

****Title:**** Bankard Employees Union-WATU vs. NLRC and Bankard, Inc.

****Facts:****

1. Bankard, Inc. (Bankard) classified its employees into levels I through V.
2. Bankard's Board of Directors approved a "New Salary Scale" on May 28, 1993, retroactive to April 1, 1993. This scale increased hiring rates by PHP 1,000 for Levels I and V, and by PHP 900 for Levels II, III, and IV. Adjustments were made so that salaries below the new minimum rates were increased to meet them.
3. The petitioner, Bankard Employees Union-WATU, which represented the regular rank and file employees, requested an increase in the salaries of existing employees to match the hikes given to new employees, but Bankard refused.
4. Frustrated by this refusal, the petitioner filed a Notice of Strike on August 26, 1993, citing discrimination and unfair labor practices (ULP).
5. The National Conciliation and Mediation Board treated this as a "Preventive Mediation Case," after finding that the issues were not strikeable.
6. Another Notice of Strike was filed on October 8, 1993, alleging refusal to bargain, discrimination, and other ULP acts including union busting. This strike was prevented when the Secretary of Labor and Employment certified the dispute for compulsory arbitration.
7. The NLRC Second Division dismissed the case on May 31, 1995, finding no wage distortion. The petitioner's motion for reconsideration was denied on July 28, 1995.
8. The petitioner sought certiorari from the Supreme Court, which referred the case to the Court of Appeals based on precedent from *St. Martin Funeral Homes v. NLRC*.
9. On October 28, 1999, the Court of Appeals dismissed the petition for lack of merit.
10. Unsatisfied with the appellate decision, the petitioner filed the present petition with the Supreme Court arguing that wage distortion existed due to the new salary scale.

****Issues:****

1. Whether the unilateral adoption of a new salary scale by Bankard led to a wage distortion under Article 124 of the Labor Code.
2. Whether the appellate court erred in concluding that wage distortion did not exist and that the old salary gaps were still reflected.

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

1. ****Existence of Wage Distortion:****

- The Supreme Court focused on the legal definition of wage distortion per the Labor Code. The definition includes the requirement of eliminating or severely contracting intentional quantitative distinctions in wages among employee groups based on skills, length of service,

or other logical bases.

- Applying *Prubankers Association v. Prudential Bank*, the Court identified four elements critical to determining wage distortion. The Court found that Bankard employees were classified by levels (I-V) rather than by length of service.
- Given the lack of hierarchical positions between newly hired and regular employees, the first element (an existing hierarchy) was not met. Furthermore, the Court found the salary gaps remained and thus the third element (elimination of distinction) was also absent.

2. **Court Appellate Decision:**

- The Court upheld the appellate decision that the pay increases did not create a significant wage gap contraction sufficient to constitute wage distortion.
- Additionally, since the increased rates were part of management prerogative aimed at market competitiveness, and not due to a wage order or law, Article 124's mandate was inapplicable.

Doctrine:

- **Wage Distortion Elements:** The case reiterates the prerequisite conditions for wage distortion under Article 124 and *Prubankers Association*, emphasizing that seniority alone does not suffice for claims of wage distortion. Employers' right to utilize legitimate business judgment in setting salaries is supported unless it arbitrarily and illegally discriminates against employees.

Class Notes:

- **Key Elements of Wage Distortion as per *Prubankers*:** (1) Existing hierarchy of positions, (2) Significant change in lower pay class not mirrored in higher class, (3) Elimination of distinction between classes, (4) The distinction is local to the same region.
- **Relevant Statutes:** Article 124 of the Labor Code governs wage fixation, particularly wage distortion resulting from mandated minimum wage adjustments rather than voluntary employer actions. Employers' business judgments in setting wages are generally upheld.

Historical Background:

- **Labor Law Context in the Philippines:** The case reflects the post-1989 labor reforms under Republic Act No. 6727 (Wage Rationalization Act) aimed at structured wage adjustments. It underscores the legislative intent to preserve wage hierarchies rooted in skill and service length, particularly under inflationary adjustments of the early 1990s economic environment. The case further outlines the limits of judicial intervention in employer-initiated voluntary wage changes.