WELFARE LAWS

Perfecto V. Fernandez *

I. WORKMEN'S COMPENSATION

A. COVERAGE

1. *Industrial Employment*

In *Bolinao Electronics Corp. v. Workmen's Compensation Commission,* [1] one of the defenses of petitioner was the absence of an employee status on the part of the claimant for compensation. At the time of the accident which resulted in his injury, claimant was Manager of the Manila TV Division of petitioner. His duties included the execution of all the policies laid down by the Board of Directors and Management, supervision of the various departments composing his division, direct responsibility to the General Manager and the negotiation of sales contracts for television. For such services, he received a monthly salary from petitioner. In affirming the finding in the award that claimant was an employee, the high Court observed:

> "* * * it is worthy to note that under the Workmen's Compensation Act, the word "laborer" is used as synonymous to "employee" and means "every person who has entered the employment of, or works under a service or apprenticeship contract from an employer". That respondent Garcia was petitioner's employee can not, therefore, be doubted, and that his employment was "industrial employment" is clearly shown by subsection (d), Section 39 of the Workmen's Compensation Act, according to which, "industrial employment in case of private employers includes all employment or work at a trade, occupation or profession exercised by an employer for the purpose of gain, except domestic service."

2. *Public Employment*

In *Bolinao Electronics Corp. v. Workmen's Compensation,*[2] petitioner invoked Section 3 of the Act, contending that since the claimant for compensation was not engaged in "manual labor" within the meaning of that section, he could not be entitled to compensation benefits, and the award therefor is without basis. At the time of the accident, claimant was Manager of the Manila TV Division of petitioner. In overruling this defense on appeal, the high Court pointed out that Section 3 governed only public employment. According to the Court:

---

* *Associate Professor,* College of Law, University of the Philippines.

[1] G.R. No. 23104, April 30, 1970.

[2] *Supra,* note 1.

"* * * A careful reading and understanding of the provision relied upon will not fail to show that it is applicable to employees and laborers in public works and the industrial concerns of the Government and to all other persons performing manual labor in the service of the National Government and its political subdivision and instrumentalities. It does not refer at all to employees and laborers in *private industrial firms.* While, on the one hand, it is clear that petitioner is not a political subdivision nor an instrumentality of the National Government and is not, therefore, entitled to invoke the provisions of Section 3 of the Workmen's Compensation Act, on the other hand, it is not disputed that it is a private corporation doing business in the Philippines with a capital in excess of ₱10,000. As such it is covered by the Workmen's Compensation Act."

B. COMPENSABLE HARM

1. *Work Connection*

In the same case of *Bolinao Electronics Corp.,* one of the issues raised was the compensability of the injury sustained by the claimant. As manager of petitioners Manila TV Division, claimant paid a visit to a client in Makati. Upon returning to his car, he found out that his rear tire was flat, whereupon he proceeded to change the tire. In the course of lifting the car with a jack, the lever suddenly snapped and claimant suffered a back injury, which disabled him for work. Petitioner contended that the injury was not work-connected, but the referee awarded benefits and the award was sustained by the Commission. On appeal, the high Court observed that the facts of record do not justify reversal of said award.

"* * * According to the stipulation of facts, in the afternoon of December 8, 1961 respondent Garcia visited a client (Mr. Cabby Cabarrubia) on Ayala Avenue, Makati, Rizal, who had just opened his advertising agency which had acquired the Liberty account from the Ace Advertising Agency which had pending accounts with said respondent's office. It is clear from this that the matter that took Garcia to the office of Cabarrubia that afternoon was directly connected with the business and transactions of his office as Manager of petitioner's Manila TV division."

2. *Death Benefits*

a. *When death shown*

Death may be shown, for compensation purposes, not only by direct and positive evidence, but also by a combination of circumstances which renders the continuance of life remote, as in the case of sailors lost in the course of a voyage at sea.

In *Camote Shipping Corp. v. Otadoy,* [3] the deceased sailor was aboard respondent's vessel when it sailed from Poro to Cebu. On its return trip

[3] G.R. No. 27249, July 31, 1970.

from Cebu City to Poro, via Mandawe, Otadoy was still aboard the boat. He was even requested by one of the boat passengers who boarded at Mandawe, Cebu, for something to eat. That was on the night on July 13, 1964 when the boat lifted anchor from Mandawe on its way to Poro. Another passenger said that Otadoy, Baidal and he slept together on the roof of the boat on the night of said July 13. As there was slight drizzle, they had to go down the deck to look for some other place to resume their sleep. When the boat reached Poro on the early morning of July 14, 1964, Otadoy could no longer be found. At least three passengers testified that they looked for him in connection with their personal needs or concerns, but could not find him. Was his death shown?

HELD: These overwhelming circumstantial evidence of the unexplained disappearance of Otadoy while aboard Ave Maria II, plus the inherent impossibility for him to leave the boat voluntarily while the boat was sailing on the high seas between Mandawe and Poro, Cebu, the fact that he could not be found dead or alive notwithstanding the diligent efforts of his parents to locate him, the failure of the respondent to establish that he was alive, are more than sufficient to support the inference that he fell into the sea and was drowned and said incident was not noticed by anybody. And, inasmuch, as, at the time of his disappearance, Otadoy was in the course of his employment with the respondent, his dependent parents should be entitled to the benefits provided by the Act.

