

PHILIPPINE EDUCATION CO., INC., PETITIONER, VS. COURT OF INDUSTRIAL RELATIONS AND UNION OF PHILIPPINE EDUCATION EMPLOYEES (NLU), RESPONDENTS.

G.R. No. L-5679. November 28, 1953

Ponente: TUASON, J.

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TUASON, J.:

On August 8, 1950, the Union of the Philippine Education Employees (NLU) filed a petition in the Court of Industrial Relations for arbitration and adjudication of 17 demands. Only three of these demands are involved in the instant proceedings, the rest having been compromised dismissed, or granted, to the satisfaction of the parties. The three demands in question are No. 1, No. 6 and No. 13.

Demand No. 1 was for a general increase of 30 per cent in salaries and wages and fixing at P5 the daily minimum wage and at P150 the minimum for monthly-salaried employees; demand No. 6 was for maternity leave for two months with full pay; and demand No. 13 was for gratuity equivalent to one month's salary for every year of service to employees who may be dismissed because of old age, sickness or physical disability, or due to slack in the business.

The Philippine Education Co., Inc., respondent, opposed the demands under consideration on these grounds:

"1. * * * Respondent believes and maintains that the present rate it is paying of a minimum of P4 daily for temporary employees and P5 for permanent is fair and just.

"6. Respondent cannot grant two months maternity leave with full pay.

"13. We cannot afford to grant the demand of gratuity of one month's salary for every year of service to employees who may be dismissed because of old age, sickness, physical disability or forced reduction of personnel when business is slack."

Hon. V. Jimenez Yanson, the trial judge, on January 5, 1952, rendered a decision in which he disposed of the now disputed demands as follows:

DEMAND NO. 1

"The salary of an employee or laborer, according to law, should not only serve as a just compensation for his labor but also should afford him an adequate income to meet the essential necessities of civilized life, and for this reason, the court decides to grant, as it hereby grants (1) an increase of P1.75 a day to all the employees and laborers receiving P4 and P5 daily respectively; (2) an increase of P20 a month to those receiving from P120 to less than P200 a month (as amended in Resolution dated April 16, 1952, App. 'H'), and (3) an increase of P15 to those receiving from P200 a month and up excluding, however, the officials of the respective department for the reason that they belong to the policy-making body of the management and are not included in the demand.

DEMAND NO. 6

"Considering that this demand also affects the terms and conditions of employment between the employer and its employees (female), pursuant to the constitutional provisions that the State shall afford protection to labor, specially to working women, etc., the court holds that a pregnant woman should be as it is hereby, granted 1 month leave before and 1 month leave after confinement with full pay.

DEMAND NO. 13

"This demand was held in abeyance pending the conciliation proceedings that was being held in connection with the petition of the respondent for authority to lay off or dismiss up to 50 per cent of its personnel, filed with this court on September 27, 1950, and docketed as case No. 489 (2), but after the failure of the parties to reach an amicable settlement in said case, the above demand was submitted by the parties for adjudication to the Court.

"Due to the failure of the parties to reach an understanding on this matter, and for lack of legal provisions to the effect, the court believes that the petitioner has to abide by what the respondent has offered in its counter-proposition to the Court's proposition in said case No. 489 V (2), to wit:

'Two months' pay for those who served (the Company) from 1 year to 5 years;

'Three months' pay for those who served from 6 years to 10 years;

'Four months' pay for those who served from 11 to 15 years;

'Five months' pay for those who served from 16 to 20 years, and

'One month's pay for those who are under temporary basis'."

On motion for reconsideration and new trial, that decision was affirmed by the court in banc, Presiding Judge Arsenio Roldan taking no part.

