

MDII SUPERVISORS & CONFIDENTIAL EMPLOYEES ASSOCIATION (FFW), MDII EMPLOYEES & WORKERS ORGANIZATION (FEW), LEOPOLDO SANTIAGO AND EMMANUEL DURANTE, PETITIONERS, VS. PRESIDENTIAL A...

G.R. Nos. L-45421, L-45422 and L-45423. September 09, 1977

Ponente: AQUINO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/905529515261/>

AQUINO, J.:

This is a case for reinstatement with back wages under Presidential Decree No. 21.

The employees of Marikina Dairy Industries, Inc. (MDII), a corporation engaged in the manufacture of dairy products, with office at Barrio Concepcion, Marikina, Rizal, were affiliated with two unions: MDII Supervisors & Confidential Employees Association and MDII Employees & Workers Organization.

The two unions, as representatives of their respective units in the MDII, had collective bargaining agreements with the company which were to expire on September 30, 1976 and September 30, 1975, respectively.

On March 13, 1974 the two unions requested the MDII management to increase the salaries and wages of their members in view of the spiralling prices and the directive of the President of the Philippines that the private sector should grant an emergency allowance. MDII's offer of salary increases was rejected by the unions.

In June, 1974 the two unions filed separate petitions with the ad hoc National Labor Relations Commission (NLRC), praying that the NLRC should intervene in order to resolve the deadlock between the unions and the management as to the cost-of-living allowance (NLRC Cases Nos. 4209 and 4649).

While the said petitions were pending, or on July 9, 1974, the MDII's stockholders passed a resolution amending its articles of incorporation by shortening its corporate life to July 31, 1974, on the ground that it had incurred heavy losses, and appointing two trustees to liquidate its affairs. The Securities and Exchange Commission approved the amendment.

Because of its impending dissolution, MDII on July 15, 1974 filed with the Secretary of Labor an application for clearance to terminate the employment of all its personnel as of July 31, 1974 when its corporate existence would cease. The two unions opposed the application. That controversy gave rise to a third case, NLRC Case No. C-4175-74.

The unions alleged that the financial losses were imaginary and that the dissolution of the MDII was a scheme maliciously designed to evade its legal and social obligations to its employees.

On December 6, 1974 the trustees in liquidation sold the plant of the MDII and a part of its assets to GF Equity, Inc., a company allied with Holland Milk Products, Inc. as its managing arm. The two companies were impleaded as defendants in the three cases.

The unions filed a motion on January 22, 1975 seeking to restrain GF Equity, Inc. and Holland Milk Products, Inc. from operating the MDII plant unless the members of the unions were the ones hired to operate the plant under the terms and conditions specified in the collective bargaining agreements.

On August 11, 1975 Holland Milk Products, Inc. filed a petition for certiorari and prohibition in this Court, seeking to annul, for lack of jurisdiction, the summons issued to it by the Labor Arbiter. That petition was dismissed in the minute resolution of October 1, 1975 (Holland Milk Products, Inc. vs. NLRC, et al, L-41121-23).

On the basis of the Labor Arbiter's report in the three cases, the NLRC rendered a decision en banc dated March 11, 1976 signed by Alberto S. Veloso as chairman, Diego P. Atienza, Ricardo C. Castro, Geronimo Q. Quadra, Cecilio T. Seno, Cleto T. Villatuya and Federico O. Borromeo.

The NLRC found that the dissolution of the MDII was a legitimate act brought about by continued operating losses. It granted the clearance for the termination of the services of the MDII employees effective as of October 31, 1974 and at the same time it made provisions for the retirement pay and the commutation of the unused sick and vacation leaves of the dismissed employees. The dispositive portion of the decision reads as follows:

"WHEREFORE, such being the case and finding that respondent Marikina Dairy Industries, Inc. has ceased its corporate existence, principally on account of financial losses, the clearance applied for should be, as it is hereby granted as of October 31, 1974 and such action on our part carries the following orders: (implications by way of implementation)

"(1) The salaries and/or wages of all employees of respondent Marikina Dairy Industries shall be considered extended and paid for up to the close of working hours on October 31, 1974.