C. PROTECTION OF COMPENSATION BENEFITS

1. *Compulsory Insurance*

a. *Coverage of policy*

The scope of coverage of a workmen's compensation insurance policy extends to an employee, although not named in said policy, where the entire work force is meant to be covered. In *Manila Surety & Fidelity Co., Inc. v. Workmen's Compensation Commission,* [4] the owner of a furniture shop obtained a workmen's compensation policy from intervenor company. According to the policy itself, it covered "seven (7) shop workers" without mention of the names of the employees covered. During the period covered by the policy, one of the laborers was stabbed by a fellow employee in the shop during working hours, resulting in his death. When the heirs filed a claim for compensation, the insurance carrier intervened, contending that it could not be held liable since the deceased was assigned to another shop, hence, not to be covered by the policy. Benefits, however, were awarded for which the intervenor insurer was adjudged liable. In the subsequent petition for review, the Commission sustained the award, finding that the

[4] G.R. No. 27249, July 31, 1970.

deceased as admittedly an employee in the shop covered by the policy. In sustaining the decision of the Commission on review, the Supreme Court quoted its findings and observations as follows:

> "Under the provisions of Section 30 of the Workmen's Compensation Act, as further amended by Rep. Act No. 4119 effective June 20, 1964, which introduced into our country the new concept of 'compulsory insurance's in our workmen's compensation System, the insurance company which issued a workmen's compensation policy is liable for compensation payments regardless of conditions incorporated in the insurance policy limiting its coverage to certain named locations, classes of employees, or specified operations, in view of the fact that we follow the 'full coverage' rule in compulsory insurance. For instance, if the policy enumerates the names or number of employees covered by it, the Bureau will disregard such enumeration or limitation when an employee, not within the list, meets with an accident, and the bureau will require the insurance carrier to pay compensation benefits to him as if his name were included in the list. Similarly, defenses such as non-payment of premiums, breach of policy conditions, or even assignment and transfer of interests which the insurer might have against the employer, are not available against the employee. (Cf. Larson, Workmen's Compensation Law, Vol. 2, Sec. 92.00, p. 443). The philosophy underlying compulsory insurance of workmen's compensation liabilities is to allow the injured or sick worker to receive prompt payment of his full compensation benefits with a minimum of legal formality. Besides, it appears in the insurance carrier's 'Schedule' that the policy apparently covers 'Any person in the Insured's immediate service x x x' which necessarily includes the late Mallari. Any other interpretation will tend to defeat the very purpose for which compulsory insurance system was introduced into the country."

D. COMPENSATION ADMINISTRATION

1. *Employer's Report of Death or Injury*

a. *Notice of controversion*

While under the law, the employer's right to controvert any claim for compensation arises immediately upon the occurrence of the event upon which the claim is predicated, such employer, to be entitled to controvert the claim, must submit a report of the accident or event upon which the claim is based within fourteen (14) days from the date of disability or within ten (10) days after he has acquired knowledge thereof; otherwise he shall be deemed to have waived the right to controvert the claim. In *Atlas v. Consolidated Mining & Development Corp. v. Workmen's Compensation Commission,*[5] the defenses raised on appeal were non-compensability of the tuberculosis of claimant, and laches and prescription because the claim was filed almost five years from the claimant's separation from petitioner com-

[5] G.R. No. 2243, May 29, 1970.

pany on account of his illness. In overruling these defenses and sustaining the award, the high Court observed:

> "Anent the alleged non-compensability of Rubiso's illness, the record likewise discloses that petitioner had knowledge of claimant's illness but failed to submit to the Commission the report required by Section 37 of the Workmen's Compensation Act, as amended. This failure amounts to a waiver of the defense that the laborer's claim is not compensable." (Martha Lumber Mill Inc. vs. Romana V. Lagradante, et al., G.R. No. L-7599, June 27, 1956; Manila Railroad Company vs. Workmen's Compensation Commission, et al., G.R. No. L-19377, Jan. 30, 1964).

b. *Computation of period for controversion*

The period for filing a notice of controversion starts from the day the employer comes to know of the illness or injury which is the basis of the claim. In *Pioneer Ceramics, Inc. v. Samia,*[6] the employer contended that he had made a timely controversion of the claim. While the claimant failed to report for work on October 8, 1965, he had not in fact informed employer of his illness. It was only on July 26, 1966, according to petitioner, when the claimant went to the office of petitioner to claim benefits that petitioner came to know of his illness. Two days later, on July 29, 1966, petitioner filed its employer report with a notice of controversion. In disposing of this contention on appeal, the high Court conceded that the bare claim of claimant that he had reported his illness to the general manager of the company on October 8, 1965 may be discounted; the high court, however, noted that on December 3, 1965 the Social Security System advised petitioner of the claimant's request for sickness allowances as a member of the System for confinement starting October 8, 1965. The court also noted that the petitioner in fact paid these allowances and was reimbursed therefor via an SSS voucher dated June 3, 1965. This is convincing evidence, according to the court, that there was knowledge by petitioner of the claimant's illness long before it filed the aforesaid employer's report, hence, controversion was not timely and the right to controvert was lost. It is already settled that the failure to file the notice and claim within the time prescribed in Section 24 of the Act is non-jurisdictional and does not bar the claim if there is a failure to controvert on the part of the employer. One of the contentions of the employer on appeal was that no claim for compensation was actually filed. In overruling this contention, the high Court pointed out that first, the official form was used by claimant in notifying petitioner of his injury was entiled "Notice of Injury or Sickness and Claim for Compensation," and contained data on claimant's compensation and working days; and second, petitioner had failed to controvert the claim, thereby waiving the defense asserted.