Referring to demand No. 1, the Company asserted in its motion that the general increase ordered by the court "lacks legal justification, and is furthermore premised on the supposition, which is false, that the respondent would continue to make profits as in 1949-50 and in 1950-51, and that it is able, contrary to the present situation, to pay the increased wages." In a writing filed with this Court on its petition for certiorari, the Philippine Education Co., Inc., alleges that when the trial was concluded on June 20, 1951, its financial position was not as bad as it was on May 23, 1952; that if a new trial were granted it could prove that its sales during the fiscal year April 1, 1951 to March 31, 1952 were P2,084,591.90 less than the sales of the preceding fiscal year, citing figures; that the company had to date the same number of employees that it carried during the most profitable years of its life, and could not continue on with the same number; that a sharp reduction, not a general increase in wages, was more in line. It submitted an accountant's certificate and the annual report of its president to the stockholders, both for the year ending March 31, 1952, purporting to show that the import control had allowed the company to import 40 per cent of its normal 1949 importation; that to replenish stocks, in an attempt to keep up normal trading operations, it bought considerably in the local black market but that the venture resulted in loss; that the volume of sales dropped from P7,453,787.79 for 1950-51 to P5,456,058.71 for 1951-52; that during the year the Company had been restricted from effecting necessary economies in its costs of operations by being forced by the court to maintain the same personnel that it had in 1949-50, before it began to feel the effects of the controls. It was also stated that in September, 1950 the Company had filed with the court an urgent petition to be allowed to reduce its personnel; that "to this day, July 17, 1952" it had been compelled to keep on the payroll many employees whose services had long since ceased to be needed, resulting in a loss to the Company of many thousand pesos; that the net results of the year's operations was a loss of P187,301.92 for the year. And speaking of the Company's outlook, the President observed: "With the return to us by the Court of Industrial Relations of

our right to manage our own business, we could proceed to trim our organization down to the small amount of business that will be left to us, in the hope that there may be an early lifting of the controls and the restored opportunity to engage in normal trade, otherwise immediate steps toward liquidation in order to save the assets of the company must be taken."

The correctness of the above report and balance sheet was, and is, disputed by the Union, which contends that notwithstanding the import and exchange controls the respondent continued to make gains. It is inclined to suspect that the financial statement and report mentioned" had been made in contemplation of the respondent's motion for reconsideration.

Without expressing an opinion on the merit or demerit of the respective allegations of the parties, it is believed that a sufficient showing has been made calling for a new trial. Respondent's allegations, if true, would necessitate the closing of the business and the laying off of all its employees unless the order were reversed or modified. In the interest of all concerned, it is not prudent to brush aside the respondent's plea for reopening of the case without a thorough investigation and careful examination of evidence. Only in this manner can the court ascertain with a reasonable degree of assurance whether, after the decision was handed down, the Company is in a position to continue operations with the same number of personnel with increased wages and new privileges.

That "the petitioner's remedy is not a motion for new trial but a motion asking for a modification of the said decision, granting that the petitioner's allegations are well-founded, as provided for by Section 17 of Commonwealth Act No. 103," is not well taken. Motions for reconsideration, for a new trial, and for modification of decision, on the basis of changed conditions, amount to the same thing. This objection is all the more unmeritorious, it seems, because Section 20 of Commonwealth Act No. 103 specifically ordains "that in the hearing, investigation and determination of any question or controversy and in exercising any duties and powers under this Act, the court shall act according to justice and equity and substantial merits of the case, without regard to technical or legal form and shall not be bound by any technical rules of legal evidence but may inform its mind in such manner as it may deem just and equitable."

Our decision then is that a new trial as prayed for should be granted, and it is so ordered.

It would not be fair, however, to deprive the employees of the benefits of the lower court's decision from the date of the submission of the case on January 20, 1951, should the results of the new hearing be unfavorable to the movant. For this reason, all or any of the awards included in the decision sought to be reconsidered and which may be affirmed after the new trial, may be made effective as of the date of the said original decision, if, in the opinion of the court and in the light of all the circumstances, retroactivity is justified.

The financial position of the company permitting and a fair return on its investments being taken care of, the Court of Industrial Relations has jurisdiction to allow the demands to which the petitioners excepts.

