

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

G.R. No. L-5103. December 24, 1952

Ponente: PADILLA, J.

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PADILLA, J.:

On 9 August 1950 the respondent Union of Philippine Education Employees (NLU) filed a petition in the Court of Industrial Relations submitting a 17-point demand for arbitration and adjudication (Case No. 489-V). On 27 November, the respondent union filed in the same case a motion (No. 489-V[4]), pleading—

- That it had been the established policy and practice of the respondent to consider its employees and laborers as part-owners of its business and to grant them a share in the profits annually in the form of a bonus;
- That for the fiscal year ending on March 31, 1950, the respondent made a net profit of P513,666.39 out of its invested capital of P1,973,300.00;
- That on September 20, 1950, a demand was made by the petitioner on the respondent for the payment of the bonus corresponding to the share of the employees and laborers in the profits made by it, but by reason of the union activities of the said employees and laborers, the respondent refused to pay the same;
- That a profit of 12 per cent of the capital invested had been considered by this Court as a fair return on investments.

The motion ends with a prayer that the petitioner "be ordered to pay its employees and laborers as their share in the profits in the form of a bonus the amount of P513,666.39 less an amount corresponding to 12 per cent of P1,973,300 as the profit of the company on its invested capital."

Petitioner's answer denied the allegations of the respondent union that it had considered its employees and laborers as part owners of its business and that for that reason granted them a share in the profits annually in the form of bonuses, the truth being that bonuses have been paid by the company in its discretion, merely as a gift to deserving employees as it saw fit; admitted that it had realized profits amounting to P513,666.39 upon its invested capital of P1,973,300.00; that a demand for payment of bonuses was made but they were not paid not because of union activities but of losses sustained by reason of the strike and of the damaging effects of the import and exchange controls; alleged that the court did not have jurisdiction over the subject matter of the motion and could not entertain it for the reason that the basic petition of the respondent union contained no demand for payment of bonus, and that it would be taking property without due process of law and, therefore, unconstitutional, if the court would compel the petitioner to pay its employees and laborers the profits it had realized in excess of 12 per cent of its invested capital.

On 30 July 1951 the Court of Industrial Relations issued an order directing the petitioner to pay the amount of P90,706.36 set aside as bonus to its officers and employees who had been in the service during the fiscal year

ending 31 March 1950 in proportion to their respective salaries and length of service. This order was followed by another in bane denying unanimously a motion for reconsideration.

The case is now before us upon a petition for a writ of certiorari to review the order.

It is contended that in accordance with sections 2 and 4 of Rule 2, which discourage multiplicity of suits or splitting a cause of action, the petition filed on 9 August 1950 which failed to include a demand for the payment of bonus may be pleaded in abatement of the motion praying for such payment. This is true in ordinary civil suits but not in proceedings in the Court of Industrial Relations. However, the original 17-demand petition was filed on 9 August 1950, the demand for the payment of bonus was made on 20 September and the motion to compel the petitioner to pay it was filed on 27 November after the latter's refusal to pay the same, so that the motion may be deemed to be a supplemental pleading of a demand which arose subsequent to the filing of the original petition. The respondent union could not have included the demand for the payment of bonus in its original 17-point demand petition because on the date of its filing it did not know whether its demand for the payment of bonus was to be granted.

Petitioner's admission of the facts pleaded in par. 2 of the motion of 27 November which reads thus—

That for the fiscal year ending on March 31, 1950, the respondent made a net profit of P513,666.39 out of its invested capital of P1,973,300.00,

despite objection to the hearing of the motion to compel it to pay bonus upon its erroneous belief that the court had no jurisdiction to hear the motion which led it not to present any evidence, dispenses with the presentation of evidence on the amount of profit realized out of the capital invested in its business during the fiscal year ending 31 March 1950. Although there is no express admission by the petitioner as to the sum of P90,706.36 set aside to pay bonus the evidence shows that such amount has been set aside for the purpose (Exhibit F). The petitioner does not deny it.

