

FIRST DIVISION

[G.R. NO. 159577, May 03, 2006]

CHARLITO PEÑARANDA, PETITIONER, VS. BAGANGA PLYWOOD CORPORATION AND HUDSON CHUA, RESPONDENTS.

DECISION

PANGANIBAN, CJ:

Managerial employees and members of the managerial staff are exempted from the provisions of the Labor Code on labor standards. Since petitioner belongs to this class of employees, he is not entitled to overtime pay and premium pay for working on rest days.

The Case

Before us is a Petition for Review^[1] under Rule 45 of the Rules of Court, assailing the January 27, 2003^[2] and July 4, 2003^[3] Resolutions of the Court of Appeals (CA) in CA-GR SP No. 74358. The earlier Resolution disposed as follows:

"WHEREFORE, premises considered, the instant petition is hereby **DISMISSED**."^[4]

The latter Resolution denied reconsideration.

On the other hand, the Decision of the National Labor Relations Commission (NLRC) challenged in the CA disposed as follows:

"WHEREFORE, premises considered, the decision of the Labor Arbiter below awarding overtime pay and premium pay for rest day to complainant is hereby **REVERSED** and **SET ASIDE**, and the complaint in the above-entitled case dismissed for lack of merit."^[5]

The Facts

Sometime in June 1999, Petitioner Charlito Peñaranda was hired as an employee of Baganga Plywood Corporation (BPC) to take charge of the operations and maintenance of its steam plant boiler.^[6] In May 2001, Peñaranda filed a Complaint for illegal dismissal with money claims against BPC and its general manager, Hudson Chua, before the NLRC.^[7]

After the parties failed to settle amicably, the labor arbiter^[8] directed the parties to file their position papers and submit supporting documents.^[9] Their respective allegations are summarized by the labor arbiter as follows:

"[Peñaranda] through counsel in his position paper alleges that he was employed by respondent [Baganga] on March 15, 1999 with a monthly salary of P5,000.00 as Foreman/Boiler Head/Shift Engineer until he was illegally terminated on December 19, 2000. Further, [he] alleges that his services [were] terminated without the benefit of due process and valid grounds in accordance with law. Furthermore, he was not paid his overtime pay, premium pay for working during holidays/rest days, night shift differentials and finally claims for payment of damages and attorney's fees having been forced to litigate the present complaint.

"Upon the other hand, respondent [BPC] is a domestic corporation duly organized and existing under Philippine laws and is represented herein by its General Manager HUDSON CHUA, [the] individual respondent. Respondents thru counsel allege that complainant's separation from service was done pursuant to Art. 283 of the Labor Code. The respondent [BPC] was on temporary closure due to repair and general maintenance and it applied for clearance with the Department of Labor and Employment, Regional Office No. XI to shut down and to dismiss employees (par. 2 position paper). And due to the insistence of herein complainant he was paid his separation benefits (Annexes C and D, *ibid*). Consequently, when respondent [BPC] partially reopened in January 2001, [Peñaranda] failed to reapply. Hence, he was not terminated from employment much less illegally. He opted to sever employment when he insisted payment of his separation benefits. Furthermore, being a managerial employee he is not entitled to overtime pay and if ever he rendered services beyond the normal hours of work, [there] was no office order/or authorization for him to do so. Finally, respondents allege that the claim for damages has no legal and factual basis and that the instant complaint must necessarily fail for lack of merit."^[10]

The labor arbiter ruled that there was no illegal dismissal and that petitioner's Complaint was premature because he was still employed by BPC.^[11] The temporary closure of BPC's plant did not terminate his employment, hence, he need not reapply when the plant reopened.

