

WELFARE LAWS

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The 1973 decisions of the Supreme Court in the area of welfare laws dealt with the Workmen's Compensation Act¹ and the Minimum Wage Law.² Familiar issues which elicited predictable responses from the Court were raised in the compensation cases. On the other hand, significant decisions were rendered in the cases involving the Minimum Wage Law. These decisions clarified the scope as well as the requirements for the exercise of the arbitral powers of the Court of Industrial Relations under Section 16 (c) of Republic Act No. 602.

I

WORKMEN'S COMPENSATION ACT

A. *Effect of Failure to Controvert*

It is a well-settled rule that the failure of an employer to controvert the right to compensation constitutes a waiver of the right to controvert and a renunciation of all non-jurisdictional defenses, such as the defense that the claim is not compensable. The basis of this rule is Section 45 of the Workmen's Compensation Act which provides: "In case the employer decides to controvert the right to compensation, he shall, either on or before the fourteenth day of disability or within ten days after he has knowledge of the alleged accident, file a notice with the Commissioner, on a form prescribed by him, that compensation is not being paid, giving the name of the claimant, name of the employer, date of the accident and the reason why compensation is not being paid. *Failure on the part of the employer or the insurance carrier to comply with this requirement shall constitute a renunciation of his right to controvert the claim unless he submits reasonable grounds for the failure to make the necessary reports, on the basis of which grounds the Commissioner may reinstate his right to controvert the claim.*" (Italics supplied)

The issue of controversion was decisive in *Development Bank of the Philippines v. Workmen's Compensation Commission*,³ *Seven-Up Bottling*

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¹ Act No. 3428 (1927), as amended.

² Republic Act No. 602 (1951).

³ G.R. No. L-30428, February 7, 1973, 49 SCRA 365 (1973).

Company of the Philippines v. Vda. de Tero,⁴ and *Philippine Graphic Arts, Inc. v. Mariano*.⁵

In *Development Bank of the Philippines v. Workmen's Compensation Commission*,⁶ the employer had knowledge of the illness and death of the deceased employee on October 18 and 29, 1967 respectively. However, it was only on January 4, 1968, well beyond the period prescribed by the Workmen's Compensation Act, that the Workmen's Compensation Unit at Naga City received a letter from the DBP branch manager together with the employer's report of sickness dated January 3, 1968, manifesting its controversion of the claim filed by the widow of the deceased employee. In holding that the absence of a timely controversion amounted to a waiver of the right to controvert, thereby precluding the employer from setting up the defense that the claim was not compensable, the Supreme Court observed that since the DBP knew of the illness on October 18, 1967, it should have anticipated that a claim for compensation would be filed by either the ailing employee or his heirs and therefore should have filed a timely notice of controversion. The Court also noted that there was a failure on the part of the DBP to submit the report of injury or illness "as soon as possible" after its occurrence as required by Section 37 of the Workmen's Compensation Act.

The other two cases, *Seven-Up Bottling Company of the Philippines v. Vda. de Tero*⁷ and *Philippine Graphic Arts, Inc. v. Mariano*,⁸ also illustrate the fatal consequence of the failure to controvert. In both cases, the claims were likewise considered uncontroverted on account of the failure of the employers to controvert within the period prescribed by the Workmen's Compensation Act. In *Philippine Graphic Arts, Inc. v. Mariano*,⁹ the Supreme Court categorically declared that while non-controversion is not one of those enumerated in Section 2 of the Act as "grounds for compensation", failure to controvert makes the claim compensable under Section 45.

B. *The Non-Jurisdictional Character of the Requirements of Notice of Injury and Claim for Compensation*

In the *Philippine Graphic Arts* case,¹⁰ the Court had occasion to reiterate the settled rule that the requirements of giving a notice of injury and filing a claim for compensation within the time prescribed in Section 24 of the Act are non-jurisdictional. Consequently, failure or delay on the part of the employee in complying with such requirements will not deprive

⁴ G.R. No. L-31995, February 12, 1973, 49 SCRA 378 (1973).

⁵ G.R. No. L-30979, October 26, 1973, 53 SCRA 409 (1973).

⁶ *Supra*, note 3.

⁷ *Supra*, note 4.

⁸ *Supra*, note 5.

⁹ *Id.*

¹⁰ *Id.*

the Workmen's Compensation Commission of its jurisdiction over the claim for compensation.