With reference to demand No. 1, the jurisdiction and authority of the Court of Industrial Relations to order a general increase in salaries has been affirmed in *Ang Tibay vs. Court of Industrial Relations and National Labor Union*, G. R. No. 46496; *Central Azucarrera de Tarlac vs. Court of Industrial Relations et al.*, G. R. No. 46842; *Leyte Land Transportation Co. vs. Leyte Farmers and Laborers Union*, 80 Phil., 842. In the last mentioned case the Court said:

"The petitioner contends that the Court of Industrial Relations made a mistake in conceding salary or wage increases, after being 'convinced that the basic salary of P100 for drivers and P80 for conductors is just taking into consideration the financial condition of the corporation just now', and merely because such increase will enable the workers 'to meet the high cost of living now in Tacloban in order to help them buy the necessities for a decent livelihood.' It is intimated in this connection that the total amount of the increases, if added to the

cripping losses will throw the Company into bankruptcy.'

"There can be no doubt about the propriety of the action of the Court of Industrial Relations in taking into account the 'high cost of living' as a factor for determining the reasonableness of any salary or wage raise, since that court is impliedly empowered to do so under section 20 of Commonwealth Act No. 103 which provides that 'in the hearing, investigation and determination of any question or controversy and in exercising any duties and power under this Act, the court shall act according to justice and equity and substantial merits of the case, without regard to technicalities or legal forms,' not to mention section 5 which provides, in connection with minimum wages for a given industry or in a given locality, that the court shall fix the same rate that 'would give the workingmen a just compensation for their labor and an adequate income to meet the essential necessities of civilized life, and at the same time allow the capital a fair return on its investments.' It cannot be supposed that the Court of Industrial Relations is powerless to adopt the latter criterion, simply because it is called upon to fix a minimum wage to be paid by a specific employer, and not all employers engaged in the transportation business."

"Whether or not the ruling of the Court of Industrial Relations will allow the petitioner a fair return on its investments or result in its bankruptcy is a factual inquiry which we are not authorized to make."

The power to allow retirement gratuity or pay is conferred on the Court of Industrial Relations by Sections 1, 4, 13 and 20 of Commonwealth Act No. 103. It was upheld by the Supreme Court in *Leyte Land Transportation Company vs. Leyte Farmers and Laborers Union*, supra, and applied by the Court of Industrial Relations in a number of other cases. Pension payments and retirement plans are embraced in "wages" and conditions of employment, and are proper subjects of collective bargaining. See 12 A. L. R. 2d 274, 275 for American decisions adopting this view. The only limitations are that the award be reasonable and compatible with the employer's right to a reasonable profit on its capital. The question of reasonableness is a question of fact to be considered in the new trial herein ordered, same as the reasonableness of the increase in wages.

Since the trial court's decision was promulgated, Republic Act No. 679 was approved making it mandatory for the employer to grant to any woman employed by him who may be pregnant, vacation privileges. In view of this provision, and of the fact that the decision by the resolution in banc was amended to adjust it to the new law, the Philippine Education Company, according to our understanding, has abandoned its exception to the appealed decision on this branch of the case.

We agree with respondent Union that, independent of any special enactment, the power of the Court of Industrial Relations to allow maternity leave was implied in the power to regulate relations between labor and capital in industry and agriculture under Sections 1, 4 and 20 of Commonwealth Act No. 103. (*Leyte Land Transportation Co. vs. Leyte Farmers and Laborers Union*, supra.) Therefore, circumstances warranting, any adjudication on or relating to demand No. 6 after the new trial may be given retroactive force like demands Nos. 1 and 13.

It is our judgment that this case should be, and it is, ordered remanded to the court below for new trial in accordance with the tenor of this opinion. Without costs.

Paras, C. J., Padilla, Montemayor, Reyes, Jugo, Bautista Angelo and Labrador, JJ., concur.

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