"(2) In consonance with what it has stated and offered in its application for clearance, respondent Marikina Dairy Industries is further directed to:

"(a) Pay all regular employees who are members of the complainant unions who had served a period of two years in such regular status a normal retirement benefit which shall be lump sum amount equal to one month's salary for every year of service;

"(b) Pay an amount equal to fifteen (15) days' salary for every year of service any employee might have with Milk Industries, Inc., the predecessor-in-interest of respondent Marikina Dairy Industries;

"And the amount under paragraph (a) is to be computed on the employee's salary as of October 31, 1974;.

"(c) Pay all employees all unused sick leaves as of January 1, 1974, and a proportion of the 15 days annual sick leave under the Collective Bargaining Agreements for 1974 equivalent to 7/12 of 15 days less any sick leave taken in 1974 and to pay all unused vacation leaves as of January 1, 1974 and a proportion of the stipulated 18 days annual vacation leave for 1974 equivalent to 7/12 of 18 days less any vacation leave taken in 1974.

"(d) Extend incentive pay to all employees provided in Article XVI of the Collective Bargaining Agreement of P0.06 per case of milk released for sale less such number of cases returned, for milk produced for the month of July, 1974.

"Furthermore, for reasons of public policy towards the promotion of social justice, respondents Holland Milk Products and GF Equity, Inc. are hereby directed to give, provided they meet the desired qualifications, preference in employment to all separated employees of respondent Marikina Dairy Industries, Inc. should vacancies arise in the facilities of the former within a period of three (3) years reckoned from the date of closure of the latter."

The unions appealed. The Secretary of Labor dismissed the appeal in his order of June 3, 1976. He affirmed the NLRC decision and directed MDII to implement it.

On June 29, 1976 the unions filed in this Court a petition for the review of the Secretary's order. This Court in its minute resolution of August 18, 1976 dismissed the petition without prejudice to appealing the order to the President of the Philippines (L-44036-38, MDII Supervisors & Confidential Employees Association, et al. vs. Secretary of Labor, et al.).

In consonance with that resolution, the unions appealed to the office of the President. The Presidential Assistant for Legal Affairs, by authority of the President, in his opinion decision No. 2379 released on January 12, 1977, dismissed the appeal and affirmed the Secretary's above-mentioned order. The Presidential Assistant found that MDII had complied substantially with the legal requirements in terminating the services of its employees. He rationalized the dismissal in this manner:

"The main thrust of the instant appeal is that the MD11 had no written clearance from the Secretary of Labor to terminate herein employees as required by Section 11 of Presidential Decree No. 21. This Office believes otherwise. In this connection, Section 25 of the NLRC Rules and Regulations provides:

'Section 25. All applications for clearance to dismiss, shutdown or lay-off shall be filed with the Commission at least ten (10) working days prior to the intended date of dismissal, shutdown or lay-off.'

The Secretary of Labor, in order to effectuate the proper implementation of the aforequoted provision, issued on November 9, 1972 'Implementing Instructions No. 1' entitled 'Termination of Employment' the pertinent provision of which reads:

'CLEARANCE AND REPORTS'

'xxx xxx xxx'

'Section 5. When to file — All applications for clearance shall be filed at least ten (10) working days prior to the intended date of termination of employment, suspension, or lay-off, or shutdown except in cases referred to in Section 2 hereof which shall be filed by the employer within five (5) working days from the effective date of the preventive suspension'

"Thus, even if Presidential Decree No. 21 requires the issuance of a written clearance from the Secretary of Labor before an employer may terminate the services of regular employees, the above-quoted provisions clearly show that the only duty imposed upon employers in the implementation of said decree is to file applications for clearance at least ten (10) working days prior to the intended date of termination of employment. Since it is an incontrovertible fact that MDII's application for clearance was filed on July 15, 1974 or sixteen days prior to the effective date of termination, it follows that MDII had substantially complied with the legal requirements. The fact that the clearance to terminate the services of the members of complainant unions was issued only after the intended date of termination of employment was not the fault of the MDII nor of the Secretary of Labor but was occasioned by the oppositions interposed by the complainant unions which required a full-blows hearing thereon.

"As regards complainants' arguments that under the New Constitution the state assures workers security of tenure, suffice it to say that said provision does not mean that 'dismissal for cause is now outlawed.' (PAL, Inc. vs. PAL Employees Association, 57 SCRA 489.) In other words, an employer is still allowed by law to dismiss or terminate its employees for just causes, among which is the closing or cessation of operation of the establishment or enterprise."

