

**\*\*Title:\*\***

Bank of the Philippine Islands v. BPI Employees Union-Davao Chapter-Federation of Unions in BPI Unibank

**\*\*Facts:\*\***

In 2000, the Bank of the Philippine Islands (BPI) merged with the Far East Bank and Trust Company (FEBTC), absorbing FEBTC's employees. A collective bargaining agreement (CBA) existed between BPI and the BPI Employees Union-Davao Chapter-Federation of Unions in BPI Unibank (the Union). This CBA included a Union Shop Clause requiring new employees to join the Union within 30 days after becoming regular employees. The central issue is whether the absorbed FEBTC employees are considered "new employees" under this clause, making union membership a condition for their continued employment. BPI refused the Union's request to terminate the absorbed employees who did not join the Union.

Procedurally, BPI initially won at the Voluntary Arbitrator level but lost upon appeal to the Court of Appeals, which decided in favor of the Union. BPI then appealed to the Supreme Court, which upheld the appellate court's decision on August 10, 2010. The case returns with BPI's motion for reconsideration, challenging the inclusion of absorbed employees in the Union Shop Clause.

**\*\*Issues:\*\***

1. Should absorbed FEBTC employees be classified as "new employees" under the Union Shop Clause in the CBA?
2. Does including absorbed FEBTC employees under the Union Shop Clause violate their right to security of tenure or the right to abstain from joining labor unions?
3. Did the merger imply the automatic assumption of FEBTC's employment contracts by BPI?

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

1. **\*\*Absorbed Employees as "New Employees":\*\***
  - The Supreme Court affirmed that absorbed FEBTC employees should be considered "new employees" for the purpose of the Union Shop Clause. The Court explained that the legal fiction of continuity in corporate existence does not override labor law principles. Thus, the absorbed employees, who became regular upon the merger's approval, are subject to the

same union membership condition as any newly hired regular employees within the duration of the CBA.

2. **Security of Tenure and Freedom of Association:**

- The Court reiterated the basic constitutional guarantee of security of tenure and the procedural due process requirements before employees could be terminated based on union security clauses. The Court decreed that after giving absorbed employees 30 days to join the union post-notice of the decision's finality, BPI must still ensure due process (notice and hearing) if it proceeds with termination for non-compliance with the union membership requirement. The Court balanced these statutory requirements with the policy of promoting unionism, as mandated by the Constitution.

3. **Automatic Assumption of Employment Contracts:**

- The Court acknowledged Justice Arturo D. Brion's perspective that the employment contracts of FEBTC employees were automatically assumed by BPI upon the merger's effectivity, ensuring no break in their tenure. This aligns with the principles of social justice and full protection to labor. Essentially, despite the merger's documentation not explicitly stipulating the continuous employment, the Court declared BPI's obligation to respect the pre-existing employment relationships.

**Doctrine:**

- **Union Shop Clause Validity:** Union shop clauses are valid even if they compel new employees (or those experiencing significant employment changes) to join the union, as these clauses support union strength, which indirectly benefits all employees.

- **Security of Tenure:** The automatic assumption of employment contracts in mergers without explicit stipulation aids employees' right to continued employment, ensuring no arbitrary termination occurs.

**Class Notes:**

- **Union Shop Clause (Labor Law):** Employees must join the union within a specified period as a condition of continued employment under a valid CBA provision.

- **Security of Tenure (Constitution, Labor Code):** Employees cannot be dismissed except for just or authorized causes and prolonged continuity of employment through mergers must be ensured.

- **Procedural Due Process in Employment Termination:** Two written notices (one of the charges and one of the decision) and a hearing must precede employment termination.

**\*\*Historical Background:\*\***

Before the merger, FEBTC employees had non-BPI related employment terms and conditions. The merger aimed to integrate operations, resources, and workforce, centralizing control under BPI. The legal battle over whether absorbed employees must join BPI's union underscores the tension between corporate restructuring and employee rights protection. The case reflects the judicial balancing act between encouraging unionism, protecting employees' statutory rights, and honoring legitimate corporate transformations.