

### San Miguel Corporation Employees Union-PTGWO vs. Secretary of Labor Ma. Nieves D. Confesor, San Miguel Corporation, Magnolia Corporation, and San Miguel Foods, Inc.

**\*\*Case Title\*\***

San Miguel Corporation Employees Union-PTGWO vs. Secretary of Labor Ma. Nieves D. Confesor, et al.

**\*\*Facts\*\***

- **\*\*June 28, 1990\*\***: Petitioner-union (San Miguel Corporation Employees Union-PTGWO) entered into a Collective Bargaining Agreement (CBA) with San Miguel Corporation (SMC) effective until June 30, 1992, with representation aspect lasting until June 30, 1994.
- **\*\*August 13, 1991\*\***: SMC management announced restructuring of four divisions into separate corporations, effective October 1, 1991, creating Magnolia Corporation and San Miguel Foods, Inc. (SMFI).
- **\*\*Post-restructuring (June 30, 1992)\*\***: CBA renegotiations commenced as per CBA and Article 253-A of the Labor Code.
- **\*\*Negotiation Issues\*\***:
  - Petitioner-union's position: Employees of spun-off corporations (Magnolia and SMFI) should remain part of SMC bargaining unit, with CBA terms effective for the remaining two years.
  - SMC's position: Only SMC employees should be part of the bargaining unit, and CBA should be effective for three years.
- **\*\*September 29, 1990\*\***: Union declared a deadlock.
- **\*\*October 2, 1992\*\***: A Notice of Strike was filed.
- **\*\*Preventive Mediation\*\***: Conducted but resulted in no settlement.
- **\*\*November 3, 1992\*\***: Strike vote conducted favoring strike.
- **\*\*November 4, 1992\*\***: SMC requested the Secretary of Labor to assume jurisdiction over the dispute.
- **\*\*November 10, 1992\*\***: Secretary of Labor assumed jurisdiction, leading to multiple conciliation meetings without agreement.
- **\*\*February 15, 1993\*\***: Secretary of Labor issued an order effective renegotiated CBA for three years, excluding Magnolia and SMFI employees.
- **\*\*March 30, 1995\*\***: Petitioner filed a Motion for Temporary Restraining Order to prevent certification elections in Magnolia and SMFI.
- **\*\*March 29, 1995\*\***: Supreme Court granted the temporary restraining order.

**\*\*Issues\*\***

1. Duration of the renegotiated terms of the CBA: whether it should be effective for three years or two years.
2. Coverage of the bargaining unit: whether it includes the employees of Magnolia and SMFI.

**Court's Decision**

1. **Duration of the CBA:**

- The Supreme Court upheld the Secretary of Labor's decision: Renegotiated CBA should be effective for three years. Article 253-A of the Labor Code allows for economic and non-economic provisions renegotiation every three years, with representation lasting five years. The logical historical and legislative intent of industrial peace and continuity underlying CBA interpretation supported this decision.

2. **Coverage of the Bargaining Unit:**

- The Supreme Court concluded that the employees of Magnolia and SMFI should not be included in the SMC bargaining unit. Following their spinoff, Magnolia and SMFI were distinct and separate entities, thus having unique bargaining units. Legal principles such as mutuality of interests, business necessities, disparateness of management, and eventual new CBAs with their own terms were considered. Magnolia and SMFI's operational and administrative independence confirmed their distinctness.

**Doctrine**

1. **Duration of Collective Bargaining Agreements:**

- Under Article 253-A of the Labor Code as amended by Republic Act No. 6715, CBAs have a term of five years regarding representation, while other provisions should be renegotiated not later than three years after execution.

2. **Separate Juridical Entities and Bargaining Units:**

- When business units are spun off into separate entities, they independently negotiate and form separate CBAs. Judicial recognition of entities' independence is paramount in determining appropriate bargaining units.

**Class Notes**

- **Article 253-A of the Labor Code:**

- Representation aspect term: Five years.

- Renegotiation: Three years for economic and non-economic provisions.

- **Mutuality of Interests:**

- Employees must have common interests in wages, working conditions, and benefits to form a single bargaining unit.
- **Business Restructuring**:
- Management's business judgment on restructuring, including spinning off units, largely respects the separate juridical personality doctrine unless fraudulent.

**Historical Background**

The case reflects the post-1986 corporate restructuring trends in the Philippines, guided by the decentralization idea for more autonomous business units within large conglomerates like SMC. It underscores how labor laws adapt to evolving corporate landscapes, enhancing the stability and responsiveness of labor-management relations amidst dynamic business transformations.