCIP/BISUDECO Chapter received the Notice under protest.[18]

After the employees' dismissal from service, Bicolandia Sugar Development Corporation's assets and properties were sold to Bicol Agro-Industrial Producers Cooperative, Incorporated-Peñafrancia Sugar Mill.[19]

As a result, several members of the NACUSIP/BISUDECO Chapter[20] filed a Complaint dated April 24, 1996 charging Asset Privatization Trust, Bicolandia Sugar Development Corporation, Philippine Sugar Corporation, and Bicol Agro-Industrial Producers Cooperative, Incorporated-Peñafrancia Sugar Mill with unfair labor practice, union busting, and claims for labor standard benefits.[21]

On January 14, 2000, the Labor Arbiter rendered the Decision[22] dismissing the Complaint for lack of merit. The Labor Arbiter found that there was no union busting when Asset Privatization Trust and Philippine Sugar Corporation disposed of Bicolandia Sugar Development Corporation's assets and properties since Asset Privatization Trust was merely disposing of a non-performing asset of government, pursuant to its mandate under Proclamation No. 50.[23]

However, the Labor Arbiter found that although Asset Privatization Trust previously released funds for separation pay, 13th month pay, and accrued vacation and sick leave credits for 1992, George Emata, Bienvenido Felina, Domingo Rebancos, Jr., Nelson Berina, Armando Villote, and Roberto Tirao (Emata, et al.) refused to receive their checks[24] "on account of their protested dismissal." [25] Their refusal to receive their checks was premised on their Complaint that Asset Privatization Trust's sale of Bicolandia Sugar Development Corporation violated their Collective Bargaining Agreement and was a method of union busting.[26]

While the Labor Arbiter acknowledged that Emata, et al.'s entitlement to these benefits had already prescribed under Article 291[27] of the Labor Code,[28] he nevertheless ordered Asset Privatization Trust to pay Emata, et al. their benefits since their co-complainants were able to claim their checks.[29]

Pursuant to the Decision, Asset Privatization Trust deposited with the National Labor Relations Commission a Cashier's Check in the amount of P116,182.20, the equivalent of the monetary award in favor of Emata, et al. On February 8, 2000, it filed a Notice of Partial Appeal, together with a Memorandum of Partial Appeal, before the National Labor Relations Commission.[30]

Under Executive Order No. 323 dated December 6, 2000, Asset Privatization Trust was succeeded by Privatization and Management Office.[31]

On May 10, 2002, the National Labor Relations Commission issued the Resolution[32] dismissing the Partial Appeal for failure to perfect the appeal within the statutory period of appeal. Privatization and Management Office moved for reconsideration, but its Motion was denied in the National Labor Relations Commission's June 21, 2002 Resolution.[33]

Aggrieved, Privatization and Management Office filed before the Court of Appeals a Petition for Certiorari[34]

arguing that its appeal should have been decided on the merits in the interest of substantial justice.

On February 27, 2004, the Court of Appeals rendered its Decision^[35] denying the Petition. According to the Court of Appeals, Privatization and Management Office failed to show that it falls under the exemption for strict compliance with procedural rules. It ruled that the grant of separation pay to Emata, et al. was anchored on the finding that Privatization and Management Office had already granted the same benefits to the other complainants in the labor case.^[36]

Privatization and Management Office moved for reconsideration, but the Motion was denied in the Resolution^[37] dated September 19, 2006.

Hence, this Petition^[38] was filed.

Privatization and Management Office argues that there should have been a liberal application of the procedural rules since the dismissal of its appeal would cause grave and irreparable damage to government.^[39] It alleges that the money claims of the employees had already prescribed since their Complaint for illegal dismissal was filed beyond the three-year prescriptive period under Article 291^[40] of the Labor Code.^[41]

Privatization and Management Office argues further that even assuming that the action had not yet prescribed, it would still not be liable to pay separation pay and other benefits since the closure of the business was due to serious losses and financial reverses.^[42] It also argues that the transfer of Bicolandia Sugar Development Corporation's assets and properties to it, by virtue of a foreclosure sale, did not create an employer-employee relationship with Bicolandia Sugar Development Corporation's employees.^[43] Moreover, since Privatization and Management Office is an instrumentality of government, any money claim against it should first be brought before the Commission on Audit in view of Commonwealth Act No. 327,^[44] as amended by Presidential Decree No. 1445.^[45]

On the other hand, Emata, et al. allege that the Petition did not raise any new issue that had not already been addressed by the Labor Arbiter, the National Labor Relations Commission, and the Court of Appeals.^[46] They argue that the issues raised involve the exercise of discretion by the Court of Appeals and the quasi-judicial agencies. They further argue that the Petition does not specifically mention any law relied upon by Privatization and Management Office to support its arguments.^[47]

In rebuttal, Privatization and Management Office insists that it was able to point out laws and jurisprudence that the Court of Appeals and the National Labor Relations Commission failed to take into consideration when it dismissed the appeal on a technicality.^[48]

For this Court's resolution are the following issues:

First, whether there was an employer-employee relationship between petitioner Privatization and Management Office (then Asset Privatization Trust) and private respondents NACUSIP/BISUDECO Chapter employees, and thus, whether petitioner is liable to pay the separation benefits of private respondents George Emata, Bienvenido Felina, Domingo Rebancos, Jr., Nelson Berina, Armando Villote, and Roberto Tirao;

Second, whether Bicolandia Sugar Development Corporation's closure could be considered serious business losses that would exempt petitioner from payment of separation benefits; and

Lastly, whether private respondents' claim for labor standard benefits had already prescribed under Article 291 of the Labor Code.