Obviously, the main purpose of the notice is to inform the employer of the occurrence of the injury or disease so as to enable him to investigate the circumstances behind the injury or illness and take the necessary steps to protect his interest. Therefore, if the employer, his agent or representative has knowledge of the occurrence of the injury or disease, as in the case of *Philippine Graphic Arts, Inc. v. Mariano*¹¹ where the company physician was consulted by the claimant regarding his body pains, the purpose of a notice has been accomplished and the failure or delay in giving it is excusable. Likewise the failure or delay in giving notice is excusable if the employer has not suffered by such delay or failure.¹² Concerning the claim for compensation, the Court reaffirmed its previous rulings to the effect that even if the claim is filed beyond the period prescribed in Section 24, when it is shown that the employer has failed to seasonably controvert the right to compensation, the Workmen's Compensation Commission can proceed and decide the claim.

C. *Reinstatement of the Right to Controvert*

The employer's right to controvert may be reinstated only if the employer submits valid reasons for his failure to controvert on time.¹³ Thus in *Development Bank of the Philippines v. Workmen's Compensation Commission*¹⁴ and *Seven-Up Bottling Company of the Philippines v. Vda. de Tero*,¹⁵ the right of the employers to controvert was not reinstated since there were no valid grounds presented which would justify reinstatement. In the DBP case, the facts showed that in addition to the absence of a valid reason for failure to seasonably controvert, the petition for reinstatement was filed after the referee had issued the decision in favor of the claimant.

In the *Seven-Up Bottling Company* case, the Court stressed the necessity of a petition under oath by the employer, specifying the reasons or grounds for the failure to controvert on time. Without such petition, as in this case, there can be no reinstatement, and the mere admission by the hearing officer of the employer's evidence does not mean the reinstatement of the right to controvert.

D. *Work-connected Injury*

For an injury to be compensable, the Act requires that such injury suffered by the employee resulted from an accident "arising out of and

¹¹ *Id.*

¹² See Act No. 3428 (1927), as amended, Sections 24 and 27.

¹³ See Act No. 3428 (1927), as amended, Section 45.

¹⁴ *Supra*, note 3.

¹⁵ *Supra*, note 4.

in the course of his employment."¹⁶ In controverting claims for compensation, employers often raise the issue of work connection. Thus in *Seven-Up Bottling Company of the Phil. v. Vda. de Tero*,¹⁷ one of the contentions of the employer was that the death of the employee was not work-connected. Consistent with its past decisions liberally construing the phrase "arising out of and in the course of his employment," the Court held that the death of the employee in this case was compensable. In so deciding, the Court took into consideration the fact that the deceased employee, who was the cashier, warehouseman, and at the same time officer-in-charge of the employer's business in Cagayan de Oro, was doing some work for the company on that fatal Sunday, and that the incident at the Inday Harborside Bar that resulted in his death took place in defense of the employer's product.¹⁸

E. Due Process

In *Manlapat v. Workmen's Compensation Commission*,¹⁹ the employer invoked, among others, the constitutional requirement of due process to defeat the claim for compensation. The Court, however, was not impressed by the due process argument of the employer. Its unsympathetic response is understandable, considering that a study of the records of the case would clearly show that the due process objection had no basis. Through Mr. Justice Fernando, the Court said: "Nor is the absence of any persuasive force in such a due process objection traceable solely to its apparently being the product of petitioner's ingenuity in resisting the claim of respondent Padelara. As a matter of fact, in the twenty-three page brief of petitioner, less than two pages are devoted to this aspect. There is therein express mention that two decisions of this Court promulgated after the hearing before the chief referee, one rendered on December 17, 1966, *Aboitiz Shipping Corporation v. Pepito*, and the other rendered on December 11, 1967, *Magalona v. Workmen's Compensation Commission*, were seized upon by him to sustain what inherently is an extremely weak, not to say non-existent defense. He ought to have known better. In *Aboitiz Shipping Corporation v. Pepito*, this Court, through Justice

¹⁶ See, Act No. 3428 (1927), as amended, Section 2.

¹⁷ *Supra*, note 4.

¹⁸ As narrated by the Court the events that took place inside the bar were as follows: "It appears that in the evening of May 2, 1965, Tero was at the Inday Harborside Bar, near the pier of Macabalan, Cagayan de Oro, together with Numeriano Uba and Ernesto Amora, both Seven-Up employees. After a while, one Severino Streegan, an employee of the Coca-Cola Bottling Company, came, and, noticing that Maria Duterte, a waitress in the bar, was drinking a bottle of 7-Up, approached her and inquired why she did not take Coca-Cola instead. Agapito intervened, and asked Streegan, 'Why do you prevent her if she wishes to drink 7-Up?' An altercation ensued, and as Tero and Streegan were about to come to blows, a policeman came and separated them. While the policeman was holding Tero by the shoulders, Streegan fired at him several times, thereby killing Tero instantaneously and wounding the policeman critically."