[6] G.R. No. 28819, June 23, 1970.

E. COMPENSATION PROCEEDINGS

1. *Jurisdiction over Compensation*

a. *Jurisdiction over insurance carrier*

Under Section 30 of the Act, the Commission and its units have jurisdiction over the insurance carrier for purposes of enforcing its liability on the policies. But may a cross-claim be entertained against the employer with respect to such policy?

In *Philippine British Assurance Co., Inc. v. Mangune*,[7] the question arose whether the Workmen's Compensation Commission has jurisdiction to entertain cross-claims filed by a workmen's compensation insurance carrier against the employer concerned. In this case, the employer pursuant to Section 30 of Act No. 3428, as amended, had taken out an insurance policy from petitioner to cover payments of all compensation benefits to which the insured's workers might be legally entitled to under said Act. While the policy was in force, respondent employees filed their respective compensation claims against the employer. These claims were later amended to include petitioner. Upon receipt of said claims, petitioner filed its answers, with cross-claims against the insured employer. In the cross-claim, petitioner alleged that the insurance policy was null and void because at the time it was issued, the insured employer had concealed from petitioner the fact that the claimant employees and other workers of the company were suffering from various illnesses and/or had consulted the company physician on various matters concerning their health. Consequently, petitioner claimed that the insured employer should be ordered to reimburse it for any sums that it might be compelled to pay under such policy. The employer moved to dismiss the cross-claims, and this motion was granted by the Hearing Office on the ground of lack of jurisdiction. Acting on a petition for certiorari and mandamus, the Supreme Court sustained the ruling of the Hearing Officer. According to the high Court, the Workmen's Compensation Commission is an administrative body created by law to perform a specific quasi-judicial function, hence, it possesses only such jurisdiction as is directly conferred by the statute. Since the Act is silent on the jurisdiction of the Commission over the type of cross-claim under question, it follows that it is without jurisdiction over such cross-claim.

> "Of course, by express mandate of Section 30-f, jurisdiction over the employer is jurisdiction over the insurer, but this is true only insofar as the employees' claims, and hence the insurer's liability therefor by virtue of the policy, are concerned, the only question at issue being the compensability of such claims. The grounds upon which petitioner's cross-claims are based are not alleged by way of defense with respect to this issue and

[7] G.R. No. 24902, November 26, 1970.

> have no bearing thereon whatsoever. Petitioner defines its position succinctly as follows: 'that while it stands responsible to claimants . . . in any amount that the Workmen's Compensation Commission may finally adjudicate, nevertheless, since the insured employer . . . violated the terms of the Insurance Act as well as the terms of the policy itself any amount adjudicated by the Commission may be recovered by Philippine British from Sy Kap.' These matters, however, are purely between the insurer and the insured. The alleged breaches of the terms and conditions of the insurance contract have nothing to do with whether the claimants-employees are entitled to the compensation benefits asserted, but rather to the contractual relations between the insurer and insured. These are justiciable matters which pertain to the ordinary courts of justice. (Larson's Workmen's Compensation Law, Vol. 3, 1968 ed., p. 443). Otherwise the hearing and adjudication thereof—for which a hearing of the Workmen's Compensation may not be properly equipped—may needlessly tie up and delay the resolution of the main issue."

b. *Jurisdiction over the person of employer*

In order that an award for compensation may be binding on an employer, jurisdiction over its person must be shown to have been acquired. In *Guardian Security and Investigation Agency v. Workmen's Compensation Commission,* [8] petitioner company claimed that the award rendered against it was null and void because the claim was not served on petitioner but on Boie, Inc. and Capt. Martinez. Consequently, it argued, no jurisdiction was acquired over its person and it was not bound by the award. It was specifically found by the Workmen's Compensation Commission, however, in its decision dismissing the petition for review of the award, that petitioner filed its employer report, although belatedly, and that in said report petitioner admitted the deceased guard to be its employee as well as its knowledge of the fatal accident on the very day that it occurred. The Supreme Court in affirming the action of the Commission adverted to its findings that:

> "The waiver of the employer's right to controvert may be set aside by the Commission only if the former 'submits reasonable grounds for (its) failure to make necessary report' strictly in accordance with the provisions of Section 45 of Act 3428. In the present case the Workmen's Compensation Commission, in the exercise of its discretion under the law, refused to reinstate petitioner's right to controvert the claim, and the record does not disclose anything clearly showing that, in so doing, it had gravely abused its discretion."

c. *Documents and reports*

Documents and reports listed in Section 49 of the Act are admissible, although hearsay under common law rules, and together with other evidence, may constitute substantial evidence in support of an award. In *Pioneer*

8 G.R. No. 26875, July 31, 1970.

Ceramics, Inc. v. Samia, [9] the employer claimed as one of the grounds of his appeal that the award was not supported by substantial evidence, since the physician's report which was relied on as basis for the award constituted hearsay, the physician not having been presented in court as a witness. In overruling this contention, the high Court observed:

> "* * * while such a report may be hearsay under the common law rules of evidence, it is nevertheless admissible under Section 49 of the Act and may be considered in addition to the sworn testimony at open hearing. In the present case, aside from the physician's report there is the testimony of the claimant himself concerning the nature of his work, which testimony constitutes substantial evidence to support the award. It can hardly be doubted that the disease (pulmonary tuberculosis) which the claimant contracted, if not directly caused by his employment was at least aggravated by it."