Section 13 of Commonwealth Act No. 103 authorizes and empowers the Court of Industrial Relations to make awards not only on the specific relief claimed or demand made by the parties to a dispute, but also on such as it may deem necessary or expedient to settle or prevent further disputes. One reason for denying the payment of bonus is the strike by members of the respondent union which caused losses to the petitioner. The order of the respondent court states that the strike staged on 20 August 1950 was declared legal in its order of 27 October from which no appeal was taken. Another is the anticipated adverse effect on its business by the import and exchange controls.

As a rule, a bonus is an amount granted and paid to an employee for his industry and loyalty which contributed to the success of the employer's business and made possible the realization of profits. It is an act of generosity of the employer for which the employee ought to be thankful and grateful. It is also granted by an enlightened employer to spur the employee to greater efforts for the success of the business and realization of bigger profits. And the occasion for its grant and payment is usually during the time of the year when people are more generous and inclined to give. This is the Christmas holidays. If by the bookkeeping or accounting system, the closing of the books is not made at the end of the calendar year, bonus is granted at the close of the fiscal year when the net profits realized in the preceding year are definitely known. From the legal point of view a bonus is not a demandable and enforceable obligation. It is so when it is made a part of the wage or salary or compensation. In such a case the latter would be a fixed amount and the former would be a contingent one dependent upon the realization of profits. If there be none, there would be no bonus. In the matter of *Sullivan Dry Dock and Repair Corporation and Local 13, Industrial Union of Marine and Shipbuilding Workers of America, C.I.O.* (Decisions and Orders of the National Labor Relations Board, Vol. 67, page 627), cited by the respondent court and the

respondent union, the Christmas bonus paid in previous years and paid in 1944 to other workers was withheld from the timekeepers; the latter through their representative demanded its payment; the management refused to pay it but proposed that the payment of bonus for the ensuing year (1945) be made the subject of bargaining for contract. The company's attorney and labor relations officer stated that the bonus paid "has been in existence for such a period of time that it has been, under the interpretation of the Wage Stabilization Act, an integral part of the wage structure." (p. 632.) The bonus demanded was ordered paid. The case of *Singer Mfg. Co. vs. National Labor Relations Board*, 119 F. 2d 131, invoked by the respondent union on the matter of bonus, has no application to the present case because what the Circuit Court of Appeals, Seventh Circuit, ruled is that the petitioner refused to bargain in good faith with its employees and their designated bargaining agent and among the matters to be threshed out was the payment of bonus as part of the wage. What would support, though faintly, respondent union's position is the rule laid down by the Supreme Court of Washington (state) in *Powell et al. vs. Republic Creosoting Co.*, 19 P. 2d 919, where it was held (one justice dissenting) that bonus payment made annually for over a period of years (from 1916 to 1929) by the employer to a branch manager constituted, by implied agreement, part of the manager's salary.

As heretofore stated the payment of bonus is not from the legal point of view a contractual and enforceable obligation. But the petitioner is not sued before a court of justice. It is before the Court of Industrial Relations. And according to the law of its creation it may make an award for the purpose of settling and preventing further disputes. And taking into consideration the facts and circumstances of the case—that bonuses had been given to the employees at least in three previous years; that the amount of P90,706.36 has been set aside for payment as bonus to its employees and laborers and the reason for withholding the payment thereof was the strike staged by the employees and laborers for more favorable working conditions which was declared legal by the respondent court—justice and equity demand that bonus already set aside for its employees and laborers be paid to them. The award would still be within the ambit of the respondent court's power and function which is mainly to prevent further disputes and perhaps strikes which is so detrimental to both labor and management and to the public weal. Whether this petition be deemed an appeal by certiorari under Rule 44 or one of certiorari under Rule 67, it is clear that the respondent court had under and pursuant to the law of its creation the power and authority to make the award complained of.

The order appealed from is affirmed, without costs.

Paras, C. J., Pablo, Bengzon, Tuason, Jugo, Bautista Angelo, and Labrador, JJ., concur.

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