¹⁹ G.R. No. L-30427, June 28, 1973, 51 SCRA 390 (1973).

Sanchez, stated: 'The award having been made before petitioner was given an opportunity to be heard on the debatable fact and circumstances of death, that award has no leg to stand on. We nullify that award as a violation of a constitutional prescription.' Much less can he rely on *Magalona v. Workmen's Compensation Commission*, for, as Justice J. P. Bengzon stated for this Court, 'no evidence [could] be taken into account where the adverse party was not given the opportunity to object to its admissibility.' Certainly, from the statement of facts, there was nothing debatable about the circumstances of the injury, and likewise clearly, he had all the opportunity before the chief referee to raise the issue that he is now vainly trying to capitalize on. The truth of the matter is, even assuming that there could be a basis for the pretension, these decisions, having been rendered three years and four years after the hearing, certainly were not within his contemplation at that time and could not have been relied upon to weaken the stand of respondent Padelara."

As to the evidence that may be admitted during the hearing, the Court adverted to its previous ruling in *National Development Co. v. WCC*²⁰ where it was held that while certain exhibits may be hearsay by common law rules of evidence, they are nevertheless admissible under Section 49 of the Act. This Section expressly provides: "The Commissioner may receive as evidence and use as proof of any fact in dispute the following matters, in addition to sworn testimony presented at open hearing: (1) Reports of attending examining physician. (2) Reports of investigators appointed by the Commissioner. (3) Reports of the employer, including copies of time sheets, book accounts or other records. (4) Hospital records in relation to the case."²¹

In disposing of the other objections of the employer, the Court also reaffirmed its previous rulings concerning the liberality with which the Supreme Court looks upon the requirement that the injury arise out of and in the course of employment, and the non-jurisdictional character of the requirements of giving a notice of injury and filing a claim for compensation within the time prescribed in Section 24 of the Workmen's Compensation Act.

F. *Statutory Employer's Liability under the Workmen's Compensation Act*
*Abong v. Workmen's Compensation Commission*²² gave the Supreme Court an opportunity to rule that where the deceased workers worked for and in the interest of the business of the petitioner, and were subject to his power of control, supervision, and dismissal, although such power was exercised through an agent, a covered employer-employee relationship exists.

²⁰ G.R. No. L-21724, April 27, 1967, 19 SCRA 861 (1967).

²¹ Act No. 3428 (1927), as amended, Section 49.

²² G.R. Nos. L-32347-53, December 26, 1973, 54 SCRA 379 (1973).

Consequently, the petitioner is liable for a compensable injury or death, as in this case where the workers who were out fishing at sea died due to the violence of typhoon "Irma".

The petitioner was not able to persuade the Court that he was not the employer of the decedents on account of an alleged partnership agreement between him as "financier" and another person as "team leader." The Court sustained the holding of the Commission that the said contract of partnership even if considered as valid between the parties could not bind the deceased workers who had no participation in the agreement. Moreover, even if the alleged "partner" were to be considered an independent contractor, which he was not, this would not relieve the petitioner from his liability under the Workmen's Compensation Act for it is expressly provided that an employer "includes every person or association of persons, incorporated or not, public or private, and the legal representative of the deceased employer. It includes the owner or lessee of a factory or establishment or place of work or any other person who is virtually the owner or manager of the business carried on in the establishment or place of work but who, for the reason that there is an independent contractor in the same, or for any other reason, is not the direct employer of laborers employed there."²³

The Court also brushed aside the employer's contention that he was not properly notified of the proceedings, and therefore he was denied his right to be heard. Proper notices and claims were served upon him at his place of business in accordance with Section 26 of the Act. His failure to claim his mail and controvert the claims did not justify his assertion that he was denied his right to be heard.

II

MINIMUM WAGE LAW

A. *Arbitral Powers of the Court of Industrial Relations under Section 16 (c) of Republic Act No. 602.*

A significant issue which elicited an equally significant response from the Supreme Court was raised in the case of *Philippine American Management Co., Inc. v. Philippine American Management Employees Association*.²⁴ The issue presented was whether or not the Court of Industrial Relations, in a case certified to it by the Secretary of Labor pursuant to Section 16(c) of Republic Act No. 602, could issue a return-to-work order pending the resolution of the minimum wage dispute before

²³ Act No. 3428 (1927), as amended, Section 39.

²⁴ G.R. No. L-35254, January 29, 1973, 49 SCRA 194 (1973); motion for reconsideration denied May 25, 1973, 51 SCRA 98 (1973).

it. The Supreme Court ruled that the Court of Industrial Relations could issue such order.