d. *Presumption of compensability*

Section 44 of the Workmen's Compensation Act unequivocally establishes a presumption of compensability, although disputable by substantial evidence. This presumption does not arise by the mere filing of a claim which is timely controverted, but by the establishment of a preliminary link, although not by substantial evidence, between the injury or illness and one's employment. Once this link is established, such as that the illness or injury supervened during the period of the laborer's employment, then upon the employer is imposed the burden of demonstrating, by substantial evidence, absence of work-connection. This doctrine was recently laid down in the case of *Vargas v. Philippine American Embroideries, Inc.*[10] In this case, it was found by the Commission that when the claimant was first employed by respondent, she was examined and found to be free from any tubercular infection. A little over a year later, she was found, together with some of her fellow employees, to be suffering from pulmonary tuberculosis in a moderately advanced state. Her work was that of a brassiere sewer using an electric sewing machine for the purpose. Her daily quota of work was 360 brassieres. She then filed a claim for compensation. The referee held that while the petitioner's affliction could not have been caused directly by the nature of her employment since she was never exposed to any high concentration of free silica dust or to tubercular patients, her illness was, however, aggravated by the nature of her work. The referee attributed this aggravation to the heavy workload of the petitioner—as she had to finish every working day a quota of 360 brassieres—as well as to the crowded ill-ventilated place where she worked. On a petition for review, the award was reversed by the Commission. In overruling the decision of the Commission, the Supreme Court held that on the basis of the Commission's own

[9] G.R. No. 28819, June 23, 1970.
[10] G.R. No. 23762, August 31, 1970.

findings of fact, the presumption of compensability was applicable and that said presumption was not rebutted by the evidence of the petitioner company.

> "Our consistent ruling in a long line of cases has been that when an injury or illness occurs in the course of employment, the presumption applies that it arose out of such employment. It was therefore clearly incumbent upon the Company to prove by substantial evidence, after a preliminary link of the illness to the employment was established, that the said ailment did not or could not have arisen out of or been aggravated by the petitioner's employment. The Company failed to establish such non-work connection, or, in the very least, non-work aggravation.
>
> The Company, as far as is evident from the record, built its main defense upon the existence of blowers and windows inside the building where the petitioner worked. The witness it presented for this purpose, however, only became an employee of the Company a full six months after the petitioner was employed. Hence, it is obvious that she could not competently testify about the alleged existence of the blowers and windows prior to her employment in the said factory, as in fact she did not. Moreover, this particular witness appears to have been actually assigned to work in another building of the same factory. Consequently, her testimony as to the conditions obtaining inside the building where the petitioner was assigned cannot be accorded credit.
>
> Upon the other hand, it is manifestly undisputed that the building where the petitioner was employed, which had an area of only 30 meters in length and only 15 meters in width, housed 100 workers, plus their equipments, the materials which they worked upon, and the shelves where during the day they temporarily stored the finished brassieres. The totality of the environmental conditions obtaining would indicate, quite clearly, that the building was a veritable sweatshop, unhealthful and insanitary by modern standards."

2. EVIDENCE

a. *Statutory presumptions*

Under the Workmen's Compensation Act, it is presumed in the absence of substantial evidence to the contrary that the claim comes within the provisions of the Act. In *Manila Surety & Fidelity Co., Inc. v. Workmen's Compensation*,[11] the central issue was whether or not the death of an employee arising from an assault was compensable. The deceased was a laborer of a furniture store in Baguio City. While he was in the store and during working he was stabbled to death by a fellow employee. When his heirs filed a claim for compensation, the employer and its insurance carrier interposed the defense that the death was not compensable, having arisen from an assault provoked by purely personal differences having no relation to the work or the employment. This was overruled by the hearing officer, who awarded compensation benefits to the heirs. The award was

[11] G.R. No. 27249, July 31, 1970.

affirmed by the Commission. In sustaining the action of the Commission, the Supreme Court observed.

> "Simeon Mallari was stabbed to death between one o'clock and two o'clock in the afternoon of May 3, 1965 by a co-employee, Fortunato Reyes. The killing took place inside the shop of the furniture store. The reason for the stabbing which caused his death was not brought out by the claimant, but neither the employer nor the petitioner-company proved that the killing was the result of a quarrel purely personal in character and completely unrelated to the work of the deceased. In the absence of evidence to the contrary, the death of Mallari must be presumed to have arisen out of and in the course of his employment."

3. ADMINISTRATIVE REVIEW

a. *Reconsideration before hearing officer*

Under Section 4 of the Act, where a hearing officer denies a petition for review or motion for reconsideration of his decision or order, he must also have the entire case elevated to the Commission for review. It has recently been held that the duty to elevate did not apply to interlocutory orders not affecting the merits of compensation claims. In *Philippine British Assurance Co., Inc. v. Mangune*,[12] question arose on whether this duty to elevate would apply to an order denying reconsideration of an order dismissing a cross-claim for lack of jurisdiction. When the petitioner insurance company in this case filed a cross-claim against the employer, alleging the nullity of the policy on ground of fraud and a right to reimbursement by the employer for any sum the petitioner might be compelled to pay, the employer filed a motion to dismiss the cross-claim, which was granted by the Hearing Officer on the ground of lack of jurisdiction. Petitioner then filed a petition for review of the order. The review sought was denied, on the ground that the order of dismissal was merely interlocutory. In the petition for certiorari and mandamus filed with the Supreme Court, petitioner contended that when he denied the petition for review, he should have elevated his order of dismissal of the cross-claim for review by the Commission, in accordance with Section 4 of the Act. In overruling this contention, the high Court adopted the view of the hearing officer that the order in question was merely interlocutory and no decision on the main claims had been rendered. According to the high Court:

