

J.P. HEILBRONN COMPANY, PETITIONER, VS. NATIONAL LABOR UNION, RESPONDENT.

G.R. No. L-6454. November 29, 1954

Ponente: REYES, A., J.

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REYES, A., J.:

The National Labor Union had, prior to August, 1950, made various demands upon J. P. Heilbronn Company, one of which (No. 6) is that involved in the present case and reads as follows:

"Retirement gratuity based on one month's salary for every year of service to the following (a) those attaining 60 years of age; (b) those incapacitated for work due to illness; and (c) those who resign after 10 years of satisfactory service."

The demands having been referred to the Court of Industrial Relations, that court, through one of its associate Judges, rendered a decision dated August 21, 1950, the dispositive of which says:

"POR LAS CONSIDERACIONES EXPUESTAS, el Tribunal concede temporalmente la demanda No. 8 de la peticion de la union recurrente, y ordena a la compania recurrida para que dentro del plazo de noventa (90) dias contados desde la fecha del recibo de la copia de esta decision, adopte y Here a cabo un plan de pension para sus empleados y obreros, el que debe someterlo al Tribunal para su conocimiento e informacion, cuyo plan debiera estar basado sobre la situacion financiera en que se encuentra la recurrida, y a las condiciones especificadas en la demanda No. 8 de la peticion, sujeto a cualesquier leyes que se promulgan en relacion con la Ley de la Republica Ho. 532, y las recomendaciones de la Comisipn creada por virtud de dicha ley, que se refieren particular y exclusivamente a la compafia recurrida, en cuyo caso, estas son las que han de prevalecer."

Upon motion for reconsideration, the court, sitting in banc, affirmed the decision but with the modification that the presentation of the pension for retirement plan be held in abeyance until Congress should enact a law on that latter "in order," says the court, "to establish a permanent policy and to avoid confusion," such legislation being then expected because of the approval of Republic Act No. 532 creating a commission to make a comprehensive study of a legislation pension plan for industrial employees and laborers. But as two years passed without the expected being enacted, the court, at the instance of the labor union, entered an order dated January 6, 1953, requiring the company to present within 90 days the retirement plan called for in the original decision of August 21, 1950.

Contending that the Court of Industrial Relations committed a serious abuse of discretion and acted without authority in promulgating this last order, the company filed the present petition for certiorari to have the said order set aside.

It is the contention of the petitioner that "until such time as the Philippine Congress enacts a law requiring the payment of pensions (assuming that such law is valid), the Court of industrial Relations has no power to require an employer to pay a pension to his employees." however, has already held (in the case of Philippine Education Company, Inc. vs. Court of Industrial Relations et al., G. R. No. L-5679, decided November 28, 1953) that such

power is conferred upon that tribunal by Commonwealth Act No. 103, this on the theory that pension payments and retirement plans are embraced in wages and conditions of employment and are, therefore, proper subjects of collective bargaining between employer and employees. Said the Court in that case:

"The power to allow retirement gratuity or pay is conferred on the Court of Industrial Relations by Sections 1, 4, 13 and 20 of Com. 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."

But while the power of the Industrial Court to allow retirement gratuity is thus recognized overlooked that the power is expressly, it should not be made subject to the limitation "that the award be reasonable and compatible with the employer's right to a reasonable profit on its capital." This limitation necessarily imposes upon the court the duty of inquiring into the question of how much the business of the employer could afford to give to the employees by way of pension or gratuity. It does not appear that such inquiry has been undertaken in the present case since no evidence was required on the union's demand for gratuity or pension. In the circumstances, we feel that for a fair settlement of the present controversy a new trial is in order.

The order appealed from requires the company within 90 days to "adopt and carry out" a pension plan based on petitioner's financial situation and on the conditions specified in Demand No. 8. In so far as the order requires the presentation of a mere plan for the payment of gratuities there could be no objection thereto in view of what has already been stated regarding the power of the court in such matters. But in so far as the order requires petitioner to adopt and carry out such plan before it has been approved by the court after proper investigation and hearing, the same must be regarded as arbitrary and without factual basis.

Wherefore, the order complained of is modified in the sense that the petitioner is only required to present a pension plan for approval after due investigation and hearing, the case being for that purpose ordered remanded to the court below. Without costs.

Paras, C.J., Pablo, Bengzon, Padilla, Montemayor, Jugo, Bautista Angelo, Concepcion, and Reyes, J.B.L., JJ., concur.

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