According to the labor arbiter, petitioner's money claims for illegal dismissal was also weakened by his quitclaim and admission during the clarificatory conference that he accepted separation benefits, sick and vacation leave conversions and thirteenth month pay.^[12]

Nevertheless, the labor arbiter found petitioner entitled to overtime pay, premium pay for working on rest days, and attorney's fees in the total amount of P21,257.98.^[13]

Ruling of the NLRC

Respondents filed an appeal to the NLRC, which deleted the award of overtime pay and premium pay for working on rest days. According to the Commission, petitioner was not entitled to these awards because he was a managerial employee.^[14]

Ruling of the Court of Appeals

In its Resolution dated January 27, 2003, the CA dismissed Peñaranda's Petition for Certiorari. The appellate court held that he failed to: 1) attach copies of the pleadings submitted before the labor arbiter and NLRC; and 2) explain why the filing and service of the Petition was not done by personal service.^[15]

In its later Resolution dated July 4, 2003, the CA denied reconsideration on the ground that petitioner still failed to submit the pleadings filed before the NLRC.^[16]

Hence this Petition.^[17]

The Issues

Petitioner states the issues in this wise:

"The [NLRC] committed grave abuse of discretion amounting to excess or lack of jurisdiction when it entertained the APPEAL of the respondent[s] despite the lapse of the mandatory period of TEN DAYS.

"The [NLRC] committed grave abuse of discretion amounting to an excess or lack of jurisdiction when it rendered the assailed RESOLUTIONS dated May 8, 2002 and AUGUST 16, 2002 REVERSING AND SETTING ASIDE the FACTUAL AND LEGAL FINDINGS of the [labor arbiter] with respect to the following:

"I. The finding of the [labor arbiter] that [Peñaranda] is a regular, common employee entitled to monetary benefits under Art. 82 [of the Labor Code].

"II. The finding that [Peñaranda] is entitled to the payment of OVERTIME PAY and OTHER MONETARY BENEFITS."^[18]

The Court's Ruling

The Petition is not meritorious.

Preliminary Issue: **Resolution on the Merits**

The CA dismissed Peñaranda's Petition on purely technical grounds, particularly with regard to the failure to submit supporting documents.

In *Atillo v. Bombay*,^[19] the Court held that the crucial issue is whether the documents accompanying the petition before the CA sufficiently supported the allegations therein. Citing this case, *Piglas-Kamao v. NLRC*^[20] stayed the dismissal of an appeal in the exercise of its equity jurisdiction to order the adjudication on the merits.

The Petition filed with the CA shows a *prima facie* case. Petitioner attached his evidence to challenge the finding that he was a managerial employee.^[21] In his Motion for Reconsideration, petitioner also submitted the pleadings before the labor

arbiter in an attempt to comply with the CA rules.^[22] Evidently, the CA could have ruled on the Petition on the basis of these attachments. Petitioner should be deemed in substantial compliance with the procedural requirements.

Under these extenuating circumstances, the Court does not hesitate to grant liberality in favor of petitioner and to tackle his substantive arguments in the present case. Rules of procedure must be adopted to help promote, not frustrate, substantial justice.^[23] The Court frowns upon the practice of dismissing cases purely on procedural grounds.^[24] Considering that there was substantial compliance,^[25] a liberal interpretation of procedural rules in this labor case is more in keeping with the constitutional mandate to secure social justice.^[26]

First Issue:
Timeliness of Appeal

Under the Rules of Procedure of the NLRC, an appeal from the decision of the labor arbiter should be filed within 10 days from receipt thereof.^[27]

Petitioner's claim that respondents filed their appeal beyond the required period is not substantiated. In the pleadings before us, petitioner fails to indicate when respondents received the Decision of the labor arbiter. Neither did the petitioner attach a copy of the challenged appeal. Thus, this Court has no means to determine from the records when the 10-day period commenced and terminated. Since petitioner utterly failed to support his claim that respondents' appeal was filed out of time, we need not belabor that point. The parties alleging have the burden of substantiating their allegations.^[28]

Second Issue:
Nature of Employment

Petitioner claims that he was not a managerial employee, and therefore, entitled to the award granted by the labor arbiter.

Article 82 of the Labor Code exempts managerial employees from the coverage of labor standards. Labor standards provide the working conditions of employees, including entitlement to overtime pay and premium pay for working on rest days.^[29] Under this provision, managerial employees are "those whose primary duty consists of the management of the establishment in which they are employed or of a department or subdivision."^[30]

The Implementing Rules of the Labor Code state that managerial employees are those who meet the following conditions:

"(1) Their primary duty consists of the management of the establishment in which they are employed or of a department or subdivision thereof;

"(2) They customarily and regularly direct the work of two or more employees therein;

"(3) They have the authority to hire or fire other employees of lower