> "With respect to the other issue raised by petitioner, that is, whether or not the hearing officer (or referee) should have referred the petition for review of his orders to the Commission, it seems that his refusal to do so on the ground that the said orders were interlocutory took note of the fact that no decision on the main claims had yet been rendered. The im-

[12] *Supra*, note 7.

plication is that the petition should await the decision so that the entire case could be elevated. The ruling is not entirely without basis. In the first place, if the hearing officer, after receiving the evidence on the claims of the employees, should decide that they are not compensable at all, then petitioner's cross-claims would be unnecessary and then elevation of the order dismissing them to the Commission, in advance of the decision itself, would have been at least premature. It is a fair presumption that this was the import of the hearing officer's statement that the order complained of was interlocutory, aware as he must have been of the provision of Section 4, Rule 15 of the Rules of Workmen's Compensation Commission."

b. *Additional evidence*

Under Section 49 of the Act, the Commissioner undertaking review of a workmen's compensation case may, in his discretion, take or order the taking of additional testimony. In *Pioneer Ceramics, Inc. v. Samia*[13] the claimant was allowed by the Commissioner to whom the petition for review was assigned, to present additional evidence in support of his claim. The employer contended this was erroneous and illegal. Overruling this contention, the high Court pointed out that far from being either, the presentation of such testimony was entirely in accord with the above-stated portion of Section 49 of the Act.

4. JUDICIAL REVIEW

a. *Notice of appeal not required*

It has recently been ruled that a notice of appeal is no longer required under the existing Rules of Court for the perfection on an appeal from the Workmen's Compensation Commission to the Supreme Court. In *Vargas v. Philippine American Embroideries, Inc.*,[14] the high Court ruled that the service on the Commission of a copy of a petition for review filed with the Supreme Court served as a notice of appeal, and that the absence of such notice did not affect the validity of the appeal. In explaining its ruling, the high Court stated:

"There is a difference in phraseology between the above section of Rule 44 of the former Rules of Court and section 1 of Rule 43 of the present Rules, and this difference is by no means an inconsequential one. For while the former *explicitly required* a notice of appeal for the *perfection* for the appeal, the latter does not say *so*. Indeed, that a new perspective regarding the filing of the notice of appeal has been introduced is reflected in section 2 of Rule 43 of the present Rules which, while requiring the fact of the date of the filing on time of the petition for review to be stated on its face, does not demand that the same statement be made

[13] *Supra*, note 6.
[14] *Supra*, note 10.

with respect to the fact of filing of the notice of appeal. The point clearly suggested then is that the filing of the notice of appeal is no longer compulsory. Indeed, were the filing of the notice of appeal an indispensable act, then the present Rules would have simply said so in the same manner that they do with regard to the petition for review.

It must also be borne in mind that the notice of appeal serves no other purpose than to inform the Commission that the losing party desires to contest its ruling in the proper appellate court. No right of the adverse private litigant appears to be affected by it since such litigant is not *entitled* to the said notice. Hence, insofar as the real parties in interest are concerned the notice of appeal is something they can totally ignore. On the other hand, with respect to the Commission, it seems to us absurd that after it acknowledges receipt of the petition for review, as it did in this case, and makes reply to it, it is allowed to turn around and say that, after all, it did not know anything about the petitioner's desire to appeal. The petition for review, as required by our rules, unlike the notice of appeal which may consist of only one succinct sentence, is required to be under oath and to delineate to the parties involved and to this Tribunal the areas of dispute or disagreement. Consequently, its preparation and composition involve, to say the least, an appreciable expense of man-hours and money. To contend that the petition for review is not at all expressive of an intention to appeal is to give inordinate importance to the shadow rather than the substance of the law, and to deny justice as it unduly stresses technicality."

b. *Matters under review*

Defenses to a workmen's compensation claim not raised in the proceedings before the hearing officer and the Commissioner are waived.

In *Atlas Consolidated Mining & Development Corp. v. Workmen's Compensation Commission*,[15] the claimant worked with petitioner company from 1953 until 1956 when he was separated because he was ill of tuberculosis. He filed a claim for compensation benefits against petitioner in 1961, or almost five years after his separation. The company contested the claim on the ground that his illness was not compensable due to lack of work connection. When the hearing officer awarded benefits, the company filed a petition for review before the Commission also on the same ground. The Commission sustained the award and petitioner appealed to the Supreme Court. It then invoked the defense of laches and prescription, since almost five years passed before the claim was filed. In overruling this defense, the high Court ruled:

"The record discloses that the defenses of laches and prescription are being raised for the first time in this appeal. They were not invoked in the proceedings before the Hearing Officer nor later on before Associate Commissioner Sanchez and the Workmen's Compensation Commission. As

[15] *Supra*, note 5.

said defenses do not affect the jurisdiction of the latter, they cannot now be entertained and must be deemed to have been waived" (Regalado vs. Visayan Shipping Company, Inc., G.R. No. L-42855, May 21, 1939; Victorias Milling Company, Inc. vs. Compensation Commissioner, et al., G.R. No. L-10533, May 31, 1957; Manila Yatch Club, Inc. vs. Workmen's Compensation Commission, et. al., G. R. L-19258, May 31, 1963).

