

H. E. HEACOCK CO., PETITIONER AND APPELLANT, VS. NATIONAL LABOR UNION, ET AL., RESPONDENTS AND APPELLEES.*G.R. No. L-5577. July 31, 1954*

Ponente: PARAS, C.J.

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The National Labor Union, hereinafter to be referred to as the Union, filed a petition under date of June 26, 1950 in the Court of Industrial Relations against H. E. Heacock Co., hereinafter to be referred to as the Company, praying that the latter be ordered to pay to all its low salaried employees their bonus for the years 1948 and 1949, in an amount equivalent to one month salary for each year, it being alleged in substance that on the occasion of the distribution on April 17, 1948 of the same bonus for the year 1947, the Company promised that said benefit would be granted yearly to the employees, provided sufficient profits were made; that in 1948 and 1949 the Company, notwithstanding available profits, distributed bonus only to its high salaried employees; that upon the Company's failure to accede to the Union's demand for the payment of the stipulated bonus for the years 1948 and 1949, and upon its refusal to submit the matter to the labor-management committee in accordance with the collective bargaining agreement of April 1949, the employees declared a strike on June 19, 1950.

In its answer, the Company in substance alleged that it had never bound itself to pay an annual bonus and that granted for the year 1947 was purely an act of grace and liberality on the part of the Company; that while the Company made some profits and paid to its executive and chiefs of departments bonuses for the years 1948 and 1949, the same was a voluntary concession of said officials who had received no increases in pay and were not entitled to and did not actually collect compensation for overtime work; that the compensation of the employees was never made to depend wholly or in part upon profits, and all wages to which they are entitled were set out in the agreement of July 11, 1949, and any other payment or gratuity was entirely within the Company's discretion; that the illegal strike staged by the Union led the Company to suffer damages in the sum of P12,000.00.

After hearing, the Court of Industrial Relations, through Judge Jose S. Bautista, rendered a decision in favor of the employees, ordering the Company to pay them one month salary as bonus for the year 1948 and another one month salary for the year 1949. A subsequent motion for reconsideration filed by the Company was denied by the resolution of the Court of Industrial Relations en banc dated July 16, 1951, by a vote of three to two. The instant petition for certiorari was filed by the Company, assailing the decision of the Court of Industrial Relations.

The lower court found that on April 17, 1948, the Company distributed to all its employees a bonus equivalent to their salaries for one month for the year 1947; that the Company realized profits in 1948 and 1949, and although it paid bonus to its high officials and executives for said years, it did not extend the same privilege to any low salaried employee; that the Union duly filed with the Company a protest against such omission, and demanded the payment of the same bonus to all the low salaried employees; that in the protest of May 15, 1950, the Union gave notice that, upon failure of the company to grant the demand, steps would be taken for the protection of the members of the Union; that upon denial of the Company and its failure to submit the matter to the labor-management committee, as requested by the Union, the employees, staged a peaceful strike on June 19,

1950, although they returned to work in obedience to a directive of the court; that the Company in fact made a promise to all its low salaried employees on April 17, 1948, that a bonus of one month salary would be distributed among them yearly, as for the year 1947, as long as the Company would realize sufficient profits.

The Company, however, contends that it had never assumed the obligation of paying the bonus claimed by the Union, and that there is no evidence whatsoever tending to prove such obligation.

It appears that the issues of The Manila Times and The Manila Chronicle of August 22, 1948 featured a "Heacock Supplement" containing the following statements:

"The steady growth and enviable reputation of the H. E. Heacock Co., as an institution well known in the Philippines and in the entire Far East for its quality merchandise and courteous service exemplify a modern tenet of progressive employer-employee relationship founded on mutual confidence and good-will.

"The Heacock employees are given all the benefits that can reasonably be expected from the management, Jose Y. Orosa, the firm's first vice-president and assistant general manager, declared. 'For this reason,' he added, 'we have never had the unfortunate experience of seeing our employees go on strike since the company was organized in 1905. And we don't expect to have any strikes,'

"That the sound relationship between the management and the employees redounds to the good of everybody concerned was also pointed out by Mr. Orosa. The employer's goodwill is returned with a spontaneous manifestation of loyalty, cooperation, efficiency and unstinted honesty on the part of the employees, it was further explained.

"The present mutual confidence and good-will of Heacock's personnel is maintained for the ultimate benefit of the buying public, Mr. Orosa said. Employees who are treated right have sufficient reasons to give their employers full cooperation so that in the final analysis, the customers are the recipients of the rewards of such cooperation.

"Since the H. E. Heacock Co. resumed business after the war, 87 of its 200 employees have been given salary increases, Mr. Orosa revealed. There are other meritorious cases which deserve similar consideration in due time, it was pointed out.

"One of the most helpful and progressive steps ever taken by a firm like Heacock's is the setting up of a special fund for which the employees may draw a cash loan equivalent to a half-month salary and payable within 60 days. This privilege, it was explained, is a boon to those employees who may be forced by circumstances beyond their control to meet emergency needs.

"Another benefit extended to Heacock employees is a 25 per cent over time pay in addition to their regular pay. In other words, the employees are paid 25 per cent for all hours of work beyond eight-hour limit fixed by law, it was also stressed. This makes it fair and profitable for the employees of this firm to render overtime service whenever the need arises, and that generally is during special sales and the Christmas season.

"At the end of every year, Mr. Orosa declared, the Heacock employees enjoy a profit-sharing privilege when they are given bonuses, by the management the amount depending on the profits realized during that year. This progressive policy, he pointed out, makes for a genuine interest on the part of the employees to work honestly and sincerely for the good of the company—a company which is theirs in a sense.

"Every year the employees of Heacock's are given 15 days vacation leave and 15 days sick leave with pay. They are also entitled to free medical and dental service rendered by the company physician and dentist.

