

SENATE
S. No. 1456

Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

The Constitution, Article 111 Section 16 states that:

“All persons shall have the right to a speedy disposition of their cases before all judicial, quasi-judicial, or administrative bodies.”

Unfortunately, labor disputes are being resolved at an agonizingly slow pace, particularly at the level of the Commission. The delay at the Labor Arbiters' level is due to the fact that of the present 155 incumbent Labor Arbiters, 53 are assigned as “Reviewers” in the Office of the Commissioners. Thus, with only one-half (1/2) of the incumbent Labor Arbiters bearing the brunt of hearing and resolving the average 31,000 cases filed per year in the Arbitration Branches, it is not surprising that backlogs are incurred. By law and by the very nature of their original appointments, these Labor Arbiters-“Reviewers” are supposed to be performing their official function as hearing Labor Arbiters in the Arbitration Branches. Worst, there are Labor Arbiters who are detailed in the Office of the Secretary of Labor and other DOLE agencies. If all these Labor Arbiters will be returned back to their respective sala, there would be no more backlogs at the Arbitration level.

As to the delay in the resolution of appealed cases in the Commission, it must be recalled that the Five (5) Divisions were created way back on March 2, 1989 by virtue of R.A. 6715. The number of appealed cases was still manageable at that time. However, after barely ten (10) years later, the influx of appealed cases started to pile up. This was mainly triggered by the economic situation in the country resulting to more labor complaints filed by the affected workers. More than one-half of these cases were filed at the National Capital Region of the NLRC. Realizing this inadequacy, Congress enacted into law R.A. 9347 creating another three (3) Divisions in the

NCR. Due to fiscal constraints, only one (1) Division was so far created as of this date. Thus, the problem of backlogs in the Commission proper remained unsolved.

This delay in the disposition of labor disputes was further exacerbated when the Supreme Court came out with a ruling in St. Martin Funeral Homes case in 1998 wherein it was ordered that all petition for certiorari from the decisions or final orders OF the Commission must first be filed at the Court of Appeals instead of directly to the Supreme Court as was the practice ever since. This further proved to be a double-whammy for the litigants in a labor dispute. While there is already a delay in the disposition of appealed cases at the Commission, yet another delay was added by allowing the Court of Appeals to review the decisions of the Commission. It is apparent that there are now TWO (2) layers of appellate body reviewing the decisions of the Labor Arbiters. Resultantly, the gestation period in the final resolution of labor cases was drastically increased to the frustration of both the workers and employers alike. While the cases are pending, the labor unrest is not addressed and there is NO industrial peace in the workplace.

This condition has contributed to a negative and crippling effect on our economy as shown by several companies pulling out their investments from our country after their labor disputes remained unresolved for years. This is a clear violation of the Constitutional mandate to afford litigants with speedy disposition of their cases. Thus, in order to comply with this mandate, this Bill now seeks to abolish one layer of appellate body, the National Labor Relations Commission, and thereby establishing the Regional Court of Labor Relations under the supervision of the Supreme Court. The incumbent Labor Arbiters shall be deemed appointed as Judges of the Regional Court of Labor Relations and their decisions shall be appealable directly to the Court of Appeals.

Moreover, with the herein proposal to convert the Regional Arbitration Branches into Regional Court of Labor Relations branches, this set-up will be fully complemented by the existing branches of the Court of Appeals in the Visayas and Mindanao regions. Thus, appealed cases from the Judges of the Regional Court Labor Relations will be filed at the branches of the

Court of Appeals in said regions. This will further hasten the resolution of labor cases in the Visayas and Mindanao regions. Historically, all decisions and orders of the Labor Arbiters were appealable to the Commission proper. In turn, all decisions and final orders of the Commission are reviewed directly by the Supreme Court through a petition for certiorari. This was the procedural set-up when the Court of Industrial Relations (CIR) was established on October 29, 1936 through Commonwealth Act No. 103. The same procedure was implemented when the CIR was replaced by the Interim National Labor Relations on October 14, 1972 through Presidential Decree No. 21. After two (2) years of existence, the Interim Commission, was abolished by PD 442, thereby establishing the National Labor Relations Commission (NLRC) on November 1, 1974. On March 21, 1989, R.A. 6715 further strengthened the NLRC by granting said agency its quasi-judicial independence from the Department of Labor and Employment (DOLE). However, on September 16, 1998, the Supreme Court came out with a decision in *St. Martin Funeral Homes vs. NLR*, G.R. No. 130866 decreeing that:

“Petitions (for certiorari) should henceforth be initially filed in the Court of Appeals in strict observance of the doctrine on the hierarchy of courts.”

