

ADELO C. RIVERA, PLAINTIFF-APPELLANT, VS. SAN MIGUEL BREWERY CORPORATION, INC., DEFENDANT-APPELLEE.

G.R. No. L-26197. July 20, 1968

Ponente: RUIZ CASTRO, J.

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RUIZ CASTRO, J.:

This is an appeal from the decision dated December 10, 1965 of the Court of First Instance of Misamis Oriental in civil case 2480.

On June 18, 1964 Adelo C. Rivera - litigating as pauper - filed with the municipal (now city) court of Cagayan de Oro a complaint against the San Miguel Brewery Corporation, Inc. (herein-after referred to as the Company) for collection of separation pay and recovery of a sum of money, including actual, moral and exemplary damages and attorney's fees. On July 15, 1964, the Company filed its answer, traversing the material allegations of the complaint.

On July 25, 1964 Rivera filed a request for admission of, inter alia, the fact that the plaintiff (Rivera), like the other security guards of the Company, is not and was never a member of any labor union with which the Company has or had a collective bargaining agreement.

On November 25, 1964 the city court of Cagayan de Oro rendered judgment, as follows:

"This Court, after a careful consideration of the documentary evidence, oral and written arguments of the parties as well, finds that the defendant has already paid its obligation to the plaintiff in accordance with law; hence, for lack of merit, this case is hereby dismissed with costs against the plaintiff."

Rivera appealed to the Court of First Instance of Misamis Oriental.

Instead of filing another answer, the Company, in its manifestation of January 26, 1965, adopted as its answer that which it filed on July 15, 1964 with the city court.

On August 6, 1965, when the case was called for a pre-trial conference, the parties submitted a stipulation of facts, quoted verbatim as follows:

"ON THE FIRST CAUSE OF ACTION

"1. For the first cause of action, the plaintiff is of legal age, resident of Corrales Avenue, Cagayan de Oro City and the defendant is a domestic corporation with principal office at Manila, Philippines and a plant at Cagayan de Oro City;

"2. Plaintiff was employed by the defendant Corporation on December 8, 1952 as a security guard up to and including September 16, 1963, approximately 10 years and 9 months;

"3. On September 16, 1963 plaintiff was separated for physical disability due to illness as shown by a letter of termination dated September 17, 1963 from the employer signed by Mr. Vicente Pardo, Manager of the

Cagayan Coca-Cola Plant which is already marked in the records of this case as Exhibit C for the plaintiff;

"4. At the time of plaintiff's separation from the service he was receiving a daily wage of P5.90 and in accordance with the Health, Welfare and Retirement Plan (Exhibit 1) [hereinafter referred to as the private plan] of the defendant particularly Article 9 (Exhibit 1-A for the Defendant), plaintiff was paid a total of P930.35 as retirement as shown in Exhibits A and B for the Plaintiff which exhibits are also admitted by the defendant.

"ON THE SECOND CAUSE OF ACTION

"For the second cause of action paragraph 1 as submitted in the first cause of action, the employer-employee relation is likewise admitted. As also stated in the first cause of action the statement of accounts embodied in Exhibits A and B for the plaintiff are likewise admitted; and as also admitted in the first cause of action the cause of termination of the employee is as stated in Exhibit C for the plaintiff, the letter termination; That the employee was not a member of the labor union; That the amount of P331.40 representing the Defendant's contribution to the Social Security System during the period from September 1957 to March 1963 was deducted from Plaintiff's retirement benefits in accordance with Article 15 (Exhibit 1-B) of the Defendant's Health, Welfare and Retirement Plan (Exhibit 1 for the Defendant); and That the Health, Welfare and Retirement Plan Exhibit 1 of the defendant is fully company financed, no contribution whatsoever from plaintiff was ever required."

On December 10, 1965 the Court of First Instance of Misamis Oriental rendered judgment, as follows:

"WHEREFORE, after a careful evaluation of the facts and the law respecting the matter, judgment is hereby rendered in favor of the defendant Company and against the plaintiff dismissing the latter's complaint with costs against him."