"The management of the H. E. Heacock Co. firmly believes that athletics fosters fraternity, cooperation and 'a sound mind in a sound body.' With this end in view, the firm formed an athletic association whose membership is open to all employees of the company. Followers of the basketball game in this country are familiar with the

reputation of the Heacock quintet which has time and again garnered laurels in the local sporting world. ,

"Mr. Orosa revealed that the H. E. Heacock Co. is a bona fide member of the Manila Industrial and Commercial Association (MICA). Such membership, he said assures both the management and the employees with a solid foundation for profitable and sound business relationship. Problems affecting both parties which may arise are met and solved with open minds on common grounds. Fortunately for Heacock's, 40 years of public service have proved that the management and the employees have joined hands in mutual confidence and good-will.

"Heacock's has a splendid reputation" Mr. Orosa declared, 'and this has been built up by the employees and the management. We have lived up to the expectation of the public. We continue to do so, and to better serve our customers, we are opening our new air-conditioned store this week'"

The same publication was carried in the issue of The Manila Daily Bulletin of August 23, 1948. The Union presented oral evidence tending to show that the President and General Manager of the Company, Donal O. Gunn, was the one who made the promise of April 17, 1948, to pay to all its employees yearly one-month salary as bonus, provided there were profits. This testimony is controverted by Mr. Gunn; but the lower court considered, in addition to such oral evidence, the publication of the "Heacock Supplement" on the occasion of the opening of the new store of the Company in Dasmarinas Street, Manila, as conclusive proof of its commitment to pay the bonus in question.

The "Heacock Supplement", in the portion pertinent to the case at bar, contained the following paragraph: "At the end of every year, Mr. Orosa declared, the Heacock employees enjoy a profit-sharing privilege when they are given bonuses by the management, the amount depending on the profits realized during that year. This progressive policy, he pointed out, makes for a genuine interest on the part of the employees to work honestly and sincerely for the good of the company—a company which is theirs in a sense." These statements are denied by Mr. Orosa, Vice-President and Assistant General Manager of the Company; and attorneys for the latter argue that Guztavo M. Torres, Assistant Manager of the Personnel Service Advertising Bureau which was then handling the advertising account of the Company, prepared the "Heacock Supplement", and, testifying on his interview with Mr. Orosa, declared that he was not certain as to the nature of the bonus talked about, and that he thought that it referred to the Christmas bonus which the Company gives to its employees at the end of every year, and that this was what he had in mind when he wrote the article in question. The Court of Industrial Relations gave no weight to the denial of Mr. Orosa, and observed that the latter was aware, or should have read and known the Supplement in question, and his failure to make any correction or denial of its contents shortly after its publication, negatives the stand now taken by him.

The Company also points out that both Mr. Gunn and Mr. Orosa could not legally bind the Company which can only act through its board of directors, and there is nothing in the record to show that the board promised to pay any yearly bonus or ratified the alleged promise made by Mr. Gunn or Mr. Orosa. Counsel for the Union, however, observes that notwithstanding the publication of the "Heacock Supplement" which undoubtedly must have been noticed by all the officials of the Company, no correction or denial ever came from its board of directors which, by such silence, must be deemed as having ratified the commitment of Mr. Gunn and the statement of policy featured in the "Heacock Supplement".

The Court of Industrial Relations also invoked, as another circumstance confirming the promise made by Mr. Gunn to pay an annual bonus to all the low salaried employees of the Company, the following passage contained in his letter of February 19, 1949, addressed to the Union: "This company desires to call your attention to the fact that the salaries, bonuses (en plural por referirse al bono de Navidad y al bono por razon de utilidades) paid vacation leaves, paid sick leave, medical and dental services, and other privileges and facilities, accorded to its

employees are the highest in the City of Manila for comparable position and, as a consequence, we cannot consider any general increase in wages at the present time without doing violence to the stability of the labor situation here, of which you are fully aware."

Attorneys for the Company have exerted great efforts in disputing the findings of the lower court, but we are not in a position to pass upon, much less alter, said findings which are conclusive in this instance. Even so, the decision favorable to the Union may further be predicated upon the case of *Philippine Education Company, Inc. vs. Court of Industrial Relations, et al.*, 48 Off. Gaz. (13) 5278; 92 Phil., 381, in which we held that, even if a bonus is not demandable for not forming part of the wage, salary or compensation of the employee, the same may nevertheless be granted on equitable considerations. It appears herein that for the year 1947 the Company paid a bonus of one-month salary to all its employees, and for the years 1948 and 1949, realizing necessary profits, it also paid a bonus to its executives and heads of departments, omitting only the low salaried employees. The payment of the bonus in 1947 already generated in the minds of all the employees the fixed hope of receiving the same concession in subsequent years, and on the ground of equity they deserved to be paid the bonus for the years 1948 and 1949, when the Company admittedly realized enough profits. The Company insists that its high officials were given bonus for 1948 and 1949 because they had never been granted any salary raise or paid for any overtime work. This is, however, answered by the Union which alleges that no salary increase or overtime pay was necessary for the high officials of the Company, since they have already been receiving adequate compensation.

The Company also maintains that no valid obligation to pay the bonus in question could arise, because there was no consideration therefor. It is sufficient to state that any extra concession granted by the employer to his employee or laborer is necessarily premised on the need of improving the latter's working conditions to the highest possible level, in return only for the efficient service and loyalty expected from the employee or laborer.

Wherefore, the decision of the Court of Industrial Relations is hereby affirmed, and it is so ordered with costs against the petitioner, H. E. Heacock Co.

Pablo, Bengzon, Padilla, Montemayor, Reyes, A., Jugo, Bautista Angelo, Labrador and Concepcion, JJ., concur.

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