I

Before proceeding to the substantive issues of the case, petitioner's procedural misstep before the National Labor Relations Commission must first be addressed.

It is settled that appeal is not a right but a mere statutory privilege. It may only be exercised within the manner provided by law.[49] In labor cases, the perfection of an appeal is governed by the Labor Code. Article 223 provides:

Art. 223. Appeal. Decisions, awards, or orders of the Labor Arbiter are final and executory unless appealed to the Commission by any or both parties within ten (10) calendar days from receipt of such decisions, awards, or orders. Such appeal may be entertained only on any of the following grounds:

....

Petitioner received a copy of the Labor Arbiter's Decision on January 26, 2000.[50] It had 10 days, or until February 7, 2000,[51] to file its appeal. However, it filed its Memorandum of Appeal only on February 8, 2000.[52] Petitioner did not explain the reason for its delay.

Petitioner's disregard of procedural rules resulted in the denial of its appeal before the National Labor Relations Commission and its subsequent Petition for Certiorari before the Court of Appeals. In its Petition for Review before this Court, petitioner still did not explain its delay in filing the Memorandum of Appeal. It merely insisted that its case should have been resolved on the merits.

Procedural rules are designed to facilitate the orderly administration of justice.[53] In labor cases, however, procedural rules are not to be applied "in a very rigid and technical sense"[54] if its strict application will frustrate, rather than promote, substantial justice.[55]

Liberality favors the laborer.[56] However, this case is also brought against a government entity. If the government entity is found liable, its liability will necessarily entail the dispensation of public funds. Thus, its basis for liability must be subjected to strict scrutiny.

Even assuming that we grant the plea of liberality, the Petition will still be denied.

II

Initially, petitioner was not liable for the Union's claims for labor standard benefits. Its acquisition of Bicolandia Sugar Development Corporation's assets was not for the purpose of continuing its business. It was to conserve the assets in order to prepare it for privatization.

When Philippine National Bank ceded its rights and interests over Bicolandia Sugar Development Corporation's loan to petitioner in 1987, it merely transferred its rights and interests over Bicolandia's outstanding loan obligations. The transfer was not for the purpose of continuing Bicolandia Sugar Development Corporation's business. Thus, petitioner never became the substitute employer of Bicolandia Sugar Development Corporation's employees. It would not have been liable for any money claim arising from an employer-employee relationship.

Section 24 of Proclamation No. 50 states:

The transfer of any asset of government directly to the national government as mandated herein shall be for the purpose of disposition, liquidation and/or privatization only, any import in the covering deed of assignment to the contrary notwithstanding. Such transfer, therefore, shall not operate to revert such assets automatically to the general fund or the national patrimony, and shall not require specific enabling legislation to authorize their subsequent disposition, but shall remain as duly appropriated public properties earmarked for assignment,

transfer or conveyance under the signature of the Minister of Finance or his duly authorized representative, who is hereby authorized for this purpose, to any disposition entity approved by the Committee pursuant to the provisions of this Proclamation. (Emphasis supplied)

This Court explained in *Republic v. National Labor Relations Commission, et al.*[57] that the Asset Privatization Trust is usually joined as a party respondent due to its role as the conservator of assets of the corporation undergoing privatization:

A matter that must not be overlooked is the fact that the inclusion of APT as a respondent in the monetary claims against [Pantranco North Express, Inc.] is merely the consequence of its being a conservator of assets, a role that APT normally plays in, or the relationship that ordinarily it maintains with, corporations identified for and while under privatization. The liability of APT under this particular arrangement, nothing else having been shown, should be co-extensive with the amount of assets taken over from the privatized firm.[58]

Pursuant to its mandate under Proclamation No. 50, petitioner provisionally took possession of assets and properties only for the purpose of privatization or disposition. Its interest over Bicolandia Sugar Development Corporation was not the latter's continued business operations.

The issue of petitioner's role in the money claims of Bicolandia Sugar Development Corporation's employees was already settled in *Barayoga v. Asset Privatization Trust*.[59]

In *Barayoga*, BISUDECO-PHILSUCOR Corfarm Workers Union alleged that when Philippine Sugar Corporation took over Bicolandia Sugar Development Corporation's operations in 1988, it retained the Corporation's existing employees until the start of the season sometime in May 1991. At the start of the 1991 season, Philippine Sugar Corporation failed to recall some of the union's members back to work. For this reason, it filed a Complaint on July 23, 1991 for unfair labor practice, illegal dismissal, illegal deduction, and underpayment of wages and other labor standard benefits against Bicolandia Sugar Development Corporation, Asset Privatization Trust, and Philippine Sugar Corporation. Of the three respondents, only Asset Privatization Trust was held liable by the Labor Arbiter and the National Labor Relations Commission for the union members' money claims.