In this appeal to us, Rivera poses only one question of law - which is, whether the Company had the right to deduct the amount of P331.40 from his retirement benefits and/or separation pay and thus recover its contribution to the Social Security System - but assigns two errors, to wit:

1. The lower court erred in holding that section 9 of the Social Security Act authorizes the employer to deduct from its employee's separation pay and/or retirement pay whatever it contributed to the Social Security System in so far as the coverage of the said employee is concerned.
2. The lower court erred in giving force and validity to Article XV of the Company's private plan, notwithstanding the provisions of section 19 of Republic Act 1161 as amended by Republic Acts 1792 and 2658.

The appellant's case must fall on both counts.

For unmistakable is the import of section 9 of the Social Security Act[1] which expressly provides, inter alia, that

". . . [P]rivate plans which are existing and in force at the time of compulsory coverage shall be integrated with the plan of the System in such a way that where the employer's contributions to his private plan is [sic] more than that required of him in this Act, he shall pay to the System only the contribution required of him and he shall continue his contributions to such private plan less his contribution to the System so that the employer's total contribution to his private benefit plan and to the Social Security System shall be the same as his contribution to his private plan before the compulsory coverage; Provided, further, That any changes, adjustments, modifications, eliminations or improvements in the benefits to be available under the remaining private plan, which may be necessary to adopt by reason of the reduced contribution thereto as a result of the integration, shall be subject to agreements between the employers and employees concerned . . ." (emphasis supplied)

The Company has a private benefit plan - its Health, Wel-fare and Retirement Plan - which is wholly company-financed be-cause the employees do not contribute to its maintenance. The Company has integrated its private plan with that of the Social Se-curity System. It remitted to the latter the contributions required of it for and in behalf of its employees - including the appellant Rivera - but at the same time it has maintained its own private plan. It is not controverted that the Company's contributions to its private benefit plan are greater than that required of it under the Social Security Act. It has, therefore, the right to deduct its contributions to the System from the benefits accruing to its em-ployees under its private, plan.

In the case at bar, the total of the retirement benefits due to Rivera under the private plan of the Company was P1,261.75. But since the latter had paid the amount of P331.40 as its contribution to the Social Security System for and in behalf of Rivera, it has therefore the right to deduct the latter amount from the to-tal amount of the retirement benefits, leaving a balance of P930.35, which latter sum was paid to Rivera. Otherwise, the Company would be paying to the System and to its private plan, both for the benefit of Rivera, the total amount of P1,593.15 - a fact situation not envisaged by the aforequoted section 9 (of the Social Security Act) which emphatically stresses "that the employer's total contribution to his private benefit plan and to the Social Security Sys-tem shall be the same as his contribution to his private plan before the compulsory coverage."

Besides, the authority of the Company to effect the said deduction is neither unilateral nor without basis. In compliance with the directive set forth in section 9, supra, that "any changes, adjustments, modifications, eliminations, or improvements in the benefits to be available under the remaining private benefit-plan, which may be necessary to adopt by reason of the reduced contri-bution thereto as a result of the integration, shall be subject to agreements between the employers and employees", the Company incorporated into its private plan Article XV which provides:

"The benefits provided in these Rules shall be reduced by such amounts as would be sufficient to compensate the company for its (i.e., employer's) contribution for the account of each employee to the Social Security System. However, beginning with the Company's contributions corresponding to the month of April, 1953 the Company's contribution to the Social Security System shall no longer be deducted from the benefits provided in these rules." (empha-sis supplied)

The private plan was set up by the Company pursuant to a collective bargaining agreement it entered into with the union which represents the majority of its employees. It can therefore be considered as an integral part of the said collective bargaining agree-ment dealing exclusively with the health, welfare and retire-ment of the employees. As such, it is binding on all employees of the Company - whether or not union members - because a collec-tive bargaining agreement is the law of the plant.[2] Statutory law firmly supports this holding because the labor organization desig-nated or selected by a majority of the employees in an appropriate bargaining unit is the "exclusive representative of all the employees in such unit for the purpose of collective bargaining." [3]