This, in effect, ADDED ONE LAYER of appellate body to review the decisions and orders of the NLRC. Instead of being reviewed only by the Supreme Court as was the practice since 1989, decisions of the NLRC after September 16, 1998, are all elevated first to the Court of Appeals upon petition for certiorari. With this additional layer of appellate body which was not envisioned by law, the resolution of labor cases was necessarily delayed. The period to resolve labor disputes with finality was now extended because of this decision by the Supreme Court. The average gestation period before the Labor Arbiters is one (1) year, the appeal to the Commission is resolved within an average of three (3) years and the Court of Appeals takes an average of also three (3) years to resolve petitions for certiorari.

Consequently, even the execution of decisions won by the workers at the level of the Labor Arbiters are also delayed because even the Court of Appeals has ruled time and again that in observance of the doctrine on the hierarchy of courts, no execution of the decision of the Labor Arbiter or the Commission shall be enforced during the pendency of a petition for certiorari at their level. Apparently this runs counter with the provision of Article 223 of the

Labor Code which provides that “the decision of the Commission shall be final and executory after ten (10) calendar days from receipt thereof by the parties.” However, with the Supreme Court ruling in *St. Martin* (1998) decreeing that decisions of the Commission shall first be reviewed by the Court of Appeals and in the case of *Milagros Panuncillo vs. CAP Philippines, Inc.* G.R. No. 161305, February 9, 2007 ordering that “Judicial courtesy” must be observed in the execution of the final decisions of the Commission, there is now an obvious clash between the Labor Code provision and the constitutional rule-making power of the Supreme Court. Of course, there is only one forum to resolve this legal conflict, and that is the Supreme Court itself.

To avoid this constitutional impasse, the only remedy is through legislation, which is what this Bill proposes. Clearly, the rationale behind this legislative measure is simply to harmonize our existing laws with actual realities in the field of labor relations, taking into consideration the paramount welfare of the working class as well as affording equal protection to the employers for they are the affected players in the field of labor-management conflicts.

Given the situation and legal constraints which patently defeats the Constitutional mandate to resolve labor cases with dispatch, the most appropriate and practical legislative solution would be to eliminate one layer of appellate body. The adding of another layer of appellate body was not envisioned by the Labor Code. Nonetheless, it was a pronouncement of the Supreme Court in the exercise of its rule-making power under the Constitution. However, with the abolition of the Commission and herein providing that decisions and final orders of the Judges of the Court of Labor Relations shall henceforth be appealable to the Court of Appeals, the “hierarchy of courts” doctrine enunciated by the Supreme Court is now clearly delineated and established. Thus, by simply abolishing the Commission, the workers are assured of their Constitutional right to speedy disposition of their complaints, and the employers will be spared of the unusually long and costly litigation. In effect, we avoid protracted labor disputes and therefore enhance the preservation of industrial peace conducive to the economic growth of the country. One of the causes for the reluctance of foreign investors to venture in the Philippines is

labor unrest. In fact, labor unrest is one of the causes for a number of companies pulling out their business from the Philippines and relocating them to other Asian countries.

Of course, there is no justification to abolish the Court of Appeals because there will be no more appellate body for criminal, civil and administrative cases from the Regional Trial Courts and other quasi-judicial bodies. With the ruling in St. Martin, it is obvious that the Supreme Court will not allow itself to again directly review the decisions and resolutions of the Commission. Therefore, the logical appellate body to be abolished is the Commission proper and thereby establishing the Regional Court of Labor Relations whose decisions and final orders being appealable to the Court of Appeals. This will effectively shorten the gestation period of labor dispute resolution without running afoul with the Supreme Court's procedural ruling in St. Martin. In fact, this is in full accord with R.A. 9347 which was enacted into law on August 27, 2006 wherein it was decreed that the Labor Arbiters shall enjoy the same rank, salaries, retirement and other benefits at par with the Judges of the Regional Trial Courts. In enacting R.A. 9347, it is apparent that the Legislature had the intent to ultimately revert back to the former set-up in the Court of Industrial Relations (CIR) as a regular court under the supervision of the Supreme Court.

