SUPREME COURT
SECOND DIVISION

PHILIPPINE AIRLINES, INC.,
***Petitioner*,**

-versus-

G.R. No. 143258
August 15, 2003

JOSELITO PASCUA, ROBERT ABION, IRENEO ACOSTA, GARY NEPOMUCENO, JASON PALAD, CEFERINO de la CRUZ, JOEL SALGADO, WILFREDO RIVERA, ALEXANDER ANORE, FERNANDO BACCAY, EDILBERTO FAUNE, REYMAR KALAW, GARY G. MARASIGAN, RODOLFO ODO, JONATHAN RENGO, ARTHUR APOSTOL, EDUARDO BALICASAN, MATHIAS GLEAN, ALINORMAN HARANGOTE, CRISANTO CASTILLO, REX MARION CUERPO, EDGARDO del PRADO, RICARDO HERNANDEZ, PEDRO MERCADO JR., CESAR PAYOYO, RONALDO QUEROL, MAURELIO SIERRA, MANUEL VILLELA, LOUISEN FELIPE, LOBENEDICTO TIMBREZA, ANTONIO CABUG, ELISEO ESPIRITU, ARNEL BAUTISTA, ANTHONY ROBLES, DENNIS ARANDIA, CHARLIE BALUBAL, RHODERIC BITAS,

ORLANDO CANDA, CHARLIE de la CRUZ, RIQUESENDO de la FUENTE, RENO DUQUE, JONATHAN FEBRE, ALVIN RIBERTA, NATHANIEL MALABAS, JUANITO SERUMA, FREDERICH de ASIS, ROMMEL ESTRADA, SYDFREY EVARISTO, ERICSON INTAL, FERDINAND GALANG, RUBEN PEROLINA, ROBERT McBURNEY, ENRIQUE SORIANO, ALVIN MANALAYSAY, NEMESIO MAALA, RAUL NEPOMUCENO, SAMUEL REYES, ERWIN MINA, MANUEL REYES, REYNALDO ORAPA, TEODORICO PADELIO, RANDY PIMENTEL, WILLIAM PATRIMONIO, JOEL RAMOS, OLEGARIO REYES, RAUL OCULTO, ROGELIO OLQUINDO, and LARRY VILLAFLOR,

Respondents.

x----------x

D E C I S I O N

QUISUMBING, *J.*:

For Review is the Decision dated January 26, 2000[1] of the Court of Appeals and its May 23, 2000[2] Resolution in CA-G.R. SP No. 50351. The appellate court dismissed the petition for certiorari filed by petitioner to challenge the NLRC Decision dated January 23, 1998,[3] in NLRC NCR CA No. 010598-96, and likewise denied their motion for reconsideration.

The antecedent facts, as summarized by the Court of Appeals and borne by the records, are as follows:

In April, August, and September of 1992, PAL hired private respondents as station attendants on a four or six-hour work-shift a day at five to six days a week.

The primary duty of private respondents who were assigned to PAL's Air services Department and ASD/CARGO was to load cargo to departing, and unload cargo from arriving PAL international flights as well as flights of Cathay Pacific, Northwest Airlines and Thai Airlines with which PAL had service contracts.

On certain occasions, PAL compelled private respondents to work overtime because of urgent necessity. The contracts with private respondents were extended twice, the last of which appears to have been for an indefinite period.

On February 3, 1994, private respondent Joselito Pascua, in his and on behalf of other 79 part-time station attendants, filed with the Department of Labor and Employment a complaint for:

(1) Regularization;
(2) Underpayment of wages;
(3) Overtime pay;
(4) Thirteenth month pay;
(5) Service incentive leave pay;
(6) Full time of eight hours employment;
(7) Recovery of benefits due to regular employees;
(8) Night differential pay;
(9) Moral damages; and
(10) Attorney's fees.

which was docketed as NLRC NCR Case No. 00-02-00953-94.

During the pendency of the case, PAL President Jose Antonio Garcia and PAL Chairman & Corporate Executive Officer Carlos G. Dominguez converted the employment status of private respondents from temporary part-time to regular part-time.

On February 24, 1995, private respondents dropped their money claim then pending before the Office of Executive Labor Arbiter Guanio, thus leaving for consideration their complaint for

"regularization" — conversion of their employment status from part-time to regular (working on an 8-hour shift).

