

**\*\*Title:\*\*** San Miguel Corporation (Cagayan Coca-Cola Plant) vs. Hon. Amado G. Inciong and Cagayan Coca-Cola Free Workers Union

**\*\*Facts:\*\***

The case commenced on January 3, 1977, when the Cagayan Coca-Cola Free Workers Union filed a complaint against San Miguel Corporation (Cagayan Coca-Cola Plant) for failing to include certain compensations in the computation of the 13th-month pay. The compensations in question were payments for sick, vacation, or maternity leaves, premiums for work done on rest days and special holidays, including pay for regular holidays and night differentials. The Regional Office No. X, on February 15, 1977, required San Miguel Corporation to include these payments in the 13th-month pay computation. San Miguel Corporation appealed this Order to the Minister of Labor, represented by Deputy Minister of Labor Amado G. Inciong, who on June 7, 1978, affirmed the Regional Office's decision and dismissed the appeal for lack of merit. A motion for reconsideration was denied, leading San Miguel Corporation to file this petition. The Supreme Court issued a Temporary Restraining Order on February 14, 1979, against enforcing Deputy Minister's order.

**\*\*Issues:\*\***

1. Whether payments for sick, vacation, or maternity leaves, premiums for work done on rest days and special holidays, including pay for regular holidays and night differentials should be considered in the computation of the 13th-month pay under Presidential Decree 851.

**\*\*Court's Decision:\*\***

The Supreme Court found San Miguel Corporation's contention meritorious, ruling that based on Presidential Decree 851 and its implementing rules, the "basic salary" does not include the payments in dispute for the computation of the 13th-month pay. The Court referred to the later set of Supplementary Rules and Regulations Implementing Presidential Decree 851, which explicitly excluded such compensations from the basic salary calculation for the 13th-month pay. Consequently, the Orders dated June 7, 1978, and December 19, 1978, issued by the Deputy Minister of Labor, were set aside, and the Temporary Restraining Order was made permanent.

**\*\*Doctrine:\*\***

The doctrine established in the case is that in the computation of the 13th-month pay under Presidential Decree 851, the basic salary does not include payments for sick, vacation, or maternity leaves, night differentials, and premiums for work performed on rest days and

special as well as regular holidays. These additions are considered “fringe” benefits and not part of the basic salary.

**\*\*Class Notes:\*\***

- **\*\*Presidential Decree 851\*\***: Mandates the payment of a 13th-month salary.
- **\*\*Basic Salary Definition Under PD 851\*\***: The basis for the 13th-month pay calculation, excluding cost-of-living allowances, profit sharing payments, and all allowances and monetary benefits not considered part of the regular or basic salary.
- **\*\*Supplementary Rules and Regulations Implementing PD 851\*\***: Clarification that earnings and other remunerations not part of the basic salary are excluded in the 13th-month pay computation.
- **\*\*Important Legal Provisions\*\***:
  - Article 87 of the Labor Code of the Philippines: Discusses overtime pay.
  - Article 93(c): Details the additional compensation for work performed on any special holiday.

**\*\*Historical Background:\*\***

This case illustrates the evolving interpretation of labor laws and the mechanisms in place for determining the components of salary relevant for 13th-month pay computation. It serves as a judicial clarification of the applicability and scope of Presidential Decree 851, highlighting the judicial process in resolving ambiguities in labor law and clarifying the definition and computation of basic salary for the benefit of both employers and employees in the Philippines.