

Title:

****Antonio W. Iran (Doing Business as Tones Iran Enterprises) vs. National Labor Relations Commission (Fourth Division), Godofredo O. Petralba, Moreno Cadalso, Pepito Tecson, Apolinario Gothong Gemina, Jesus Bandilao, Edwin Martin, Celso Labiaga, Diosdado Gonzalgo, and Fernando M. Colina****

Facts:

Antonio W. Iran, engaged in soft drinks merchandising and distribution in Mandaue City, Cebu, employed truck drivers/salesmen and truck helpers. These employees received commissions based on the number of soft drink cases sold. In June 1991, Iran discovered alleged cash shortages and irregularities and suspended the employees pending an investigation, instructing them to report to work but not allowing them to go on their delivery routes. Subsequently, the employees stopped reporting to work, leading Iran to conclude that they abandoned their employment and thus terminated their services. Iran filed a complaint for estafa against the employees on November 7, 1991. The employees, in turn, filed complaints on December 5, 1991, for various labor law violations including illegal dismissal and underpayment of wages.

The labor arbiter ruled in favor of Iran concerning the dismissal but found him non-compliant with minimum wage laws and the 13th month pay. Iran's appeal to the NLRC contended that commissions should count towards minimum wage compliance, and presented vouchers for the 13th month pay. The NLRC modified the arbiter's decision, awarding each respondent P1,000.00 indemnity for procedural lapses but excluding commissions from wage calculations.

Issues:

1. Should commissions be included in determining compliance with the minimum wage law?
2. Did procedural lapses occur in the termination of private respondents, warranting indemnity awards?
3. Should the vouchers presented by Iran be credited as part of the 13th month pay?

Court's Decision:

****Issue 1: Commissions as Part of Wage****

The Supreme Court ruled that commissions are included in the definition of wages under

Article 97(f) of the Labor Code, which encompasses all forms of remuneration, including those based on commission. The NLRC's exclusion of commissions in wage calculations was overturned. The Court recognized that commissions constitute direct remuneration for services rendered, essential in the salesmen's salary structure, and must be factored in compliance with minimum wage laws.

****Issue 2: Procedural Lapses in Dismissal****

The Court upheld that Iran had not met the procedural due process requirements for termination. Though the cause for dismissal was justified, the requisite two written notices (notice of grounds for dismissal and notice of termination) were not provided. The return-to-work order was insufficient as it did not inform the employees that their dismissal was being considered. The Court increased the indemnity for non-compliance with due process from P1,000.00 to P5,000.00 for each respondent.

****Issue 3: 13th Month Pay Vouchers****

The Court noted that while labor officials should be flexible with evidence submission, the vouchers Iran presented covered only a short period and lacked comprehensive proof for other years. Thus, only the specific amounts for the documented year should be credited.

Doctrine:

- ****Inclusion of Commissions in Wage****: Commissions are part of wages under Article 97(f) of the Labor Code, and must be included in calculating compliance with minimum wage requirements.
- ****Procedural Due Process in Termination****: Employers must strictly follow procedural due process, providing two written notices before terminating employment.

Class Notes:

- ****Wage Definition (Art. 97[f], Labor Code)****: "Wage" includes remuneration expressed in terms of money, whether fixed or on commission, payable under an employment contract.
- ****Procedural Due Process in Termination****: Essential elements include (a) informing the employee of the grounds for dismissal, and (b) informing the employee of the actual decision to dismiss.
- ****P.D. No. 851 and 13th Month Pay****: Employers must ensure additional income in the form of a 13th month pay, calculated equitably with provisions for already existing bonus structures.

Historical Background:

This case arose in the early 1990s amidst increased labor activism and stricter enforcement of labor standards in the Philippines. The Labor Code, updated periodically to enhance workers' rights, required employers to adhere to stringent wage and termination processes, reflecting broader socio-economic policies to protect labor rights. The decision underscores the Supreme Court's commitment to upholding labor rights and ensuring equitable employment practices.