That is precisely what this Bill is proposing now by establishing the Regional Court of Labor Relations. Moreover, Commissioners who will be displaced are amply provided with optional retirement, if so qualified. Those not qualified are given equitable separation pay. Their severance pay can be sourced from the savings generated by the abolition of the Commission. Neither will there be unnecessary removal of employees with permanent appointments since they will be transferred to the sala of the Judges of the Court of Labor Relations.

At present, more than one-half of the incumbent Labor Arbiters are assigned to the Commissioners, including those detailed in the other offices of the DOLE and those cross-posted as Labor Attache abroad. Labor Arbiters assigned to the Commissioners are the ones drafting decisions for the latter. This practice in the Commission and the DOLE is a blatant violation of

the original appointments of these Labor Arbiters since they are by law line Arbiters at the various Regional Arbitration Branches. In fact, Section 2 of R.A. 9347 specifically provides that: "No Labor Arbiter shall be assigned to perform the functions of the Commission Attorney nor detailed to the office of any Commissioner."

Despite this specific and categorical prohibition by law which took effect on August 27, 2006, Labor Arbiters assigned in the Commission as reviewers and decision drafters for the Commissioners are still there even to date. The RABs are deprived of the services of these Labor Arbiters. This is a continuing violation of the law and this practice justifies the abolition of the Commission proper for in truth and in fact, the Labor Arbiters assigned thereat are actually the ones rendering decisions for the Commissioners.

As proposed in this Bill, all incumbent Labor Arbiters will thereafter be deemed appointed as Judges in the Regional Court of Labor Relations. Maintaining the present plantilla of One Hundred Seventy One (171) Judges, this will not only address the volume of cases but it will also greatly reduce the period of resolving labor disputes at the sala of these front-line Labor Judges. Finally, to further shorten the resolution of labor cases before the Regional Court of Labor Relations, this Bill likewise provides that the Alternative Dispute Resolution Law (ADR) established under R.A. 9285 shall also be applied in the disposition of labor cases through voluntary arbitration. Therefore, all cases filed with the Regional Court of Labor Relations shall likewise be referred first to the ADR provider or practitioner for conciliation and mediation. It should be noted that the present ADR Law specifically excludes labor cases from its coverage for the simple reason that the ADR process applies only to cases filed before the regular courts of law. However, since we are now proposing that there shall be established the Regional Court of Labor Relations as a regular court, there is no more reason to still exclude labor cases from the coverage of the ADR law. With the incumbent Labor Arbiters being deemed appointed Judges of the Regional Court of Labor Relations, they shall be performing their functions under the disciplinary supervision of the Supreme Court. As such regular judges of a court of law, these Labor Judges will be constrained to act with dignity and respect to their profession.

Moreover, we can expect quality decisions from them as their decisions may eventually reach the Supreme Court for the latter's critical review. As thousands of appealed cases continuously pile up in the Commission and hibernating thereat unresolved for years and years, there is a sense of urgency in the early passage of this Bill. The Constitution mandates speedy disposition of labor disputes. It is our sworn legislative duty to give life and meaning to such Constitutional mandate. As the saying goes: "Justice delayed, justice denied." Our workers and employers deserve no less.¹

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acc.

¹ This was originally filed during the 14th Congress 1st Regular Session.

SENATE
S. No. **1456**

Introduced by Senator Miriam Defensor Santiago

AN ACT
ESTABLISHING THE REGIONAL COURT OF LABOR RELATIONS (RCLR) UNDER THE
SUPERVISION OF THE SUPREME COURT, THEREBY ABOLISHING THE NATIONAL
LABOR RELATIONS COMMISSION (NLRC)

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Establishing the Regional Court of Labor Relations; Abolishing the National Labor Relations Commission.* - There is hereby established the Regional Court of Labor Relations (RCLR) under the supervision of the Supreme Court, thereby abolishing the National Labor Relations Commission (NLRC). All unexpended funds, properties, equipment and records of the Commission and such of its personnel as may be necessary, are hereby transferred to the Regional Labor Relations Court, under the administrative and fiscal supervision of the Supreme Court.

SECTION 2. *Incumbent Labor Arbiters deemed appointed as Judges of the Regional Court of Labor Relations.* - The incumbent Labor Arbiters shall be deemed appointed as Judges of the Regional Court of Labor Relations in the regions where they are residing and holding office at the date of the effectivity of this Act, without need of reappointment.

