

**BISIG NG MANGGAGAWA NG PHILIPPINE REFINING CO., INC.,
PLAINTIFF-APPELLANT, VS. PHILIPPINE REFINING CO., INC.,
DEFENDANT-APPELLEE.**

G.R. No. L-27761. September 30, 1981

Ponente: ABAD SANTOS, J.

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ABAD SANTOS, J.:

This is an appeal from the decision of the Court of First Instance of Manila dated December 8, 1966, in Civil Case No. 65082, holding that Christmas bonus and other fringe benefits are excluded in the computation of the overtime pay of the members of the appellant union under Section 6, Article VI of the 1965 collective bargaining agreement which reads as follows:

"Overtime pay at the rate of regular base pay plus 50% thereof shall be paid for all work performed in excess of eight hours on ordinary days within the work week (that is to say, Monday to Friday)."

On April 15, 1966, the Bisig ng Manggagawa ng Philippine Refining Company, Inc., as the representative union of the rank and file employees of the Philippine Refining Co., Inc., filed with the Court of First Instance of Manila a petition for declaratory relief praying, among others –

"That a declaratory judgment be rendered declaring and adjudicating the respective rights and duties of petitioner and respondent under the above quoted provision of their Collective Bargaining Agreements and further declaring that the Christmas bonus of one month or thirty days pay and other determinable fringe benefits should be included for the purpose of computation of the overtime pay spread throughout the twelve months period of each year from August, 1963 up to the present and subsequently hereafter; and that respondent be therefore directed to pay such differential in the overtime pay of all the employees of the herein respondent;"

Petitioner union contended that the respondent company was under obligation to include the employees' Christmas bonus and other fringe benefits in the computation of their overtime pay by virtue of the ruling of this Court in the case of *NAWASA vs. NAWASA Consolidated Unions, et al.*, G.R. No. L-18938, August 31, 1964, 11 SCRA 766.

On May 3, 1966, the Philippine Refining Co., Inc. filed its answer to the petition alleging, among others, that never did the parties intend, in the 1965 collective bargaining agreement and in prior agreements, to include the employees' Christmas bonus and other fringe benefits in the computation of the overtime pay and that the company precisely agreed to a rate of 50%, which is much higher than the 25% required by the Eight-Hour Labor Law (Commonwealth Act No. 444, as amended), on the condition that in computing the overtime pay only the "regular base pay" would be considered. Furthermore, respondent company contended that the ruling of this Court in the *NAWASA* case relative to the computation of overtime compensation could not be applied to its employees since it was a private corporation and not a government-owned or controlled corporation like the *NAWASA*.

After the requisite pre-trial was held, the Court of First Instance of Manila issued an order dated September 16,

1966, limiting the issues to the proper interpretation of the above-quoted provision of the 1965 collective bargaining agreement and to the applicability to the case of the NAWASA ruling and requiring the parties to submit evidence as to the circumstances under which the questioned provision had been included in the agreement of 1965.

During the trial, the parties presented their respective witnesses from whose testimonies the following facts were established: that the collective bargaining agreements entered into between the parties before 1965 all contained a provision similar to the aforequoted Sec. 6, Art. VI of the 1965 collective bargaining agreement; that in the enforcement of said earlier agreements, the overtime compensation of the employees was computed on the basis solely of their basic monthly pay, i.e., excluding the employees' Christmas bonus and other fringe benefits; that in the negotiations which led to the execution of the 1965 collective bargaining agreement, the matter of the proper interpretation of the phrase "regular base pay" was discussed; that the petitioner union demanded that the NAWASA ruling should be applied by including the employees' Christmas bonus and other fringe benefits in the computation of the overtime compensation; that the respondent company refused to give in to such demand contending that - (1) the company agreed to a 50% overtime rate, which was higher than the 25% rate required by law, precisely on the condition that the same should be computed solely on the basis of the employees' basic monthly salary, excluding Christmas bonus and other fringe benefits; (2) the parties had the freedom to choose the basis for computing the overtime pay provided that the same should not be less than the minimum prescribed by law; and (3) the NAWASA decision was inapplicable to a private corporation like the Philippine Refining Co., Inc.; that while refusing to grant petitioner's demand, the respondent company nevertheless agreed to submit to a court for resolution the issue of the applicability to their case of the NAWASA ruling, with the undertaking to abide by whatever decision the court would render; and, that the parties agreed that, in the meantime, they would exclude the Christmas bonus and other fringe benefits in the computation of the overtime compensation.

On December 8, 1966, the Court of First Instance of Manila rendered a decision the dispositive portion of which reads as follows:

"IN VIEW OF THE FOREGOING, judgment is hereby rendered, declaring that the term 'regular base pay' in Section 6, Article VI of Exhibit A refers only to 'regular base pay' and does not include Christmas bonus and other fringe benefits. Without pronouncement as to costs.

"SO ORDERED. "

Said court held that while the NAWASA ruling concerning the meaning of the phrase "regular pay" of the Eight-Hour Labor Law could be applied to employees of private corporations like the Philippine Refining Company, the same was, nevertheless, inapplicable to the case at bar which involved the interpretation of the phrase "regular base pay", which was different from "regular pay". It declared that "regular base pay" referred only to the basic or monthly pay exclusive of Christmas bonus and other fringe benefits. Furthermore, the validity of the provision of the 1965 collective bargaining agreement concerning the computation of the employees' overtime pay on the basis of their "regular base pay" was upheld by the court for the reason that the same was even higher than the overtime pay prescribed by law. The court emphasized that contracts are binding on the parties insofar as they are not contrary to law, morals and public order.