The appellant stresses the fact that he is not a member of the labor union, and in the process impliedly argues that Article XV of the private plan is not binding on him. Assuming that he is correct, that is, he is not bound by the terms of the private plan, then it is only just and logical that its benefits be withheld like-wise froth him. But decisional law frowns upon this, the cases being unanimous that

"When a collective bargaining contract is entered into by the union representing the employees and the employer, even the non-member employees are entitled to the benefits of the contract. To accord its benefits only to members of the union without any valid reason would constitute undue discrimination against non-members." [4]

The rationale behind the extension of the benefits of a collective bargaining agreement even to non-union members - as underscored by the abovesited jurisprudential touchstone - is to preclude undue discrimination

against them. This same ruling does not and should not in turn justify any discriminatory treatment against union members, a result which is certain to follow if the appellant were to receive the benefits flowing from the private plan of the Company, sans the burden imposed on the recipient by the aforementioned Article XV. His readiness to receive the benefits accruing to him under the said private plan should be matched by his willingness to bear the burdens concomitant thereto, one of which is the reduction of the benefits owing to him up to the amount sufficient to compensate the Company for its (employer's) contributions (for his account) to the Social Security System.

Finally, the appellant's stand that Article XV of the Company's private plan flies in the teeth of section 19 of the Social Security Act, is untenable. This section expressly provides:

"Employer's contribution - Beginning as of the last day of the month when an employee's compulsory coverage takes effect and every month thereafter during his employment, his employer shall pay, with respect to such covered employee, the employer's contribution in accordance with the schedule indicated in Section eighteen of this Act. Notwithstanding any contract to the contrary, an employer shall not deduct, directly or indirectly, from the compensation of his employees covered by the System or otherwise recover from them the employer's contribution with respect to such employees."

It is clear, from a close scrutiny of the last sentence of the abovesited section, that what is prohibited is the deduction of the employer's contribution from the compensation of his employees, or the recovery from said employees of the employer's contribution to the System with respect to their coverage. Stated otherwise, what is enjoined is any employer's scheme to make his employees shoulder his burden of paying to the System the employer's contribution required by the Social Security Act.[5]

There is no such scheme, in the case at bar, of passing the employer's burden because the retirement pay of the appellant is not in the category of a compensation, but is a fringe benefit proceeding from the Company's private plan. Moreover, the Company does not seek to recover from the appellant the former's contribution with respect to the latter. It is merely deducting the same from what it pays to the private plan which it has set up and is singlehandedly maintaining, and which it has integrated with the System.

For, indeed, to allow the appellant to enjoy the full amount of retirement pay under the private plan and all the benefits due to him under the Social Security Act without spending any single centavo - and conversely, to prohibit the Company from making the corresponding deduction from such benefits of its contributions to the Social Security System in behalf of the appellant - is to sanction an inequitable situation that runs roughshod over the universally accepted maxim against unjust enrichment: "nemo cum alterius detrimenti locupletari potest."

ACCORDINGLY, the judgment a quo is affirmed. No costs.

Concepcion, C.J., Reyes, JBL, Dizon, Makalintal, Zaldivar, Sanchez, Angeles, and Fernando, JJ., concur.

[1] Republic Act 1161 as amended by Republic Acts 1792, 2658 and 3839.

[2] J.I. Case Co. vs. NLRB, 321 U.S. 332 (1944).

[3] Republic Act 875, sec. 12(a).

[4] National Brewery & Allied Industries Labor Union vs. San Miguel Brewery, et al., L-18170, Aug. 31, 1963; International Oil Factory Workers' Union vs. Martinez, L-15560, Dec. 31, 1960; PRISCO vs. PRISCO Workers' Union, L-9288, Dec. 29, 1958; LASEDECO vs. Caledonia Pile Workers' Union, L-4877, Feb. 26, 1952; Leyte Land Transp. vs. Leyte Farmers' & Laborers' Union, 80 Phil. 842, May 12, 1948.

[5] See secs. 18 and 19 of Republic Act 1161 as amended by Republic Acts 1792, 2658 and 3839.

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