Finding private respondents' remaining cause of action was rendered "moot and academic" by their supervening regularization and denying their prayer that their status as regular employees be given retroactive effect to "six months after their stint as temporary contractual employees," the Executive Labor Arbiter dismissed private respondents' complaint.

On appeal, the NLRC, finding for private respondents, declared them as regular employees of PAL with an eight-hour work-shift. The pertinent portions of the NLRC decision reads:

> Respondent admits that complainants have been performing functions that are considered necessary or desirable in the usual business of PAL. There is no clear showing, however, that complainants' employment had been fixed for a particular project or undertaking the completion or termination of which has been determined at the time of their engagement. Neither is there a clear showing that the work or services which they performed, was seasonal in nature and their employment for the duration of the season. Complainants were simply hired as part-time employees at the ASD and at the ASD/CARGO to do ramp services.

Complainants can therefore be considered as casual employees for a definite period during the first year of their employment and, thereafter, as regular employees of respondents by operation of law. As such, they should be entitled to the compensation and other benefits provided in the Collective Bargaining Agreement for regular employees from or day after one year [of] service. Having been paid less than what they should receive, complainants are therefore, entitled to the differentials.[4]

Petitioner promptly filed a motion for reconsideration of the NLRC decision, which was denied in an order dated October 12, 1998. Consequently, petitioner filed with the Court of Appeals a special civil action for certiorari to annul the NLRC decision. On January 26, 2000, the Court of Appeals dismissed the said petition and by

resolution issued on May 23, 2000, denied petitioner's motion for reconsideration.

Hence, this appeal by certiorari where petitioner assigns the following errors:

I

> THE HONORABLE COURT OF APPEALS ERRED IN UPHOLDING THE NLRC DECISION WHICH RULED ON THE MERITS OF THE COMPLAINT, DESPITE THE FACT THAT THE CAUSE OF ACTION HAS ALREADY BECOME MOOT AND ACADEMIC WHEN THE PETITIONER ACCORDED REGULAR STATUS TO THE RESPONDENTS DURING THE ARBITRATION PROCEEDINGS.

II

> EVEN IF WE ASSUME FOR THE SAKE OF ARGUMENT THAT THE COMPLAINT HAS NOT BEEN RENDERED MOOT AND ACADEMIC, STILL THE HONORABLE COURT OF APPEALS ERRED IN UPHOLDING THE DECISION OF THE NLRC WHICH COMPELLED THE PETITIONER TO CHANGE THE RESPONDENTS' EMPLOYMENT STATUS FROM PART-TIME TO FULL-TIME.[5]

Two principal issues need resolution: (1) Did petitioner's act of converting respondents' status from temporary to regular employees render the original complaint for "regularization" moot and academic? (2) Did the appellate court err when it upheld the decision of the NLRC to accord respondents regular full-time employment although petitioner, in the exercise of its management prerogative, requires only part-time services?

Petitioner contends that the NLRC could not change respondents' status from part-time to full-time employment because respondents merely prayed in their original complaint for regular status as opposed to temporary or casual employment. Respondents' temporary part-time status was already converted by petitioner to regular part-time status at the arbitration level, to put an end to the

controversy. That being the case, the labor arbiter ordered the dismissal of the complaint for having become moot and academic, because the relief sought was already granted even prior to the termination of the dispute. Clearly, says petitioner, respondents' cause of action for regularization had been extinguished when petitioner accorded the respondents regular status.[6] It was grave abuse as well as error for the NLRC to touch the merits of an issue in effect already mooted at the arbiter's level, according to petitioner.

On the second issue, petitioner argues that the NLRC could not lawfully impose the change of employment status of respondents from part-time to full-time employees.[7] It has no authority or power to do so. According to petitioner, management of its business is a matter that falls within the exclusive domain of the employer. As such, only the employer, and no one else, should determine the number of employees to be hired, the type of employees to be engaged, and the qualifications of each and every employee. The employer could engage part-time employees if its operational needs require such part-time employees. The NLRC should not substitute its judgment for that of the employer in this regard, says petitioner.[8]