On January 21, 1977 the two unions filed in this Court a petition for the review of the Presidential decision. They prayed that GF Equity, Inc. and Holland Milk Products, Inc. be ordered to reinstate the members of the unions with full back wages from August 1, 1974 up to the date of their reinstatement.

The case is really a petition for certiorari under Rule 65 of the Rules of Court, in relation to section 5(1), Article X

of the Constitution. These legal rules allow the review by this Court of the decisions of administrative agencies exercising quasi-judicial functions (*San Miguel Corporation vs. Secretary of Labor*, L-39195, May 16, 1975, 64 SCRA 56, 60; *Mafinco Trading Corporation vs. Ople*, L-37790, March 25, 1976, 70 SCRA 139, 158; *Municipal Council of Lemery vs. Provincial Board of Batangas*, 56 Phil. 260, 266-8).

So, the issue is whether the Presidential Assistant on Legal Affairs committed a grave abuse of discretion in affirming the conclusion of the NLRC that MDII complied substantially with the legal requirements for the termination of the services of its employees.

The unions contend in their lengthy memorandum (1) that the members were dismissed without the clearance from the Secretary of Labor required under section 11 of Presidential Decree No. 21; (2) that the members were victims of unfair labor practices committed by MDII; (3) that MDII did not suffer losses, and (4) that there was a collusion between MDII, on one hand, and GF Equity, Inc. and Holland Products, Inc., on the other.

The Solicitor General, in justifying the NLRC decision, makes the following observations:

"The evidence presented sufficiently shows that respondent MDII had accumulated losses during the three and one-half years of operation prior to its dissolution on July 31, 1974 principally resulting from the imposition of price control on milk products and its accumulated indebtedness of over P61 million which could not be met from its normal manufacturing and trading activity, aggravated by the continuing demands for payment by its creditors and lack of operating capital, leaving the Company with no other alternative but to legally dissolve and appoint trustees to liquidate its existing assets and business affairs and pay off its obligations to various creditors.

"Worthy of mention too, is the overly generous termination benefits extended to the employees affected by the Labor Commission in its questioned decision. Thus, their salaries and/or wages were considered extended and paid for up to October 31, 1974, or three months after respondent MDIPs closure of business operations. All regular employees of the company who are members of herein petitioner unions and had served for a period of two years or more, are to receive retirement benefits in the form of a lump sum amount equal to one month's salary for every year of service.

"Those who have worked with Milk Industries, Inc., the predecessor-in-interest of respondent Marikina Dairy Industries, Inc., are to be paid an additional amount equal to fifteen days' salary for every year of service.

"All separated employees are to be paid their unused sick and vacation leaves as of January 1, 1974 in the proportions stated in the NLRC's decision. All employees are to be extended incentive pay of P0.06 per case of milk released for sale less the number of cases returned, for milk produced for the month of July 1974."

It is true that no written clearance was given by the Secretary of Labor. But the fact remains that sixteen days before the scheduled termination of employment, MDII applied for a clearance with the Secretary of Labor and, because of the union's opposition, the matter was brought to the NLRC's attention in Case No. C-4175-74.

The Secretary of Labor did not act immediately on MDII's application. In the meanwhile, the MDII's corporate existence was shortened with the approval of the SEC and two trustees took over to liquidate its business. The Secretary's delay in not giving the clearance should not prejudice MDII. In this case, the NLRC itself gave the required clearance retroactive to October 31, 1974.

There is no law requiring that the purchaser of MDII's assets should absorb its employees. As there is no such laws, the most that the NLRC could do, for reasons of public policy and social justice, was to direct GF Equity, Inc. to give preference to the qualified separated employees of MDII in the filling up of vacancies in the facilities of GF Equity, Inc.

After a conscientious scrutiny of the facts, we hold that the NLRC, the Secretary of Labor and the Office of the President did not gravely abuse their discretion in not making it mandatory of GF Equity, Inc. and Holland Milk Products, Inc. to re-employ the MDII employees.

Obviously, the said officials took into account and balanced the competing claims and interests of the parties and they arrived at a decision which amounted to an equitable and judicious compromise. Under the facts of this case, it cannot be dogmatized that the termination of the collective bargaining agreements was arbitrary and oppressive.

WHEREFORE, the petition is dismissed. No costs.

SO ORDERED.

Barredo, Antonio, Concepcion Jr., and Santos, JJ., concur.

Fernando (Chairman), J, took no part.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.