The Court of Appeals reversed the Labor Arbiter's and the National Labor Relations Commission's rulings and held that Asset Privatization Trust did not become the employer of Bicolandia Sugar Development Corporation's employees. The terminated employees appealed to this Court, arguing that their claims against Asset Privatization Trust were recognized under the law.

This Court, however, denied their Petition and held that the Asset Privatization Trust could not be held liable for any money claims arising from an employer-employee relationship. Asset Privatization Trust, being a mere transferee of Bicolandia Sugar Development Corporation's assets for the purpose of conservation, never became the union's employer. Hence, it could not be liable for their money claims:

The duties and liabilities of BISUDECO, including its monetary liabilities to its employees, were not all automatically assumed by APT as purchaser of the foreclosed properties at the auction sale. Any assumption of liability must be specifically and categorically agreed upon. In *Sundowner Development Corp. v. Drilon*, the Court ruled that, unless expressly assumed, labor contracts like collective bargaining agreements are not enforceable against the transferee of an enterprise. Labor contracts are in personam and thus binding only between the parties.

No succession of employment rights and obligations can be said to have taken place between the two. Between the employees of BISUDECO and APT, there is no privity of contract that would make the latter a substitute employer that should be burdened with the obligations of the corporation. To rule otherwise would result in unduly imposing upon APT an unwarranted assumption of accounts not contemplated in Proclamation No. 50

or in the Deed of Transfer between the national government and PNB.[60] (Emphasis supplied)

For petitioner to be liable for private respondents' money claims arising from an employer-employee relationship, it must specifically and categorically agree to be liable for these claims.

III

While petitioner per se is not liable for private respondents' money claims arising from an employer-employee relationship, it voluntarily obliged itself to pay Bicolandia Sugar Development Corporation's terminated employees separation benefits in the event of the Corporation's privatization.

In Barayoga, the aggrieved union members were those who were not recalled back to work by Philippine Sugar Corporation during the start of the season in May 1991. The union members in this case were those who were recalled back to work in May 1991 but were eventually served with a Notice of Termination on September 1, 1992.

The timeline of events in this case mirror that of Barayoga. In Barayoga, Asset Privatization Trust's Board of Trustees issued the Resolution dated September 23, 1992 authorizing the payment of separation pay and other benefits to Bicolandia Sugar Development Corporation's employees in the event of its privatization:

In the present case, petitioner-unions members who were not recalled to work by Philsucor in May 1991 seek to hold APT liable for their monetary claims and allegedly illegal dismissal. Significantly, prior to the actual sale of BISUDECO assets to BAPCI on October 30, 1992, the APT board of trustees had approved a Resolution on September 23, 1992. The Resolution authorized the payment of separation benefits to the employees of the corporation in the event of its privatization. Not included in the Resolution, though, were petitioner-unions members who had not been recalled to work in May 1991.[61] (Emphasis supplied)

This Resolution was not made part of the records of this case. However, it is not disputed that the union members here were Bicolandia Sugar Development Corporation's employees at the time the Corporation was sold to Bicol Agro-Industrial Producers Cooperative, Incorporated-Peñafrancia Sugar Mill. The Labor Arbiter also found that:

With respect to complainants['] claim for labor standard benefits, records show that they were paid separation pay including 13[th] month pay for the year 1992 as well as conversion of their accrued vacation and sick leave (pp. 698 to 763, rollo) except that some complainants refused to collect their checks representing said benefits whereas the payments due complainants Domulot, de Luna, Falcon, Aguilar, Gomez, Ramos, Arao, de Jesus, Abonite, Bomanlag, and Parro were released by APT to this Arbitration Branch (p. 764), rollo) in compliance with the Alias Writ of Execution issued by then Executive Labor Arbiter Vito C. Bose.[62]

Under Section 27 of Proclamation No. 50, the employer-employee relationship is severed upon the sale or disposition of assets of a company undergoing privatization. This, however, is without prejudice to "benefits incident to their employment or attaching to termination under applicable employment contracts, collective bargaining agreements, and applicable legislation":

SECTION 27. AUTOMATIC TERMINATION OF EMPLOYER-EMPLOYEE RELATIONS. Upon the sale or other disposition of the ownership and/or controlling interest of the government in a corporation held by the Trust, or all or substantially all of the assets of such corporation, the employer-employee relations between the government and the officers and other personnel of such corporations shall terminate by operation of law. None of such officers or employees shall retain any vested right to future employment in the privatized or disposed corporation, and the new owners or controlling interest holders thereof shall have full and absolute discretion to retain or dismiss said officers and employees and to hire the replacement or replacements of any one or all of them as the pleasure and confidence of such owners or controlling interest holders may dictate.

Nothing in this section, however, be construed to deprive said officers and employees of their vested entitlements in accrued or due compensation and other benefits incident to their employment or attaching to termination under applicable employment contracts, collective bargaining agreements, and applicable legislation. (Emphasis supplied)

When petitioner's Board of Trustees issued the Resolution dated September 23, 1992, it acknowledged its contractual obligation to be liable for benefits arising from an employer-employee relationship even though, as a mere conservator of assets, it was not supposed to be liable. Under Article III, Section 12(6) of Proclamation No. 50,[63] Asset Privatization Trust had the power to release claims or settle liabilities, as in this case. When it issued its Resolution dated September 23, 1992, petitioner voluntarily bound itself to be liable for separation benefits to Bicolandia Sugar Development Corporation's terminated employees.