SECTION 3. *Existing Regional Arbitration Branches (TUBS) converted as Regional Courts of Labor Relations Branches; No increase in the number of Plantilla Positions.* - The existing Regional Arbitration Branches nationwide shall be converted as regional branches of the Regional Courts of Labor Relations without increasing the approved plantilla for Labor Arbiters nationwide numbering One Hundred Seventy One (171). The number of seats for the Judges of

1 the Regional Courts of Labor Relations in each regional branch shall correspond to the number
2 of plantilla positions for Labor Arbiters thereat. Each regional branch shall be headed by an
3 Executive Judge of the Regional Court of Labor Relations.

4 SECTION 4. *Retirement or Separation of NLRC Commissioners.* – Consequent to the
5 abolition of the NLRC, incumbent Commissioners who has attained sixty (60) years of age and
6 has rendered at least twenty (20) years in government service, the last five (5) years of which
7 shall have been continuously rendered as Commissioner, shall be deemed compulsorily retired
8 with full retirement gratuity and pension pursuant to R.A. 910, as amended, Those who lack any
9 one of the above qualifications shall receive a separation pay equivalent to two (2) months salary
10 for every year of service in government.

11 SECTION 5. *Optional Retirement or Severance Pay for an Incumbent Labor Arbiter.* -
12 When an incumbent Labor Arbiter has attained the age of sixty (60) years and has rendered at
13 least twenty (20) years in government service, the last five (5) years of which shall have been
14 continuously rendered as Labor Arbiter, he shall be qualified for optional retirement. If he lacks
15 any one of the above qualifications and has no intention to assume the position as Judge of the
16 Regional Court of Labor Relations pursuant to Section 2 hereof, he shall be entitled to a
17 severance pay equivalent to two (2) months salary for every year of government service. This
18 option for availment of severance pay shall be exercised within a period of sixty (60) calendar
19 days after the effectivity of this Act, otherwise, said option shall be deemed waived.

20 SECTION 6. *Retirement Gratuity and Pension of Qualified Commissioners and Labor*
21 *Arbiters.* - Commissioners who are qualified for compulsory retirement and incumbent Labor
22 Arbiters who are qualified for optional retirement pursuant to the immediately preceding Section
23 3 and Section 4 of this Act shall respectively be entitled to the full retirement gratuity and
24 pension provided for under R.A. 910, as amended by R.A. 9227 and by other applicable laws.

1 SECTION 7. *Subsequent Appointments to the Regional Court of Labor Relations.* -

2 Subject to Section 2 of this Act, the President shall appoint Judges to the Regional Court of
3 Labor Relations from a list of at least three (3) nominees prepared by the Judicial and Bar
4 Council; Provided that said nominees shall meet the qualifications as those of the Judges of the
5 Regional Trial Courts. Such appointments need no confirmation.

6 SECTION 8. *Parity in Rank, Salaries, Benefits, other Emoluments and Retirement*

7 *Gratuity.* - Judges of the Regional Court of Labor Relations shall have the same rank, receive an
8 annual salary equivalent to and be entitled to the same allowances, retirement gratuity and other
9 benefits and privileges as those of the Judges of the Regional Trial Courts pursuant to R.A. 9347
10 in relation to R.A. 910, as amended by R.A. 9227 and by other applicable laws. They shall hold
11 office during good behavior until they reach the age of seventy (70) years, unless sooner
12 removed for cause as provided for by law or become incapacitated to discharge the duties of their
13 office.

14 SECTION 9. *Jurisdiction of the Regional Court of Labor Relations.* – The Regional

15 Court of Labor Relations shall have original and exclusive jurisdiction over all cases enumerated
16 under Article 217 of the Labor Code, as amended, including complaints of Overseas Filipino
17 Workers pursuant to Republic Act 8042, otherwise known as the Migrant Workers and Overseas
18 Filipinos Act of 1995. Other provisions of the Labor Code not inconsistent with this Act shall
19 continue to be applied.

20 SECTION 10. *Nature of Proceedings Before the Regional Court of Labor Relations.* -

21 Being a court with specialized jurisdiction, proceedings before the Regional Court of Labor
22 Relations shall be summary and non-litigious in nature; Provided, however, that subject to the
23 requirements of due process, the technicalities of law and procedure obtaining in the regular
24 courts of law shall not strictly apply thereto.