Respondents, in their comment, aver that the conversion of their employment status from part-time temporary to part-time regular did not render inutile their original complaint, as in fact they have consistently asked for full-time regularization. According to respondents, in their pleadings they repeatedly sought not only regularization but in fact they also asked entitlement to benefits of regular full-time employees. Further, respondents claim that since petitioner needs the services of private respondents for eight (8) hours or more a day, it is with evident bad faith that petitioner continues to categorize them as mere "part-timers" rather than full-timers so the company could avoid payment of corresponding benefits due to respondents.[9]

On the first issue that the original complaint was rendered moot and academic by the subsequent regularization of respondents while the action was pending before the labor arbiter, we find that the petitioner's assertion is not entirely true nor accurate. Petitioner insists that all respondents sought was the conversion of their temporary employment status to regular employment, without asking

for a change from part-time to full time status. This claim, however, is belied by the very complaint initially filed with the labor arbiter. As stated by the OSG in its comment to the petition filed with the Court of Appeals, which we now quote aptly:

> However, a thorough scrutiny of the appeal reveals that despite its lack of preciseness, private respondents were, in fact, ultimately assailing their part-time status, not just the retroactive date of their regularization as part-time employees. They contradicted the Labor Arbiter's perception that hiring of part-time employees was justified by the peculiar nature of airport operations. Besides, even petitioner understood the heart of the appeal when it observed in their Answer to Appeal that "all that they wanted is to be converted to full time status."
>
> The pleadings filed by private respondents consistently show that they wanted to become regular full-time employees, not only regular part-time employees. Although they repeatedly said "regular employees," not specifying whether it should be regular part-time or regular full-time, their intention should be read from the entirety of all their pleadings. Private respondents have consistently alleged that despite their part-time status, they actually work more than 8 hours daily. Private respondent Joselito Pascua confirmed this when he testified on November 24, 1995 (TSN, November 24, 1995, pp. 35-36). Ultimately, they want to be entitled to the many collective bargaining agreement (CBA) benefits which would be possible only if they were regular full-time employees since regular part-time employees are covered by the Personnel Policies and Procedures Manual, the relevant portion of which was introduced only for the first time in this Court. While regular part-time employees have their own package of benefits, it is safe to infer that the benefits under the CBA are better, being a result of negotiation, than those provided under the Personnel Policies and Procedures Manual which are unilaterally handed down by petitioner.[10]

An issue becomes moot and academic when it ceases to present a justiciable controversy, so that a declaration on the issue would be of no practical use or value. In that situation, there is no actual

substantial relief to which respondents would be entitled and which would be negated by the dismissal of their original complaint.[11] Here, it is readily apparent that the dismissal of the original complaint by the labor arbiter would negate the substantial relief to which respondents would have been entitled. They seek regular full-time employment and this claim is fully set forth in the original complaint. They specifically prayed for entitlement to benefits due to a regular full-time employee with seniority rights.[12] The mere regularization of respondents would still not entitle them to all benefits under the CBA, which regular full-time employees enjoy. In fact, regular part-time employees are covered by the benefits under Personnel Policies and Procedures Manual, not the CBA. The dismissal then of the complaint by the labor arbiter is reversible error, and the NLRC still acted within its power and authority as a quasi-judicial agency in finding that respondents deserve more than just being regular employees but must be regular full-time employees.

We now come to the second issue, which touches on the valid exercise of management prerogative. According to petitioner, NLRC encroached upon this exclusive sphere of managerial decision, when it ruled that respondents should be made regular full-time employees instead of regular part-time employees, and the appellate court thereby erred in sustaining the NLRC. This contention does not quite ring true, much less persuade us. It must be borne in mind that the exercise of management prerogative is not absolute. While it may be conceded that management is in the best position to know its operational needs, the exercise of management prerogative cannot be utilized to circumvent the law and public policy on labor and social justice. That prerogative accorded management could not defeat the very purpose for which our labor laws exist: to balance the conflicting interests of labor and management, not to tilt the scale in favor of one over the other, but to guaranty that labor and management stand on equal footing when bargaining in good faith with each other. By its very nature, encompassing as it could be, management prerogative must be exercised always with the principles of fair play at heart and justice in mind.

Records show that respondents were first hired to work for a period of one year. Notwithstanding the fact that respondents perform duties that are usually necessary or desirable in the usual trade or business

of petitioner, respondents were considered temporary employees as their engagement was fixed for a specific period. However, equally borne by the records, is the fact that respondents' employment was extended for more than two years. Evidently, there was a continued and repeated necessity for their services, which puts to naught the contention that respondents, beyond the one-year period, still continued to be temporary part-time employees. Article 280 of the Labor Code[13] provides that any employee who has rendered at least one year of service, whether such service is continuous or broken, shall be considered a regular employee with respect to the activity in which he is employed, and his employment shall continue while such activity actually exists.