IV

Petitioner proposes that even if it is found liable for separation benefits, it cannot be made to pay since Bicolandia Sugar Development Corporation's closure was due to serious business losses.

An employer may terminate employment to prevent business losses. Article 298[64] of the Labor Code allows the termination of employees provided that the employer pays the affected employees separation pay of one month or at least one-half month for every month of pay, whichever is higher. The provision states:

Art. 298. Closure of establishment and reduction of personnel. The employer may also terminate the employment of any employee due to the installation of labor-saving devices, redundancy, retrenchment to prevent losses or the closing or cessation of operation of the establishment or undertaking unless the closing is for the purpose of circumventing the provisions of this Title, by serving a written notice on the workers and the Ministry of Labor and Employment at least one (1) month before the intended date thereof. In case of termination due to the installation of labor-saving devices or redundancy, the worker affected thereby shall be entitled to a separation pay equivalent to at least his one (1) month pay or to at least one (1) month pay for every year of service, whichever is higher. In case of retrenchment to prevent losses and in cases of closures or cessation of operations of establishment or undertaking not due to serious business losses or financial reverses, the separation pay shall be equivalent to one (1) month pay or at least one-half (1/2) month pay for every year of service, whichever is higher. A fraction of at least six (6) months shall be considered one (1) whole year.

The employer is exempted from having to pay separation pay if the closure was due to serious business losses.[65] A business suffers from serious business losses when it has operated at a loss for such a period of time that its financial standing is unlikely to improve in the future.[66]

Bicolandia Sugar Development Corporation incurred heavy loans from Philippine National Bank in the 1980s to cover its losses. The Corporation's losses were substantial. When Philippine National Bank transferred its interests over the Corporation's loans to petitioner, it effectively transferred all of the Corporation's assets. Petitioner eventually sold these assets and properties to a private company, pursuant to its mandate to dispose of government's non-performing assets.

Bicolandia Sugar Development Corporation's financial standing when petitioner took over as its conservator clearly showed that it was suffering from serious business losses and would have been exempted from paying its terminated employees their separation pay. This exemption, however, only applies to employers. It does not apply to petitioner.

Even assuming that petitioner became NACUSIP/BISUDECO's substitute employer, the exemption would still not apply if the employer voluntarily assumes the obligation to pay terminated employees, regardless of the employer's financial situation. In *Benson Industries Employees Union-ALU-TUCP v. Benson Industries, Inc.*:[67]

To reiterate, an employer which closes shop due to serious business losses is exempt from paying separation benefits under Article 297 of the Labor Code for the reason that the said provision explicitly requires the same only when the closure is not due to serious business losses; conversely, the obligation is maintained when the employer's closure is not due to serious business losses. For a similar exemption to obtain against a contract, such as a CBA, the tenor of the parties' agreement ought to be similar to the law's tenor. When the parties, however, agree to deviate therefrom, and unqualifiedly covenant the payment of separation benefits irrespective of the employer's financial position, then the obligatory force of that contract prevails and its terms should be carried out to its full effect.[68](Emphasis supplied)

Petitioner's Board of Trustees issued the Resolution dated September 23, 1992 authorizing the payment of separation benefits to Bicolandia Sugar Development Corporation's terminated employees in the event of the Corporation's privatization. It voluntarily bound itself to pay separation benefits regardless of the Corporation's financial standing. It cannot now claim that it was exempted from paying such benefits due to serious business losses.

V

Private respondents' claim to their separation benefits has not yet prescribed under Article 291 of the Labor Code.[69] Article 291 provides:

Art. 291. Money claims. All money claims arising from employer- employee relations accruing during the effectivity of this Code shall be filed within three (3) years from the time the cause of action accrued; otherwise they shall be forever barred[.]

In *Arriola v. National Labor Relations Commission*,[70] we have distinguished a money claim arising from an employer-employee relationship and a money claim as reparation for illegal acts done by an employer in violation of the Labor Code. The prescriptive period for the former is three (3) years under Article 291 of the Labor Code while the prescriptive period of the latter is four (4) years under Article 1146[71] of the Civil Code. We also reiterated that the three-year prescriptive period under Article 290 of the Labor Code refers to "illegal acts penalized under the Labor Code, including committing any of the prohibited activities during strikes and lockouts, unfair labor practices, and illegal recruitment activities." [72] Article 290 provides:

Art. 290. Offenses. Offenses penalized under this Code and the rules and regulations pursuant thereto shall prescribe in three (3) years.

All unfair labor practice arising from Book V shall be filed within one (1) year from accrual of such unfair labor practice; otherwise, they shall be forever barred.

Private respondents filed their Complaint for unfair labor practices, union busting, and labor standard benefits on April 24, 1996,[73] or three (3) years, seven (7) months and 24 days after their termination on September 30, 1992. Their Complaint essentially alleged that their termination was illegal because it was made prior to Bicolandia Sugar Development Corporation's sale to Bicol Agro-Industrial Producers Cooperative, Incorporated-Peñafrancia Sugar Mill.[74] They also alleged that the sale was illegal since it was made for the purpose of removing NACUSIP/BISUDECO Chapter as the sugar mill's Union.[75]

Under the prescriptive periods stated in the Labor Code and *Arriola*, private respondents' cause of action and any subsequent money claim for illegal termination has not yet prescribed. Their Complaint dated April 24, 1996 before the Labor Arbiter was filed within the prescriptive period.