5. ENFORCEMENT OF AWARD

a. *Award against Republic*

An award against the Republic of the Philippines for compensation benefits, which has become final and executory, is binding on the Auditor General and mandamus lies to compel him to approve payment of the benefits according to the tenor of the award. In *Falcon v. Mathay, Sr.*,[16] compensation benefits were awarded a member of the Philippine Navy's Air Unit, who had died in the line of duty. The Solicitor General sought to have the gratuity paid to the heirs under Republic Act No. 610 deducted from the award, but this was denied by the Commission. As no appeal was perfected, the award became final. On application for payment, the Navy Auditor insisted on the deduction of the gratuity. In this he was supported by respondent Auditor General. In issuing the writ of mandamus, the high Court observed:

> "The denial of the claimed deduction by the Workmen's Compensation Commission having become final, the respondent Auditor General has no alternative but to approve the payment of the Commission's award. For him to insist on reducing the compensation payable thereunder (by insisting that the indemnity paid under Republic Act No. 610 should be subtracted from it) amounts to review by him of the Commission's final award, and no such review is authorized by law or jurisprudence. The decisions of the Workmen's Compensation Commission are exclusively appealable to the Supreme Court, yet, even the latter is powerless to alter awards that have become final, so long as they are made within the Commission's jurisdiction, which is not question in this case.
>
> In the case before us, the respondent in the case below was the entire Republic of the Philippines, and the Auditor General lays no claim to be independent of it. Since the finality of the award binds and concludes the Republic, it should likewise conclude the respondent. That is elementary. The merits of the question raised by him were there passed upon and finally resolved in the negative, and it is contrary to justice and public interest that the issue should be invoked anew. Its denial has become res judicata. A final judgment is conclusive between the parties with respect to the matter directly adjudged or any other matter that could be raised in relation thereto" (Revised Rules of Court 39, Section 49(b); Peñalosa vs. Tuason, 22 Phil. 303, 312; Philippine National Bank v. Barretto, 52 Phil. 818(824).

---

[16] G.R. No. 30303, August 31, 1970.

II. SOCIAL SECURITY

A. *SOCIAL SECURITY ACT*

1. *Private benefit plans*

a. *Liability of employer for contributions*

Under the Social Security Act, the employer's total contribution to his private benefit plan and to the Social Security System shall be the same as his contribution to his private plan before the compulsory coverage.[17] In *Luzon Stevedoring Corporation v. Social Security Commission*,[18] the earlier ruling in the *Rivera* case[19] was reiterated, to the effect that where an employer with a pre-existing private pension or retirement plan maintains the same plan even after he has started paying his contributions to the Social Security System, he is entitled to deduct from the retirement or other benefits owing to retired or separated employees under said plan the total contributions made by him in their behalf to the System. In the present case, petitioner deducted its contributions to the System from the monthly pensions payable to three retired employees under its private plan. The Social Security Commission set aside said reduction and ordered the company to refund the amounts deducted. Upon petition for review, the Supreme Court reversed the Commission's resolution, by virtue of the aforesaid *Rivera* ruling. In his concurring opinion, Justice Teehankee justified the result as follows:

> "The Rivera ruling is therefore fully controlling in this case. And justly so. It may be really seen that petitioner-employer's contribution to its private benefit plan exclusively maintained by it without any contribution from the employees and the resulting private pensions paid by it (even though reduced to a certain extent corresponding to the compulsory premium payment to the System plan) are still much greater than those required of it under the Social Security System. The reduced monthly pensions thus paid by it under its private benefit plan, in the case of Parohinog and Raymundo, amount to double their social security pensions. Nothing in the Act by implication or otherwise would warrant an inequitable construction in the name of abstract social justice that would penalize a progressive and forward-looking employer who has concretely practiced social justice towards his employees by voluntarily and unilaterally adopting and maintaining a private social security plan long before the imposition by law of compulsory social security coverage and require the employer to contribute to the compulsory plan of the System without deducting such contribution from the remaining private plan, which the employer is required to continue maintaining. An analogous example of such an unfair construction would be to require a non-agricultural employer voluntarily paying an above-minimum daily wage of ₱10.00 to his employees without waiting for the passage of the recently enacted increased minimum wage law

---

17 Rep. Act No. 1163, sec. 9.
18 G.R. No. 26175, July 31, 1970.
19 G.R. No. 26197, July 20, 1968.

fixing a minimum daily wage of ₱8.00 from ₱6.00, to still pay the increased differential of ₱2.00 besides the above-minimum daily wage of ₱10.00 already being paid by the employer.

The employer who has without compulsion of law taken the lead in complying with the spirit of the Constitutional mandate to promote social justice and in providing for social security against the hazards of disability, sickness, old age and death and thus insuring within his capabilities the well-being and economic security of his employees should not be inflicted the penalty of having to bear a greater economic burden than that which he voluntarily assumed when he adopted his private plan, which is more than that required of him under the Act, as indicated in Rivera."

