

Title: ****Arco Metal Products, Co., Inc. vs. Samahan ng mga Manggagawa sa Arco Metal-NAFLU****

****Facts:****

Arco Metal Products Co., Inc. (petitioner) is a company involved in the manufacture of metal products while Samahan ng mga Manggagawa sa Arco Metal-NAFLU (respondent) is the labor union of Arco's rank-and-file employees. In December 2003, Arco prorated the 13th month pay, bonus, and leave encashment of three union members based on their actual service rendered within the year. The employees affected were:

- ****Rante Lamadrid****: Sickness (Aug. 27, 2003 - Feb. 27, 2004)
- ****Alberto Gamban****: Suspension (June 10, 2003 - July 1, 2003)
- ****Rodelio Collantes****: Sickness (Aug. 2003 - Feb. 2004)

The union protested, claiming that the petitioner had paid full benefits to certain employees who did not serve the full year on several occasions from 1992 to 2004. Asserting that the prorated payments violated the non-diminution of benefits rule under Article 100 of the Labor Code, the union filed a complaint before the National Conciliation and Mediation Board (NCMB). The case was submitted for voluntary arbitration.

Voluntary Arbitrator Mangabat ruled in favor of Arco, stating the full benefits' provision for less than a year of service was a mistake and not an established practice. Dissatisfied, the union elevated the case to the Court of Appeals under Rule 43.

The Court of Appeals found that Arco had an established practice of paying full benefits despite incomplete service, thus ruling in favor of the union. The court affirmed the voluntary arbitrator's decision with modification, requiring full benefits irrespective of actual service. Arco's motion for reconsideration was denied, prompting a petition to the Supreme Court.

****Issues:****

1. Whether the CBA provisions intend to give full benefits regardless of the actual service rendered.
2. Whether prorated payment of 13th-month pay, bonus, and leave encashment constitutes a diminution of benefits under Article 100 of the Labor Code.

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

Issue 1: Interpretation of the CBA Provisions

- The Supreme Court sided with Arco regarding the interpretation of the CBA, agreeing that the intent was to grant full benefits only if an employee has rendered a full year of service. The phrasing in the CBA's vacation leave, sick leave, and bonus provisions supports this interpretation.

Issue 2: Diminution of Benefits

- The Supreme Court rejected Arco's claim that the prorated benefits payments do not constitute a diminution of benefits due to company practice. The Court referred to jurisprudence that any established benefit that is voluntarily given to employees cannot be reduced, even if initially unintended. Since Arco had repeatedly provided full benefits to employees who did not meet the one-year requirement, this practice became an established company policy.

The petition by Arco was therefore denied, upholding the Court of Appeals' decision that full benefits, regardless of the length of actual service within the year, should be provided.

****Doctrine:****

- ****Non-Diminution of Benefits****: Under Article 100 of the Labor Code and relevant jurisprudence, any benefit or supplement enjoyed by employees cannot be reduced, diminished, discontinued, or eliminated by the employer if it has ripened into company practice.

- ****Interpretation in Favor of Labor****: Article 4 of the Labor Code mandates that all doubts in the implementation and interpretation of the Code be resolved in favor of labor.

****Class Notes:****

- ****Non-Diminution of Benefits****: Article 100, Labor Code - "Nothing in the law shall be construed to reduce any benefit, supplement, or any provision favorable to labor existing at the time of the law's promulgation."

- ****Principle of Mutuality of Contracts****: Article 1308, Civil Code - "The contract must bind both contracting parties; its validity or compliance cannot be left to the will of one of them."

- ****Interpretation Favorable to Labor****: Article 4, Labor Code - All doubts must be resolved in favor of labor.

****Historical Background:****

This case sheds light on the evolution of labor rights in the Philippines, emphasizing the statutory and constitutional protections afforded to labor. It reflects the judicial effort to balance equity in labor-management relations and reinforces the judiciary's role in

safeguarding labor standards amid evolving employment practices. Through rulings like this, the Supreme Court reiterates the fundamental labor principles entrenched in Philippine law and ensures consistency in the application and interpretation of labor benefits.