The claim for separation pay, 13th month pay, and accrued vacation and sick leaves are incidental to employer-employee relations. Under Article 291 of the Labor Code, these claims prescribe within three (3) years

from the accrual of the cause of action:

Art. 291. Money Claims. All money claims arising from employer-employee relations accruing during the effectivity of this Code shall be filed within three (3) years from the time the cause of action accrued; otherwise they shall be barred forever.

This Court has stated that "in the computation of the three-year prescriptive period, a determination must be made as to the period when the act constituting a violation of the workers' right to the benefits being claimed was committed." [76] In *Barayoga*, the September 23, 1992 Resolution "authorized the payment of separation benefits to the employees of the corporation in the event of its privatization." [77] The payment of these benefits, however, to private respondents was mandated by the Labor Arbiter in his Decision dated January 14, 2000. [78] It was only then that private respondents' right to these benefits was determined. Since the case was appealed to the National Labor Relations Commission, the prescriptive period to claim these benefits began to run only after the Commission's Decision had become final and executory. The refusal to pay these benefits after the Commission's Decision had become final and executory would be "the act constituting a violation of the worker's right to the benefits being claimed." [79]

Under Rule VII, Section 14 [80] of the New Rules of Procedure of the National Labor Relations Commission, [81] decisions of the Commission become final and executory 10 days after the receipt of the notice of decision, order, or resolution. The three-year prescriptive period, therefore, begins from private respondents' receipt of the National Labor Relations Commission Resolution dated June 21, 2002 denying petitioner's Motion for Reconsideration.

Since the Complaint, which included the claim for labor benefits, was filed on April 24, 1996, private respondents' claims did not prescribe.

Further, the Labor Arbiter did not err in ordering the release of separation benefits to private respondents despite their initial refusal to receive them. The Constitution guarantees workers full protection of their rights, including that of "economic security and parity." [82] Article II, Section 18 and Article XIII, Section 3 state:

Article II
State Policies

SECTION 18. The State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare.

Article XIII
Labor

SECTION 3. The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.

It shall guarantee the rights of all workers to self-organization, collective bargaining and negotiations, and peaceful concerted activities, including the right to strike in accordance with law. They shall be entitled to security of tenure, humane conditions of work, and a living wage. They shall also participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

The State shall promote the principle of shared responsibility between workers and employers and the preferential use of voluntary modes in settling disputes, including conciliation, and shall enforce their mutual compliance therewith to foster industrial peace.

The State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to

expansion and growth.

Under these provisions, workers should be granted all rights, including monetary benefits, enjoyed by other workers who are similarly situated. Thus, the separation benefits granted to Bicolandia Sugar Development Corporation's terminated employees as of September 30, 1992 must be enjoyed by all, including private respondents.

This case is unique, however, in that though private respondents' separation benefits were already released by petitioner, they refused to collect their checks "on account of their protested dismissal."^[83] Their refusal to receive their checks was premised on their Complaint that petitioner's sale of Bicolandia Sugar Development Corporation violated their Collective Bargaining Agreement and was a method of union busting. It was not because of negligence or malice. It was because of their honest belief that their rights as laborers were violated and the grant of separation benefits would not be enough compensation for it. While private respondents' allegations have not been properly substantiated, it would be unjust to deprive them of their rightful claim to their separation benefits.

Moreover, private respondents' co-complainants^[84] were able to collect their checks for their separation benefits during the pendency of the Complaint^[85] without having to go through the Commission on Audit.

Under Section 26 of the State Auditing Code, the Commission on Audit has jurisdiction over the settlement of debts and claims "of any sort" against government:

Section 26. General jurisdiction. The authority and powers of the Commission shall extend to and comprehend all matters relating to auditing procedures, systems and controls, the keeping of the general accounts of the Government, the preservation of vouchers pertaining thereto for a period of ten years, the examination and inspection of the books, records, and papers relating to those accounts; and the audit and settlement of the accounts of all persons respecting funds or property received or held by them in an accountable capacity, as well as the examination, audit, and settlement of all debts and claims of any sort due from or owing to the Government or any of its subdivisions, agencies and instrumentalities. The said jurisdiction extends to all government-owned or controlled corporations, including their subsidiaries, and other selfgoverning [sic] boards, commissions, or agencies of the Government, and as herein prescribed, including non-governmental entities subsidized by the government, those funded by donation through the government, those required to pay levies or government share, and those for which the government has put up a counterpart fund or those partly funded by the government. (Emphasis supplied)

The purpose of requiring a separate process with the Commission on Audit for money claims against government is under the principle that public funds may only be released upon proper appropriation and disbursement:

Section 4. Fundamental principles. Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit:

- (1) No money shall be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority.
- (2) Government funds or property shall be spent or used solely for public purposes.
- (3) Trust funds shall be available and may be spent only for the specific purpose for which the trust was created or the funds received.
- (4) Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency.
- (5) Disbursements or disposition of government funds or property shall invariably bear the approval of the

proper officials.

(6) Claims against government funds shall be supported with complete documentation.