2. *Payment of premiums*

a. *Penalty for delay*

Under Section 22 of the Social Security Act, the employer is liable for a three per cent penalty in case of failure to pay or remit the premiums due on time. However, where an employer failed to pay premiums on account of preliminary injunction secured by an employee association against the integration of the existing private plan with the Social Security System, such employer is not liable for any penalty since non-payment was not imputable to its fault or negligence. In *San Beda College v. Social Security System*,[20] petitioner had established a private pension plan before the institution of the Social Security System. After the System was established, the employer was requested to integrate its private plan with the System, as required by the Act. The lay faculty club of the College, together with the lay faculty club of the University of Sto. Tomas, filed a petition for declaratory relief and obtained a writ of preliminary injunction restraining the Social Security Commission and its representatives from compelling integration into the System of the private benefits plan of the San Beda College Lay Faculty Gratuity and Retirement Fund. This preliminary injunction was later dissolved by the Supreme Court upon petition of the Social Security Commission. Thereafter petitioner paid the unremitted penalty provided in Section 22 of the Act. Petitioner refused, following which the Commission adopted a resolution holding petitioner liable for such penalties and directing enforcement in the event of failure to pay. On appeal, the high Court absolved petitioner of liability:

"In saddling San Beda College with the penalties for the delayed remittance of contributions corresponding to the period of from September, 1957 to August, 1962, the Social Security System contends that the employer's obligation to remit the necessary premiums to the System was not suspended by the issuance of the writ of injunction by the Manila Court of First Instance; that since the injunction order was directed only against the compulsory integration into the System of the private benefit plan of the San Beda College lay faculty club, the San Beda College itself was

[20] G. R. No. 27493, May 29, 1970.

under no restraint to voluntarily make the remittances required by law. The flaw in this argument lies in its ignoring that any kind of payment necessarily involves two parties—the payor and the payee. As respondent System admits that during the existence of the injunction it 'could not validly collect or demand from herein petitioner (San Beda College) the payment of its premium contribution' (Answer, page 73, Record) how could it have received payment from petitioner? The act of collecting contributions is no different from the act of receiving said amounts. Furthermore, the employer can not know the exact amount to be paid if the System itself is prohibited for making any demand for payment of the contributions. Clearly, the delay in the remittance of premiums cannot be attributed to any fault of negligence on the part of the employer, but was brought about by the existence of the injunction order with which the employer had nothing to do at all. The imposition of penalities upon the employer for such delay is, consequently, unjustified and improper."

B. GOVERNMENT SERVICE INSURANCE ACT

1. *Administration of the System*

a. *Authority of governing board*

Under the charter of the Government Service Insurance System, the acts and decisions of the General Manager can be reviewed and reversed by the Board of Trustees in the exercise of its ultimate and final responsibility for the management of the System. In *Beronilla v. Government Service Insurance System*,[21] petitioner was a member of the System as Auditor of the Philippine National Bank. In various government forms which he had filled and submitted, he gave his date of birth as January 14, 1898. In 1959, he requested the Commissioner of Civil Service that his date of birth indicated in the records be changed to January 14, 1900. In support of this request, he claimed that it was only in 1955 following the demise of his mother that he discovered the true date of his birth. This was referred to the System by the Commissioner, and acted upon by the Legal Counsel of the System, who denied the request and further denied reconsideration notwithstanding additional evidence submitted in support of the request. Petitioner appealed the matter to the General Manager who, upon recommendation of the Second Assistant General Manager, approved the change. This change of petitioner's date of birth was later acted upon and corresponding adjustment was made in his life insurance policies issued by the System. Almost three years later, the Auditor of the Central Bank advised the Board of Trustees of the System that in the course of audit of the transactions of the PNB, it was discovered that petitioner had been receiving salaries and allowances after his 65th birthday, the date which he was supposed to have been compulsorily retired from the service. Acting on this information and that provided by the records of the System, the

[21] G.R. No. 21723, November 26, 1970.

Board passed a resolution holding petitioner as compulsorily retired from the service effective January 14, 1963. Petitioner filed a special action for prohibition in the Supreme Court. In denying the writ prayed for, the Supreme Court upheld the validity of the questioned resolution and sustained the authority of the Board of Trustees to review and reverse on its own initiative and sound discretion the acts and decisions of the General Manager, overruling in the process the claim that said Board should be considered guilty of laches or be held in estoppel.

> "It is thus obvious that by express statutory authority, the Board of Trustees directly manages the System and the General Manager is only the chief executive officer of the Board. In the exercise of its power to adopt rules and regulations for the administration of the System and the transaction of its business, the Board may lodge in the General Manager the authority to act on any matter the Board may deem proper, but in no wise can such conferment of authority be considered as a full and complete delegation resulting in the diminution, much less exhaustion, of the Board's own statutory-based prerogative and responsibility to manage the affairs of the System, and, accordingly, to decide with finality any matter affecting its transactions or business. In other words, even if the Board may entrust to the General Manager the power to give final approval to applications for retirement annuities, the finality of such approval cannot be understood to divest the Board, in appropriate cases and upon its attention being called to a flaw, mistake or irregularity in the General Manager's action, of the authority to exercise its power of supervision and control which flows naturally from the ultimate and final responsibility for the proper management of the System imposed upon it by the charter. Incidentally, it may be added that the force of this principle is even more true insofar as the GSIS is concerned, for the fiduciary character of the management of the System is rendered more strict by the fact that the funds under its administration are partly contributed by the thousands upon thousands of employees and workers in all the branches and instrumentalities of the government. It is indeed well to remember at all times that the System and, particularly, its funds do not belong to the government, much less to any administration which may happen to be temporarily on the saddle, and that the interest of the mass of its members can only be duly safeguarded if the administrators of the System act with utmost fidelity and care. Not for nothing is its controlling and managing board called the Board of Trustees. It results, therefore, that the first contention of petitioner cannot be sustained and We hold that any authority conferred upon the General Manager by the Board of Trustees notwithstanding, the said Board may in appropriate cases and in the exercise of its own sound discretion review the actions and decisions of the General Manager. The mere fact that the resolution granting the authority expressly gives the character of finality to the General Manager's acts does not constitute such a representation to third persons dealing with the System that such finality is definite even vis-a-vis the Board as to create any estoppel, for the simple reason that it is not legally possible for the Board to divest itself of an authority which the charter of the