A motion for reconsideration of the decision was filed by the petitioner union but the same was denied in an order dated February 17, 1967. Hence, the present appeal which raises pure questions of law, namely: (1) whether or not the phrase "regular base pay" as used in the above-quoted provision of the 1965 CBA includes Christmas bonus and other fringe benefits; and (2) whether or not the stipulation in the CBA on overtime pay violates the NAWASA doctrine if the answer to question No. 1 is in the negative.

We answer both questions in the negative.

The phrase "regular base pay" is clear, unequivocal and requires no interpretation. It means regular basic pay and necessarily excludes money received in different concepts such as Christmas bonus and other fringe benefits. In this connection it is necessary to remember that in the enforcement of previous collective bargaining agreements containing the same provision of overtime pay at the rate of "regular base pay plus 50% thereof", the overtime compensation was invariably based only on the regular basic pay, exclusive of Christmas bonus and other fringe benefits. Appellant union knew all the while of such interpretation and precisely attempted to negotiate for a provision in the subject collective bargaining agreement that would include the Christmas bonus and other fringe benefits in the computation of the overtime pay. Significantly, the appellee company did not agree to change the phrase "regular base pay" as it could not consent to the inclusion of the fringe benefits in the computation of the overtime pay. Hence, the appellant union could not question the intended definition of the phrase but could only claim that the same violated the Nawasa doctrine and insist that the phrase should be re-defined to conform to said doctrine.

We are thus tasked not so much with the interpretation of the phrase "regular base pay" in the CBA, which unquestionably excludes Christmas bonus and other fringe benefits, but with the question of whether as understood, the contractual stipulation violates the ruling laid down in the Nawasa case.

The pertinent portions of the decision in the case of *NAWASA vs. NAWASA Consolidated Unions* (L-18938, August 31, 1964, 11 SCRA 766, 782-783) invoked by the appellant union read as follows:

"It has been held that for purposes of computing overtime compensation a regular wage includes all payments which the parties have agreed shall be re-ceived during the work week, including piece work wages, differential payments for working at undesirable times, such as at night or on Sundays and holidays, and the cost of board and lodging customarily furnished the employee (*Walling v. Yangermah-Reynolds Hardwork Co.*, 325 U. S. 419; *Walling v. Harischfeger Corp.*, 325 U.S. 427. The 'regular rate' of pay also ordinarily includes incentive bonus or profit-sharing payments made in addition to the normal basic pay (56 C.J.S., pp. 704-705), and it was also held that the higher rate for night, Sunday and holiday work is just as much a regular rate as the lower rate for daytime work. The higher rate is merely an inducement to accept employment at times which are not as desirable from a workman's standpoint (*International L. Ass'n v. National Terminals Corp.* c.c. *Wise*, 50 F. Supp. 26, affirmed C. C.A. *Casbunao v. National Terminals Corp.* 139 F. 2d 853).

"Respondent court, therefore, correctly included such differential pay in computing the weekly wages of those employees and laborers who worked seven days a week and were con-tinuously receiving 25% Sunday differential for a period of three months immediately preceding the implementation of Republic Act 1880."

The appellant union contends that by virtue of the foregoing, the Philippine Refining Co., Inc., is under obligation to include the employees' Christmas bonus and other fringe benefits in the computation of their overtime compensation which, as agreed, is "regular base pay plus 50% thereof".

The legal provisions pertinent to the subject of overtime compensation are found in Secs. 3 and 4 of Commonwealth Act No. 444, as amended, which read as follows:

"SEC. 3. Work may be performed beyond eight hours a day in case of actual or impending emergencies x x x; but in all such cases, the laborers and employees shall be entitled to receive compensation for the overtime work performed at the same rate as their regular wages or salary, plus at least twenty-five per centum additional.

"SEC. 4. No person, firm, or corporation, business establishment or place or center of labor shall compel an employee or laborer to work during Sunday and legal holidays, unless he is paid an additional sum of at least twenty-five per centum of his regular remuneration." (Underscoring supplied.)

Applying the aforequoted NAWASA ruling to the above provision of law, We arrive at the following conclusion: all employers covered by said law are under legal compulsion to grant their employees overtime compensation in amounts not less than their basic pay and the fringe benefits regularly and continuously received by them plus 25% thereof. This does not however mean that agreements concerning overtime compensation should always provide for a computation based on the employee's "regular wage or salary" i. e., regular base pay plus fringe benefits regularly and continuously received. For it is axiomatic that in multiplication, the product is directly related to the multiplicand and the multiplier, and that the multiplicand is inversely related to the multiplier; consequently, the same product may be obtained despite reduction of the multiplicand provided that the multiplier is correspondingly increased. Conformably with the foregoing mathematical axioms, there is still compliance with the above-stated ruling despite the fact that the overtime compensation is based only on the employee's "regular base pay" (the multiplicand) as long as the rate of 25% (the multiplier) is increased by such amount as to produce a result (the product) which is not less than the result to be obtained in computing 25% of the employee's "regular wage or salary" ("regular base pay" plus fringe benefits regularly and continuously received). In fine, the parties may agree for the payment of overtime compensation in an amount to be determined by applying a formula other than the statutory formula of "regular wage or salary, plus at least twenty-five per centum additional" provided that the result in applying the contractual formula is not less than the result in applying said statutory formula.

In the case at bar, it is admitted that the contractual formula of "regular base pay plus 50 thereof" yields an overtime compensation which is higher than the result in applying the statutory formula as elaborated in the Nawasa case. Consequently, its validity is upheld and the parties are enjoined to accord due respect to it.

WHEREFORE, the decision appealed from is hereby affirmed in all respects. Without pronouncement as to costs.

SO ORDERED.

Barredo, (Chairman), Aquino, Concepcion, Jr., and De Castro, JJ., concur.

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