(7) All laws and regulations applicable to financial transactions shall be faithfully adhered to.

(8) Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations.

Money claims against government include money judgments by courts, which must be brought before the Commission on Audit before it can be satisfied. Supreme Court Administrative Circular No. 10-2000[86] states the rationale for requiring claimants to file their money judgments before the Commission on Audit:

Republic of the Philippines
Supreme Court
Manila

ADMINISTRATIVE CIRCULAR NO. 10-2000

TO : All Judges of Lower Courts

SUBJECT : Exercise of Utmost Caution, Prudence and Judiciousness in the Issuance of Writs of Execution to Satisfy Money Judgments Against Government Agencies and Local Government Units

In order to prevent possible circumvention of the rules and procedures of the Commission on Audit, judges are hereby enjoined to observe utmost caution, prudence and judiciousness in the issuance of writs of execution to satisfy money judgments against government agencies and local government units.

Judges should bear in mind that in *Commissioner of Public Highways v. San Diego* (31 SCRA 617, 625 [1970]), this Court explicitly stated:

The universal rule that where the State gives its consent to be sued by private parties either by general or special law, it may limit claimant's action 'only up to the completion of proceedings anterior to the stage of execution' and that the power of the Courts ends when the judgment is rendered, since government funds and properties may not be seized under writs of execution or garnishment to satisfy such judgments, is based on obvious considerations of public policy. Disbursements of public funds must be covered by the corresponding appropriation as required by law. The functions and public services rendered by the State cannot be allowed to be paralyzed or disrupted by the diversion of public funds from their legitimate and specific objects, as appropriated by law.

Moreover, it is settled jurisprudence that upon determination of State liability, the prosecution, enforcement or satisfaction thereof must still be pursued in accordance with the rules and procedures laid down in P.D. No. 1445, otherwise known as the Government Auditing Code of the Philippines (*Department of Agriculture v. NLRC*, 227 SCRA 693, 701-02 [1993] citing *Republic vs. Villasor*, 54 SCRA 84 [1973]). All money claims against the Government must first be filed with the Commission on Audit which must act upon it within sixty days. Rejection of the claim will authorize the claimant to elevate the matter to the Supreme Court on certiorari and in effect sue the State thereby (P.D. 1445, Sections 49-50). . . . (Emphasis supplied)

Thus, in *National Electrification Administration v. Morales*,[87] while entitlement to claims for rice allowance, meal allowance, medical/dental/optical allowance, children's allowance, and longevity pay under Republic Act No. 6758 may be adjudicated by the trial court, a separate action must be filed before the Commission on Audit for the satisfaction of the judgment award.

Similarly, in *Lockheed Detective and Watchman Agency v. University of the Philippines*,[88] this Court reimbursed to the University of the Philippines its funds that were garnished upon orders of the National Labor Relations Commission for the satisfaction of a judgment award. The reimbursement was on the ground that the

money claim must first be filed before the Commission on Audit.

The situation in this case, however, is different from these previous cases. Petitioner's Board of Trustees already issued the Resolution on September 23, 1992 for the release of funds to pay separation benefits to terminated employees of Bicolandia Sugar Development Corporation.[89] Private respondents' checks were released by petitioner to the Arbitration Branch of the Labor Arbiter in 1992.[90] Under these circumstances, it is presumed that the funds to be used for private respondents' separation benefits have already been appropriated and disbursed. This would account for why private respondents' co-complainants were able to claim their checks without need of filing a separate claim before the Commission on Audit.

In this instance, private respondents' separation benefits may be released to them without filing a separate money claim before the Commission on Audit. It would be unjust and a violation of private respondents' right to equal protection if they were not allowed to claim, under the same conditions as their fellow workers, what is rightfully due to them.

WHEREFORE, the Petition is DENIED.

SO ORDERED.

Carpio, (Chairperson), Del Castillo, and Mendoza, JJ., concur.

Brion, J., on leave

[1] Entitled "Proclaiming and Launching a Program for the Expeditious Disposition and Privatization of Certain Government Corporations and/or the Assets thereof, and Creating the Committee on Privatization and the Asset Privatization Trust."

[2] LABOR CODE, art. 291 provides:

Art. 291. Money claims. All money claims arising from employer-employee relations accruing during the effectivity of this Code shall be filed within three (3) years from the time the cause of action accrued; otherwise they shall be forever barred.

[3] Rollo, pp. 13-38.

[4] Id. at 39-43.

[5] Id. at 44-48.

[6] Id. at 49-51.

[7] Id. at 52-53.

[8] Id. at 298, Labor Arbiter's Decision.

[9] Id. at 298-299.

[10] Id. at 299.

[11] Id. at 17, Petition.

[12] Id.

[13] Id. at 112-118.

[14] Id. at 88, Department of Labor and Employment Order dated October 15, 1992. The Supervision and Financing Agreement actually sets the term only up to the 1988-1989 milling season, but both the Department of Labor and Employment and *Barayoga v. Asset Privatization Trust* (510 Phil. 452 (2005) [Per J. Panganiban, Third Division]) found that the agreement would commence on August 28, 1992 and end on August 31, 1992.

[15] Id. at 299, Labor Arbiter's Decision.

[16] Id.

[17] Id.

[18] Id.