System places under its direct responsibility. From another point of view, since the law clearly vests the management in the Board and makes the General Manager only its chief executive officer, all parties dealing with the System must be deemed to be on guard regarding the ultimate authority of the Board to modify or reverse any action of the General Manager and they cannot complain should the Board exercise its powers in the premises."

III. EIGHT HOUR LABOR LAW

A. *PREMIUM COMPENSATION*

1. *Liability for Sunday and holiday work*

No breach of the Eight-Hour-Labor Law was found where the overall company practices in recording hours of work and computing compensation, both regular and extra, resulted in no diminution of compensation due to the employees, although the recording showed absence of premium compensation for work done during the last two hours of each Sunday or holiday. In *Atlas Textile Development Corporation v. Kapisanan ng mga Manggagawa sa Atlas,* a CIR award for overtime compensation was reversed on the following facts. By reason of the production requirements of the petitioner company, its workers were organized into several workshifts fitting into a twenty-four hour workday for an entire seven-day a week. The regular shift works from 8:00 o'clock in the morning to 5:00 o'clock in the afternoon, with an hour's lunch break at noon. In addition to the regular shift are three irregular workshifts: the first works from 10:00 o'clock in the evening to 6:00 o'clock in the morning of the following day; the second immediately takes over and works up to 2:00 o'clock in the afternoon; and the third commences work at 2:00 o'clock in the afternoon and continues on to 10:00 in the evening. It is with respect to the first irregular shift (from 10:00 o'clock in the evening to 6:00 o'clock in the morning of the following day) that the present controversy arose. When the first irregular shift commences work at 10:00 o'clock in the evening of a Sunday or a holiday and continues on to 6:00 o'clock in the morning of the following ordinary workday, the company treats the entire period as a regular, non-overtime work period and consequently compensates the same on the basis of the regular pay rate. The fraction of two hours falling on a Sunday or a holiday is not regarded as requiring a different computation based on prevailing overtime pay. Upon the other hand, when this same first irregular shift works from 10:00 o'clock in the evening of a Saturday or an ordinary day and winds up at 6:00 o'clock in the morning of the following Sunday or holiday, the company grants the members of that shift overtime pay computed on the basis of eight hours instead of only six. Thus, the members of the first irregular shift are paid non-demandable overtime remuneration for the two hours' work done on a Sunday or an ordinary

calendar day. In holding that under said facts, no overtime compensation was due, the high Court observed:

> "While there can be no question that the two-hour work done by the members of the first irregular shift from 10:00 o'clock to 12:00 midnight of a Sunday or a legal holiday would ordinarily warrant the payment of the proper overtime remuneration, we cannot, upon the other hand, close our eyes to the fact that the same members of that shift are paid by the petitioner company—although the latter is clearly under no legal obligation to do so—overtime pay for the two-hour work done by that shift from 10:00 o'clock to 12:00 midnight of the preceding Saturday or ordinary workday. We therefore hold that in the final reckoning the members of the first irregular shift have suffered no actual deprivation of income pertaining to the two-hour work done by them from 10:00 p.m. to 12:00 midnight on a Sunday or a legal holiday. Although the records do not so reveal, it may very well be that the company adopted this payroll practice for the purpose of simplifying bookkeeping. In the end, what is paramount under the environmental milieu is that the workers here involved have, under applicable laws, been properly and fully compensated for their labor, and that the petitioner company has substantially complied with the requirements of law." [22]

B. ENFORCEMENT

1. *Jurisdiction Over Overtime Compensation Claims*

a. *When CIR has jurisdiction*

It is well settled that except for purely money claims, claims of violation of the Eight-Hour-Labor Law pertains to the exclusive jurisdiction of the Court of Industrial Relations.[23]

In *Vda. de Halili v. Court of Industrial Relations*,[24] the complaining employees alleged that certain periods in which services were rendered by the employees were excluded by the employer in computing the compensable hours of work, in violation of the Eight-Hour-Labor Law, and claimed extra compensation corresponding to the periods unlawfully deducted. The employer asserted various defenses, including lack of jurisdiction contending that all claims for overtime compensation are within the jurisdiction of the regular courts, not the CIR. In sustaining the CIR award of overtime compensation, the Supreme Court overruled the defense of lack of jurisdiction, adverting to recent cases re-affirming the jurisdiction of the CIR over violations of the Eight-Hour-Labor Law.

---

[22] G.R. No. 31338, July 31, 1970.
[23] Casino Español de Manila v. CIR. G.R. No. 18159, December 17, 1966.
[24] G.R. No. 27773, December 28, 1970.