1 SECTION 11. *Disposition of pending cases before the Labor Arbiters.* -All pending
2 cases before the incumbent Labor Arbiters shall be disposed of by them as Judges of the
3 Regional Court of Labor Relations, applying in the interim the provisions of the NLRC Rules of
4 Procedure pertaining to the proceedings before the Labor Arbiters.

5 SECTION 12. *Applicability of the Alternative Dispute Resolution System law (ADR) in*
6 *Labor Cases.* -Any provision of law to the contrary notwithstanding, pertinent provisions of the
7 Alternative Dispute Resolution System (ADR) through the use of voluntary arbitration,
8 mediation and conciliation process established under Republic Act No. 9285 currently being
9 implemented in the Regional Trial Courts shall likewise be applied in the resolution of labor
10 cases before the Regional Court of Labor Relations.

11 SECTION 13. *Appeal from the Regional Court of Labor Relations.* - An appeal may be
12 taken from a judgment or final order that completely disposes of the case rendered by the Judge
13 of the Regional Court of Labor Relations to the Court of Appeals pursuant to the Rules of Court;
14 Provided, however, that the Supreme Court may promulgate rules and regulations specifically
15 suited to the proceedings before the Regional Court of Labor Relations as a court with
16 specialized jurisdiction.

17 SECTION 14. *Personnel Retention or Movement; Position and Salary Grade*
18 *Reclassification.* - Personnel assigned in the office of the Labor Arbiters shall be retained and
19 their position classification, salary grade level and benefits shall correspondingly be adjusted to
20 conform with the staffing pattern of the Regional Trial Courts. Subject to the personnel
21 guidelines to be issued by the Supreme Court, personnel in the Commission with permanent
22 appointments shall either be transferred to the sala of the Judges of the Regional Court of Labor
23 Relations to augment its support staff or to the administrative offices in its regional branches.

24 SECTION 15. *Personnel Whose Services are Terminated.* -Personnel whose services are
25 terminated as a result of the implementation of this Act shall enjoy the rights and protection

1 provided them under existing laws and such other pertinent rules and regulations. In any case, no
2 lay-off shall be effected until funds to cover the gratuity and or retirement benefits of those laid
3 off are duly certified as available.

4 SECTION 16. *Transitory Provision; Disposition of Pending Cases Before the*
5 *Commission* - All pending cases before the Divisions of the Commission shall be disposed of by
6 them within the winding-up period of not more than One Hundred Twenty (120) days.
7 Thereafter, all unresolved cases shall be deemed appealed to the Court of Appeals pursuant to the
8 Rules of Court and records thereof shall be forwarded by the Commission to the Court of
9 Appeals.

10 SECTION 17. *Appropriations; Funding Source.* - The amount necessary for the initial
11 implementation of this Act shall be taken from the unexpended funds as a result of the abolition
12 of the Commission. The fees collected and interests on deposits by the Regional Courts of Labor
13 Relations shall accrue to the funds provided for under Section 3 of R.A. 9227 as part of the
14 funding source for special allowance of the Judges of the Court of Labor Relations similar to that
15 of that of the Judges of the Regional Trial Court. Any deficiency shall be sourced out of any
16 funds in the National Treasury not otherwise appropriated. Thereafter, such sums as may be
17 necessary for the continued implementation of this Act shall be included in the budget of the
18 Supreme Court for the succeeding General Appropriations Act.

19 SECTION 18. *Issuance of Implementing Guidelines.* - The Supreme Court and the
20 Department of Budget and Management shall issue the necessary guidelines for the proper
21 implementation of this Act in respect to funds coming from the National Treasury within ninety
22 (90) days from approval hereof.

23 SECTION 19. *Separability Clause.* - If for any reason or reasons, any portion of this Act
24 shall be held unconstitutional or invalid, all other parts or provisions not affected thereby shall
25 continue to remain in full force and effect.

1 SECTION 20. *Repealing Clause.* - All provisions of existing laws, orders, decrees, rules
2 and regulations inconsistent herewith are hereby repealed.

3 SECTION 21. *Effectivity.* - This Act shall take effect fifteen (15) days after its
4 publication in at least two (2) newspapers of general circulation.

Approved.