[19] Id. at 300.

[20] Id. at 123. These members were: Donald B. Domulot, Rodolfo Parro, Antonio T. Falcon, Manuel Aguilar, Gil Gomez, Jr., Jorge Emata, Bienvenido S. Felina, Domingo Rebancos, Jr., Nelson Berina, Pelecio de Jesus, Antonio Abonite, Necito Ramos, Ernesto de Luna, Domingo Arao, Armando Villote, Pablo San Buenaventura, Roberto Tirao, Mariano Pelo, Eutiquio Enfeliz, Reynaldo Ragay, Onofre Gallarte, Jaime Vinas, and Lydio Bomanlag.

[21] Id. at 300.

[22] Id. at 298-305. The Decision was penned by Executive Labor Arbiter Gelacio L. Rivera. Jr.

[23] Id. at 301-302.

[24] Id. at 129.

[25] Id. at 130.

[26] Id. at 304,

[27] LABOR CODE, art. 291 provides:

Art. 291. Money Claims. All money claims arising from employer-employee relations accruing during the effectivity of this Code shall be filed within three (3) years from the time the cause of action accrued; otherwise they shall be barred forever.

[28] Rollo, p. 305.

[29] Id.

[30] Id. at 21, Petition.

[31] Id. at 14, Petition.

[32] Id. at 49-51. The Resolution was penned by Presiding Commissioner Lourdes C. Javier and concurred in by Commissioners Ireneo B. Bernardo and Tito F. Genilo of the Third Division.

[33] Id. at 52-53. The Resolution was penned by Presiding Commissioner Lourdes C. Javier and concurred in by Commissioners Ireneo B. Bernardo and Tito F. Genilo of the Third Division.

[34] Id. at 155-191.

[35] Id. at 39-43. The Decision was penned by Associate Justice Aurora Santiago-Lagman and concurred in by Associate Justices Marina L. Buzon (Chair) and Sergio L. Pestano of the Fourteenth Division.

[36] Id. at 42.

[37] Id. at 44-48. The Decision was penned by Associate Justice Aurora Santiago-Lagman and concurred in by Associate Justices Marina L. Buzon (Chair) and Regalado E. Maambong of the Special Former Fourteenth Division.

[38] Id. at 13-38.

[39] Id. at 23.

[40] LABOR CODE, art. 291 provides:

Art. 291. Money claims. All money claims arising from employer-employee relations accruing during the effectivity of this Code shall be filed within three (3) years from the time the cause of action accrued; otherwise they shall be forever barred.

All money claims accruing prior to the effectivity of this Code shall be filed with the appropriate entities established under this Code within one (1) year from the date of effectivity, and shall be processed or determined in accordance with the implementing rules and regulations of the Code; otherwise, they shall be forever barred[.]

[41] Rollo, pp. 27-28.

[42] Id. at 29-31.

[43] Id. at 30-32.

[44] Entitled "An Act Fixing the Time within which the Auditor General shall Render his Decisions and Prescribing the Manner of Appeal Therefrom."

[45] Rollo, pp. 33-34, Petition. See Pres. Decree No. 1445, State Audit Code of the Philippines (1978).

[46] Id. at 411, Comment.

[47] Id. at 412.

[48] Id. at 431-432, Reply.

[49] See *Lepanto Consolidated Mining v. Icao*, G.R. No. 196047, January 15, 2014, 714 SCRA 1, 11 [Per C.J. Sereno, First Division], citing *BPI Family Savings Bank, Inc., v. Pryce Gases, Inc.*, 668 Phil. 206 (2011) [Per J. Carpio, Second Division]; *National Power Corporation v. Spouses Laohoo*, 611 Phil. 194 (2009) [Per J. Peralta, Third Division]; *Philux, Inc. v. National Labor Relations Commission*, 586 Phil. 19 (2008) [Per J. Leonardo-De Castro, First Division]; *Cu-unjieng v. Court of Appeals*, 515 Phil. 568 (2006) [Per J. Garcia, Second Division]; *Stolt-Nielsen Services, Inc. v. NLRC*, 513 Phil. 642 (2005) [Per J. Garcia, Third Division]; *Producers Bank of the Philippines v. Court of Appeals*, 430 Phil. 812 (2002) [Per J. Carpio, Third Division]; *Villanueva v. Court of Appeals*, G.R. No. 99357, 27 January 1992, 205 SCRA 537 [Per J. Regalado, Second Division]; *Trans International v. Court of Appeals*, 348 Phil. 830 (1998) [Per J. Martinez, Second Division]; *Acme Shoe, Rubber & Plastic Corporation v. Court of Appeals*, 329 Phil. 531 (1996) [Per J. Vitug, First Division]; and *Ozaeta v. Court of Appeals*, 259 Phil. 428 (1989) [Per J. Gancayco, First Division].

[50] Rollo, p. 50, National Labor Relations Commission Resolution.

[51] The actual last day of filing, February 5, 2000, fell on a Saturday.

[52] Rollo, p. 50, National Labor Relations Commission Resolution.

[53] *Tres Reyes v. Maxims Tea House*, 446 Phil. 388, 400 (2003) [Per J. Quisumbing, Second Division], citing *Lopez, Jr. v. National Labor Relations Commission*, 315 Phil. 717 (1995) [Per J. Puno, Second Division].

