

Title: Prubankers Association vs. Prudential Bank & Trust Company

Facts:

1. On November 18, 1993, the Regional Tripartite Wages and Productivity Board of Region V issued Wage Order No. RB 05-03, introducing Cost of Living Allowances (COLA) for workers in varying amounts depending on the geographical location within the region.
2. Subsequently, on November 23, 1993, the Regional Tripartite Wages and Productivity Board of Region VII issued Wage Order No. RB VII-03. This order integrated existing COLA into the basic pay and increased the minimum wage for workers in selected cities and municipalities within Region VII.
3. The Prudential Bank granted the prescribed COLA to its employees in the covered branches as mandated by these regional wage orders—P17.50 for employees in its Naga Branch (Region V) and P150.00/month integration for employees in its Cebu, Mabolo, and P. del Rosario branches (Region VII).
4. On June 7, 1994, Prubankers Association sent a request to convene a Labor Management Committee meeting to address an alleged wage distortion resulting from the said wage orders' implementation.
5. The Labor Management Committee discussions did not resolve the matter, leading the parties to submit the issue to voluntary arbitration.
6. On June 18, 1996, the Voluntary Arbitration Committee ruled that a wage distortion had indeed occurred and urged resolution under Article 124 of the Labor Code.
7. Prudential Bank sought relief from the Court of Appeals (CA-GR SP No. 42525), which eventually ruled on November 6, 1997, that no wage distortion occurred, reversing the Voluntary Arbitration Committee's decision.

Issues:

1. Did the Court of Appeals err in disregarding the Voluntary Arbitration Committee's factual findings?
2. Does wage distortion exist only within a region or can it extend nationwide?
3. Did the Court of Appeals err in interpreting 'establishment' to mean regional branches instead of the bank nationwide?

Court's Decision:

1. **\*\*On Disregarding Voluntary Arbitration Committee Findings:\*\***  
- The Supreme Court sustained the Court of Appeals' finding of no wage distortion resulting from regional implementation of Wage Orders, as regional salary increases were consistent with RA 6727.

2. **Wage Distortion's Regional/Nationwide Scope:**

- The Court held that wage distortion pertains only within the same region. Regional Wage Boards, established under RA 6727, are authorized to fix wage rates based on distinct regional economic situations, not mandates for national uniformity.

3. **Interpretation of 'Establishment':**

- The Supreme Court upheld that 'establishment' refers to a single location engaged in one or predominantly one kind of activity. Hence, Prudential Bank's regional branches are correctly considered distinct establishments for wage-setting purposes.

Doctrine:

- **Wage Distortion Doctrine:**

Wage distortion, under Article 124 of the Labor Code, occurs when increases in prescribed wages eliminate the wage differentiation between hierarchical positions within an establishment, but this does not extend across different regions unless stated by law.

- **Regional Wage Rationalization:**

RA 6727 allows regional variations in wage orders due to differing economic circumstances across regions, justifying regional wage disparities.

Class Notes:

- **Elements of Wage Distortion:**

1. Existing position hierarchy with corresponding salaries.
2. Significant salary rate change in lower classes without corresponding change in higher classes.
3. Elimination of pay distinctions between levels.
4. Distortion must occur within the same region.

- **Citation:** Article 124 of the Labor Code.

- **Regional Wage Rationalization (RA 6727):**

Explicitly allows different regional wages to accommodate varying living costs and economic factors.

- **Citation:** Article 124 of the Labor Code, Section 2 of RA 6727.

Historical Background:

- **RA 6727 (Wage Rationalization Act):**

Enacted to address varying economic conditions across different regions, ensuring region-specific wage setting. This case illustrates the practical application of RA 6727 in

maintaining regional wage disparities and reinforces such regional wage-setting authority, a legislative response to economic diversity across the Philippines.