

EN BANC

[G.R. NO. 160396, September 06, 2005]

PHILIPPINE PORTS AUTHORITY (PPA) EMPLOYEES HIRED AFTER JULY 1, 1989, PETITIONERS, VS. COMMISSION ON AUDIT (COA); ARTHUR H. HINAL, IN HIS CAPACITY AS THE PHILIPPINE PORTS AUTHORITY CORPORATE AUDITOR; RAQUEL R. HABITAN, IN HER CAPACITY AS DIRECTOR OF CORPORATE AUDIT OFFICE II, COA; AND SANTOS M. ALQUIZALAS, IN HIS CAPACITY AS GENERAL COUNSEL, COA, RESPONDENTS.

DECISION

PANGANIBAN, ACTING CJ:

"Those that have less in life should have more in law to give them a better chance at competing with those that have more in life."^[1] Accordingly, in case of doubt, laws should be interpreted to favor the working class -- whether in the government or in the private sector -- in order to give flesh and vigor to the pro-poor and pro-labor provisions of our Constitution.

The Case

Before us is a Petition for Certiorari^[2] under Rule 65 of the Rules of Court, assailing the May 27, 2003 Decision^[3] and the October 16, 2003 Resolution^[4] of the Commission on Audit (COA). The dispositive part of the Decision reads as follows:

"Wherefore, premises considered the instant petitions are hereby denied for lack of merit."^[5]

The assailed COA Resolution denied reconsideration.

The Facts

The COA narrates the factual antecedents in this wise:

"Records will bear that the PPA has been paying its officials and employees COLA and amelioration allowance equivalent to 40% and 10%, respectively, of their basic salary pursuant to various legislative and administrative issuances. During the last quarter of 1989, the PPA discontinued the payment thereof in view of Corporate Compensation Circular (CCC) No. 10 prescribing the implementing rules and regulations of R.A. No. 6758 otherwise known as the Salary Standardization Law which integrated said allowances into the basic salary effective July 1, 1989. However, the Supreme Court in the case of Rodolfo de Jesus, et al. vs. COA, G.R. No. 109023 dated August 12, 1998, declared CCC No. 10 as ineffective and unenforceable due to non-publication.

Consequently, the PPA Board of Directors passed Resolution No. 1856 directing the payment of COLA and amelioration backpay to PPA personnel in the service during the period July 1, 1989 to March 16, 1999, the date of publication of CCC No. 10.

"Doubting the validity of said Resolution, the PPA Auditor requested the opinion of the General Counsel on the propriety of the payment of the backpay. In fully concurring with the recommendation of the then Director, CAO II, the General Counsel ruled that 'in order for a PPA employee to be entitled to backpay representing COLA and amelioration pay equivalent to 40% and 10% respectively, of their basic salary, the following conditions must concur:

- 1) he has to be an incumbent as of July 1, 1989; and
- 2) has been receiving the COLA and amelioration pay as of July 1, 1989.'

Aggrieved, PPA sought reconsideration of the said advisory opinion which was denied by the General Counsel in a 1st Indorsement dated September 13, 2001, since she found no cogent reason to set aside the earlier opinion. The PPA Auditor accordingly ruled against the grant of the subject backpay. Hence, the instant petitions for review anchored on the following arguments:

- 1) The unenforceability of CCC No. 10 did not alter the nature of COLA and amelioration allowance into a 'not integrated' benefit within the purview of the second sentence of Section 12, R.A. No. 6758 but merely rendered them unidentified as integrated allowances;
- 2) The jurisprudence laid in PPA vs. COA, 214 SCRA 653 is not applicable in the determination of who are entitled to the payment of backpay for COLA and amelioration allowance;
- 3) There is no valid reason not to treat 'non-incumbents' at par with 'incumbents' during the period of ineffectivity of CCC No. 10; and
- 4) PPA employees hired after July 1, 1989 are entitled to the payment of backpay representing COLA and amelioration allowance."^[6]

Ruling of the Commission on Audit

The COA ruled that "in the absence of effective integration of the COLA and amelioration allowance into the basic salary in 1989, the inevitable conclusion is that they are deemed not integrated from the time RA 6758 was promulgated until DBM-CCC No. 10 was published in March 1999." During that period, it thus disallowed the disputed allowances on the ground that these fell under the second sentence of Section 12 of RA 6758. It held that only officials hired on or before July 1, 1989 were entitled to receive back pay equivalent to the additional compensation (COLA and amelioration allowance) mentioned.

Hence, this Petition.^[7]

The Issue

Petitioner raised this sole issue for our consideration:

"Whether or not herein petitioners -- who were hired by the Philippine Ports Authority on various dates after July 1, 1989 -- are entitled to the payment of back pay for cost of living allowance (COLA) and amelioration allowance."^[8]

The Court's Ruling

The Petition is meritorious.

Sole Issue: **Entitlement to COLA** **and Amelioration Allowance**

In its "Manifestation and Motion in Lieu of Comment," the Office of the Solicitor General (OSG) disagreed with the COA and argued that "petitioners [were] legally entitled to their accrued COLA and amelioration allowance as a matter of right." Thus, this Court required respondents to defend themselves. Accordingly, the Office of the COA General Counsel prepared and filed the Comment and Memorandum on behalf of respondents.

Petitioners assail the COA for allowing only incumbents as of July 1, 1989 to receive COLA and amelioration allowance during the "ineffectivity" of DBM-CCC No. 10; that is, from July 1, 1989 to March 16, 1999. They contend that the COLA and the amelioration allowance did not automatically become "not integrated" benefits, within the purview of the second sentence of Section 12 of RA No. 6758, which reads as follows:

"SEC. 12. *Consolidation of Allowances and Compensation.* -- All allowances, except for representation and transportation allowances; clothing and laundry allowances; subsistence allowances of marine officers and crew on board government vessels and hospital personnel; hazard pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized."

A reading of the first sentence of this provision readily reveals that all allowances are "deemed included" or integrated into the prescribed standardized salary rates, except the following: (a) representation and transportation allowances, (b) clothing and laundry allowances, (c) subsistence allowances of marine officers and crew on board government vessels, (d) subsistence allowances of hospital personnel, (e) hazard pay, (f) allowances of foreign service personnel stationed abroad, and (g) *such other additional compensation not otherwise specified in Section 12.* These