

### Title:

Philippine Airlines, Inc. vs. National Labor Relations Commission, Labor Arbiter Isabel P. Ortiguerra, and Philippine Airlines Employees Association (PALEA)

### Facts:

On March 15, 1985, Philippine Airlines, Inc. (PAL) revised its 1966 Code of Discipline and immediately implemented it, applying disciplinary measures to some employees. This led to the Philippine Airlines Employees Association (PALEA) filing a complaint for unfair labor practice against PAL before the National Labor Relations Commission (NLRC) on August 20, 1985, arguing that PAL unilaterally implemented the Code without prior notice or discussion with the union.

PALEA challenged the Code on several grounds, including insufficient publication, arbitrariness, and prejudicial content against employees' rights, requesting the Code's implementation be suspended, affected employees be reinstated, and PAL be declared guilty of unfair labor practice. PAL countered, claiming its prerogative to establish workplace rules without violating any agreement or law.

The case proceeded without the parties presenting evidence, as they failed to appear at a scheduled conference, leading Labor Arbiter Isabel P. Ortiguerra to base her decision on the documents submitted. On November 7, 1986, she ruled in favor of PAL on the complaint for unfair labor practice but found fault with PAL for not sufficiently circulating the new Code and for particular provisions that she found objectionable.

PAL appealed to the NLRC, which on August 19, 1988, upheld the dismissal of the unfair labor practice charge but echoed the sentiment that labor, specifically through unions, should participate in the drafting of codes that affect their employment. The NLRC modified the decision, mandating PAL to discuss and review the new Code with PALEA.

Subsequently, PAL elevated the matter to the Supreme Court through a petition for certiorari, challenging the directives regarding sharing the management prerogative of formulating a Code of Discipline with PALEA and other related orders.

### Issues:

The Supreme Court was tasked with determining whether the formulation of a Code of Discipline among employees is a shared responsibility between the employer and employees, and whether PAL was obligated to involve PALEA in the revision of its Code of Discipline.

### ### Court's Decision:

The Supreme Court dismissed PAL's petition, upholding the NLRC's decision. The Court recognized that managerial prerogatives are not without limits and must be exercised in good faith, focusing on the employer's interest without undermining the employees' rights. The Court highlighted the constitutional protection for labor, the need for transparency in managerial decisions affecting employment, and invoked the State policy of promoting workers' participation in policy-making processes.

The Court found that the provisions of the Code had significant implications on the employees' right to security of tenure and that PAL's failure to properly circulate the new Code and consult with PALEA was contrary to the requirements of fairness and justice, even if no explicit law required such sharing of responsibility at the time of the Code's formulation.

### ### Doctrine:

The case reiterates the doctrine that the exercise of managerial prerogatives is subject to limitations found in law, a collective bargaining agreement, or the general principles of fair play and justice. It emphasizes the constitutional and statutory mandates promoting the protection of labor, transparent management actions, and the participation of workers in decision-making processes, especially concerning policies that directly affect their rights and welfare.

### ### Class Notes:

- **Managerial Prerogatives**: The authority of employers to set rules is inherent but not absolute.
- **Workers' Participation**: Even before explicit legal provisions, the principles of transparency and participation in matters affecting employees' rights were recognized as essential for industrial peace and harmony.
- **Security of Tenure**: Employees' right to security of tenure is a property right, which requires due process and fairness in disciplinary actions.
- **Article 211 of the Labor Code**: Amended to expressly promote workers' participation in policy and decision-making processes.
- Important statutes mentioned: Article 249 and Article 253 of the Labor Code; Republic Act No. 6715.

### ### Historical Background:

The dispute occurred in a period marked by evolving labor laws and growing

acknowledgment of workers' rights and participation in the Philippines. The matter reflects the balance between managerial authority and the evolving rights of workers to be involved in decisions affecting their employment, institutionalized further by later amendments to labor laws, including RA 6715, which explicitly recognized worker participation in decision and policy-making processes.