

Master Shirt Co., Inc. and Lily Eng Yao vs. NLRC and Master Shirt Employees Union-ANGLO

360 Phil. 837

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Facts

On July 17, 1993, a catastrophic fire destroyed the factory and offices of Master Shirt Co., Inc. in Quezon City, halting operations entirely. In response to this incident, Master Shirt Co., Inc. and the Master Shirt Employees Union-ANGLO convened on August 19, 1993, before the National Conciliation and Mediation Board (NCMB), where they mutually agreed on key points:

1. The company would strive to resume operations as soon as possible.
2. Should operations not resume within six months, employees would receive separation benefits.
3. The union would provide an estimate of the required separation pay for basis computations.

By March 7, 1994, the company had not resumed operations, prompting the union to demand separation pay. Petitioners contended they could not issue such payments as they had yet to receive insurance claim settlements. With no settlement in sight, the NCMB-NCR referred the matter to the National Labor Relations Commission (NLRC) Arbitration Branch.

On November 4, 1994, the union filed a formal complaint with the NLRC for illegal dismissal, separation pay, and damages. On July 28, 1995, Labor Arbiter Fatima Jambaro-Franco dismissed the illegal dismissal claim but ordered payment of separation benefits amounting to P1,881,988.70 with attorney's fees of P94,099.43. The NLRC affirmed this decision on January 30, 1996.

Subsequent motions for reconsideration by the petitioners were also denied. In August 1997, Western Guaranty Corporation filed an affidavit guaranteeing the satisfaction of the NLRC decision if it were upheld. Respondent union sought a writ of execution in February 1998. Despite objections and motions to recall and lift garnishment by the petitioners, the Labor Arbiter ordered Western Guaranty Corporation to release the funds.

Lily Eng Yao and Master Shirt Co., Inc. escalated the case to the Supreme Court via a petition for certiorari.

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Issues

1. **Did the NLRC act with grave abuse of discretion in upholding the Labor Arbiter's decision to award separation pay to the employees after the company failed to resume operations due to the fire?**

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Court's Decision

The Supreme Court dismissed the petition for certiorari on the following grounds:

1. **Respect for NLRC Findings**: The Court reiterated its long-standing principle of deferring to the NLRC's factual determinations, barring any clear evidence of arbitrary or baseless findings. The petitioners did not satisfactorily demonstrate any arbitrariness or lack of factual basis in the Labor Arbiter's and NLRC's decisions.

2. **Enforceability of Agreement**: The parties had entered into an agreement stipulating the payment of separation benefits should the company fail to reopen after six months. This agreement was upheld as binding and was effectively treated as law between the parties.

3. **Justification of Separation Pay**: Separation pay is typically awarded in cases of valid termination from retrenchment, suspension, business closure, or disease. In this case, the rationale for the separation pay was the explicit agreement between the company and the union. Therefore, even if there was no illegal dismissal, the workers were still entitled to separation pay due to the agreed terms.

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Doctrine

Enforceability of Labor Agreements: Agreements between employer and employee unions concerning termination benefits are binding and enforceable, functioning as the law between parties.

NLRC's Factual Determinations: The court will respect the NLRC's findings of fact unless shown to be arbitrary or baseless.

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Class Notes

- **Key Elements**:
- **Separation Pay**: Pay granted upon valid termination (retrenchment, suspension, closure, disease), and when stipulated by mutual agreement.
- **Grave Abuse of Discretion**: A clear, willful disregard of facts, procedures, or laws by a public officer.
- **Certiorari**: A judicial review mechanism to correct errors of jurisdiction or abuse of discretion.
- **NSMB-NCR**: Agency facilitating labor-management conflict resolution through conciliation and mediation.

- **Relevant Statutes**:
- Article 279. Labor Code of the Philippines - Security of tenure, separation pay eligibility.
- Article 283. Labor Code of the Philippines - Conditions and details for entitlement to separation pay.

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Historical Background

This case emerged from a period when industrial disputes were increasingly directed towards formal resolution mechanisms, reflecting the legal system's central role in arbitrating labor disputes. The National Labor Relations Commission (NLRC) and related bodies provided established platforms for such arbitration, promoting labor rights and enforcing compromise agreements. It also aligns with the Labor Code's provisions aimed at protecting workers' rights and ensuring that agreements between employers and unions are upheld by law.