In resolving the issue affirmatively, the Court, through Mr. Justice Fernando, made it clear that when the Minimum Wage Law was enacted "the prevailing rule was for respondent Court to act as an arbitral tribunal." Consequently, "[t]o assert . . . that it could not, even during the pendency of the controversy before it, issue a return-to-work order under its basic charter is clearly unpersuasive."

Neither was the Court impressed by the argument that to allow the Industrial Court to issue a return-to-work order would be repugnant to the philosophy of collective bargaining as embodied in the Industrial Peace Act. The Industrial Peace Act itself, the Court pointed out, explicitly continued the jurisdiction of the Industrial Court over minimum wage disputes endorsed to it by the Secretary of Labor pursuant to the Minimum Wage Law, and "[t]he power to be exercised is necessarily one of compulsory arbitration." Besides, the matter of minimum wages could not be the subject of bargaining between management and labor. While the terms and conditions of employment may be discussed and determined at the bargaining table, the question of minimum wages was removed from the sphere of collective bargaining.

The Court also held, in conformity with settled jurisprudence, that the endorsement by the Secretary of Labor of the controversy to the Industrial Court pursuant to the Minimum Wage Law was presumptively the act of the President. This being the case, the Industrial Court could exercise fully its arbitral powers, and this would include the issuance of a return-to-work order.

B. Power of the Court of Industrial Relations to Determine if its Jurisdiction under Section 16(c) of R. A. No. 602 has been Properly Invoked.

Section 16(c) of Republic Act No. 602 was involved once more in the case of *Associated Labor Union v. Court of Industrial Relations*.²⁵ The Supreme Court ruled in this case that the Court of Industrial Relations has the power to determine if its jurisdiction under this provision has been properly invoked.

Section 16(c) of the Minimum Wage Law spells out the elements that must concur to confer jurisdiction upon the Industrial Court. These elements are: (a) a demand for minimum wages, (b) the demand must involve an actual strike, (c) submission of the matter to the Secretary of Labor for conciliation, (d) failure of the Secretary to effect settlement within 15 days, and (e) endorsement of the dispute together with other issues involved to the Court of Industrial Relations. The Supreme Court, through Mr. Chief Justice Makalintal, made it clear that "[t]he Industrial

²⁵ G.R. No. L-31727, May 30, 1973, 51 SCRA 138 (1973).

Court is not devoid of authority to see to it that its jurisdiction under this provision is not indiscriminately invoked." Thus the Supreme Court affirmed the dismissal of the case by the Industrial Court after the hearings on the motion to dismiss since the facts clearly justified such dismissal. The Supreme Court stressed that "[n]ot even a prima facie showing was made that a violation of the Minimum Wage Law had been committed, whether in the conciliation conferences in the Department of Labor or in the Industrial Court itself." The facts of the case showed that the labor dispute between the parties did not originally involve any demand for minimum wages, and that during the conciliation conferences the demand for minimum wages was never taken up because the discussions did not progress beyond the issue of union recognition. Moreover, the Company presented its payrolls as evidence to prove payment of statutory minimum wages to its employees.

The Court's ruling also took into consideration the policy of encouraging collective bargaining as embodied in the Industrial Peace Act. On this point, the Court observed: "Section 16(c) of Republic Act No. 602 should be viewed in the light of the provisions of the Industrial Peace Act. Section 7 of this Act enunciates a policy of encouraging free enterprise and collective bargaining in the relations of labor and management. Court intervention in the fixing of conditions of employment is held to a minimum, in effect restricting the broad powers of arbitration given to the Court of Industrial Relations under Commonwealth Act No. 103. Excepted from this policy of non-interference is, among other matters, the question of minimum wages under Section 16(c) of Republic Act No. 602; but this exception, in view of the policy thus enunciated, should be strictly applied, that is, to cases where the question of minimum wages involving an actual strike is clearly present."

The decision of the Supreme Court in this case and its earlier decision in the case of *Philippine American Management Co., Inc. v. Philippine American Management Employees Association*²⁶ serve to clarify the scope of, as well as the requirements for, the exercise of the arbitral powers of the Court of Industrial Relations under Section 16 (c) of Republic Act No. 602. As noted earlier, Section 16 (c) of the Minimum Wage Law provides for elements that must concur to confer jurisdiction upon the Industrial Court. As held in this case, the Industrial Court has the power to determine if its jurisdiction under this provision has been properly invoked. If its jurisdiction has not been properly invoked, the case will be dismissed. However, in cases where its arbitral powers under Section 16 (c) of the Minimum Wage Law have been properly invoked, then the Industrial Court, as held in the *Philippine American Management Co.* case, can issue a return-to-work order pending the resolution of the minimum wage dispute before it.

²⁶ *Supra*, note 24.