The NLRC decision now assailed is one based on substantial evidence, which is that amount of relevant evidence that a reasonable mind might accept as adequate to justify a conclusion.[14] It bears stressing that findings of fact of quasi judicial agencies like the NLRC which have acquired expertise in the specific matters entrusted to their jurisdiction are accorded by this Court not only respect but even finality if they are supported by substantial evidence.[15] Here we find no compelling reason to go against the factual findings of the NLRC. The parties had ample opportunity to present below the necessary evidence and arguments in furtherance of their causes, and it is presumed that the quasi judicial body rendered its decision taking into consideration the evidence and arguments thus presented. Such being the case, it is likewise presumed that the official duty of the NLRC to render its decision was regularly performed.[16] Petitioner has not shown any compelling justification to warrant reversal of the NLRC findings. Absent any showing of patent error, or that the NLRC failed to consider a fact of substance that if considered would warrant a different result, we yield to the factual conclusions of that quasi judicial agency. More so, when as here, these NLRC conclusions are affirmed by the appellate court.

It is basic to the point of being elementary that nomenclatures assigned to a contract shall be disregarded if it is apparent that the attendant circumstances do not support their use or designation. The same is true with greater force concerning contracts of employment, imbued as they are with public interest. Although respondents were initially hired as part-time employees for one year, thereafter the

over-all circumstances with respect to duties assigned to them, number of hours they were permitted to work including over-time, and the extension of employment beyond two years can only lead to one conclusion: that they should be declared full-time employees. Thus, not without sufficient and substantial reasons, the claim of management prerogative by petitioner ought to be struck down for being contrary to law and policy, fair play and good faith.

In sum, we are in agreement with the Court of Appeals that the NLRC did not commit grave abuse of discretion simply because it overturned the labor arbiter's decision. Grave abuse of discretion is committed when the judgment is rendered in a capricious, whimsical, arbitrary or despotic manner. An abuse of discretion does not necessarily follow just because there is a reversal by the NLRC of the decision of the labor arbiter. Neither does variance in the evidentiary assessment by the NLRC and by the labor arbiter warrant as a matter of course another full review of the facts. The NLRC's decision, so long as it is not bereft of evidentiary support from the records, deserves respect from the Court.[17]

WHEREFORE, the petition is **DENIED** for lack of merit. The decision dated January 26, 2000 of the Court of Appeals and its resolution dated May 23, 2000, in CA-G.R. SP No. 50351 are **AFFIRMED**. Costs against petitioner.

SO ORDERED.

Bellosillo, Austria-Martinez and Tinga, *JJ.*, concur.
Callejo, Sr., *J.*, is on leave.

---

[1] Rollo, pp. 27–33.
[2] Id. at 143–144.
[3] Id. at 86–99.
[4] Id. at 29–31.
[5] Id. at 12.
[6] Id. at 14.
[7] Id. at 15.
[8] Id. at 17–18.
[9] Id. at 148–149.
[10] CA Rollo, pp. 140–141.

[11] See Gancho-on vs. Secretary of Labor and Employment, 337 Phil. 654, 658 (1997).
[12] CA Rollo, p. 53.
[13] ART. 280. Regular and Casual Employment. — The provisions of written agreement to the contrary notwithstanding and regardless of the oral agreement of the parties, an employment shall be deemed to be regular where the employee has been engaged to perform activities which are usually necessary or desirable in the usual business or trade of the employer, except where the employment has been fixed for a specific project or undertaking the completion or termination of which has been determined at the time of the engagement of the employee or where the work or services to be performed is seasonal in nature and the employment is for the duration of the season.
[14] Revised Rules of Criminal Procedure, Rule 133, SEC. 5. Substantial evidence.
[15] Reno Foods, Inc. vs. National Labor Relations Commission, G.R. No. 116462, 18 October 1995, 249 SCRA 379, 385.
[16] Revised Rules of Criminal Procedure, Rule 131, SEC. 3 (m).
[17] Jamer vs. NLRC, 344 Phil. 181, 196 (1997).