[54] *Id.*, citing *Kunting v. National Labor Relations Commission*, G.R. No. 101427, November 8, 1993, 227 SCRA 571, 581 [Per J. Bidin, Third Division].

[55] *Id.*, citing *Lopez, Jr. v. National Labor Relations Commission*, 315 Phil. 717 (1995) [Per J. Puno, Second Division].

[56] See LABOR CODE, art. 4.

[57] 331 Phil. 608 (1996) [Per J. Vitug, First Division],

[58] *Id.* at 621.

[59] 510 Phil. 452 (2005) [Per J. Panganiban, Third Division].

[60] *Id.* at 461.

[61] *Id.*

[62] Rollo, p. 129.

[63] Proc No. 50 (1986), sec. 12(6) provides:

Section 12. POWERS. The Trust shall, in the discharge of its responsibilities, have the following powers:

. . . .

(6) To lease or own real and personal property to the extent required or entailed by its functions; to borrow money and incur such liabilities as may be reasonably necessary to permit it to carry out the responsibilities imposed upon it under this Proclamation; to receive and collect interest, rent and other income from the corporations and assets held by it and to exercise in behalf of the National Government and to the extent authorized by the Committee, in respect of such corporations and assets, all rights, powers and privileges of ownership including the ability to compromise and release claims or settle liabilities, and otherwise to do and perform any and all acts that may be necessary or proper to carry out the purposes of this Proclamation: Provided, however, that any borrowing by the Trust shall be subject to the prior approval by the majority vote of the members of the Committee[.]

[64] Article 283 of the Labor Code has since been re-numbered to Article 298 by virtue of Rep. Act No. 10151, approved June 21, 2011, and DOLE Department Advisory No. 1, Series of 2015.

[65] See *GJT Rebuilders Machine Shop v. Ambos*, G.R. No. 174184, January 28, 2015 <<http://sc.judiciary.gov.ph/pdf/web/viewer.html?file=/jurisprudence/2015/january2015/174184.pdf>> 7 [Per J. Leonen, Second Division].

[66] *Id.*

[67] G.R. No. 200746, August 6, 2014, 732 SCRA 318 [Per J. Perlas-Bernabe, Second Division].

[68] *Id.* at 327.

[69] *Id.* at 130.

[70] G.R. No. 175689, August 13, 2014, 732 SCRA 656 [Per J. Leonen, Third Division].

[71] CIVIL CODE, art. 1146 provides:

Article 1146. The following actions must be instituted within four years:

(1) Upon injury to the rights of the plaintiff[.]

[72] *Arriola v. National Labor Relations Commission*, G.R. No. 175689, August 13, 2014, 732 SCRA 656, 667 [Per J. Leonen, Third Division], citing *Callanta v. Carnation Philippines, Inc.*, 22 Phil. 279 (1986) [Per J. Fernan, Second Division].

[73] *Rollo*, p. 70.

[74] *Id.* at 82, *Opposition to the Motion to Dismiss*.

[75] *Id.* at 127, *Labor Arbiter's Decision*.

[76] *Auto Bus Transport Systems v. Bautista*, 497 Phil. 863, 875-876 (2005) [Per J. Chico-Nazario, Second Division].

[77] *Barayoga v. Asset Privatization Trust*, 510 Phil. 452, 461 (2005) [Per J. Panganiban, Third Division].

[78] *Rollo*, p. 130.

[79] *Auto Bus Transport Systems v. Bautista*, 497 Phil. 863, 875-876 (2005) [Per J. Chico-Nazario, Second Division].

[80] 2011 NLRC Rules of Procedure, rule VII, sec. 14 provides:

SECTION 14. Finality of Decision of the Commission and Entry of Judgment. - (a) Finality of the Decisions, Resolutions or Orders of the Commission. Except as provided in Rule XI, Section 9, the decisions, resolutions or orders of the Commission/Division shall become executory after ten (10) calendar days from receipt of the same.

[81] As amended by NLRC Resolution No. 01-02, Series of 2002. The current rules of procedure are the 2011 Rules of Procedure of the National Labor Relations Commission.

[82] *Serrano v. Gallant Maritime Services, Inc.*, 601 Phil. 245, 281 (2009) [Per J. Austria-Martinez, En Banc].

[83] *Rollo*, p. 130.

[84] *Id.* at 123 and 129. These co-complainants were: Donald B. Domulot, Rodolfo Parro, Antonio T. Falcon, Manuel Aguilar, Gil Gomez, Jr., Pelecio de Jesus, Antonio Abonite, Necito Ramos, Ernesto de Luna, Domingo Arao, Pablo San Buenaventura, Mariano Pelo, Eutiquio Enfeliz, Reynaldo Ragay, Onofre Gallarte, Jaime Vinas, and Lydio Bomanlag.

[85] *Id.* at 129.

[86] Dated October 25, 2000.

[87] 555 Phil 74 (2007) [Per J. Austria-Martinez, Third Division].

[88] 686 Phil. 191 (2012) [Per J. Villarama, Jr., First Division].

[89] See *Barayoga v. Asset Privatization Trust*, 510 Phil. 452 (2005) [Per J. Panganiban, Third Division].

[90] *Rollo*, p. 129.

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