

**PRODUCERS BANK OF THE PHILIPPINES, PETITIONER, VS.
NATIONAL LABOR RELATIONS COMMISSION AND PRODUCERS
BANK EMPLOYEES ASSOCIATION, RESPONDENTS.**

G.R. No. 100701. March 28, 2001

Ponente: GONZAGA-REYES, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-100701/>

GONZAGA-REYES, J.:

Before us is a special civil action for certiorari with prayer for preliminary injunction and/or restraining order seeking the nullification of (1) the decision of public respondent in NLRC-NCR Case No. 02-00753-88, entitled "Producers Bank Employees Association v. Producers Bank of the Philippines," promulgated on 30 April 1991, reversing the Labor Arbiter's dismissal of private respondent's complaint and (2) public respondent's resolution dated 18 June 1991 denying petitioner's motion for partial reconsideration.

The present petition originated from a complaint filed by private respondent on 11 February 1988 with the Arbitration Branch, National Capital Region, National Labor Relations Commission (NLRC), charging petitioner with diminution of benefits, non-compliance with Wage Order No. 6 and non-payment of holiday pay. In addition, private respondent prayed for damages.[2]

On 31 March 1989, Labor Arbiter Nieves V. de Castro found private respondent's claims to be unmeritorious and dismissed its complaint.[3] In a complete reversal, however, the NLRC[4] granted all of private respondent's claims, except for damages.[5] The dispositive portion of the NLRC's decision provides -

WHEREFORE, premises considered, the appealed Decision is, as it is hereby, SET ASIDE and another one issued ordering respondent-appellee to pay complainant-appellant:

- The unpaid bonus (mid-year and Christmas bonus) and 13th month pay;
- Wage differentials under Wage Order No. 6 for November 1, 1984 and the corresponding adjustment thereof; and
- Holiday pay under Article 94 of the Labor Code, but not to exceed three (3) years.

The rest of the claims are dismissed for lack of merit.

SO ORDERED.

Petitioner filed a Motion for Partial Reconsideration, which was denied by the NLRC in a Resolution issued on 18 June 1991. Hence, recourse to this Court.

Petitioner contends that the NLRC gravely abused its discretion in ruling as it did for the succeeding reasons stated in its Petition -

- On the alleged diminution of benefits, the NLRC gravely abused its discretion when (1) it contravened the Supreme Court decision in *Traders Royal Bank v. NLRC, et al.*, G.R. No. 88168, promulgated on August 30,

1990, (2) its ruling is not justified by law and Art. 100 of the Labor Code, (3) its ruling is contrary to the CBA, and (4) the so-called "company practice invoked by it has no legal and moral bases" (p. 2, Motion for Partial Reconsideration, Annex "H");

- On the alleged non-compliance with Wage Order No. 6, the NLRC again gravely abused its discretion when it patently and palpably erred in holding that it is "more inclined to adopt the stance of appellant (private respondent UNION) in this issue since it is more in keeping with the law and its implementing provisions and the intendment of the parties as revealed in their CBA" without giving any reason or justification for such conclusions as the stance of appellant (private respondent UNION) does not traverse the clear and correct finding and conclusion of the Labor Arbiter.

Furthermore, the petitioner, under conservatorship and distressed, is exempted under Wage Order No. 6.

Finally, the "wage differentials under Wage Order No. 6 for November 1, 1984 and the corresponding adjustment thereof" (par. 2, dispositive portion, NLRC Decision), has prescribed (p. 12, Motion for Partial Reconsideration, Annex "H").

- On the alleged non-payment of legal holiday pay, the NLRC again gravely abused its discretion when it patently and palpably erred in approving and adopting "the position of appellant (private respondent UNION)" without giving any reason or justification therefor which position does not squarely traverse or refute the Labor Arbiter's correct finding and ruling (p. 18, Motion for Partial Reconsideration, Annex "H").[6]

On 29 July 1991, the Court granted petitioner's prayer for a temporary restraining order enjoining respondents from executing the 30 April 1991 Decision and 18 June 1991 Resolution of the NLRC.[7]

Coming now to the merits of the petition, the Court shall discuss the issues ad seriatim.

Bonuses

As to the bonuses, private respondent declared in its position paper[8] filed with the NLRC that -

- Producers Bank of the Philippines, a banking institution, has been providing several benefits to its employees since 1971 when it started its operation. Among the benefits it had been regularly giving is a mid-year bonus equivalent to an employee's one-month basic pay and a Christmas bonus equivalent to an employee's one whole month salary (basic pay plus allowance);

- When P.D. 851, the law granting a 13[th] month pay, took effect, the basic pay previously being given as part of the Christmas bonus was applied as compliance to it (P.D. 851), the allowances remained as Christmas bonus;

- From 1981 up to 1983, the bank continued giving one month basic pay as mid-year bonus, one month basic pay as 13[th] month pay but the Christmas bonus was no longer based on the allowance but on the basic pay of the employees which is higher;

- In the early part of 1984, the bank was placed under conservatorship but it still provided the traditional mid-year bonus;

- By virtue of an alleged Monetary Board Resolution No. 1566, the bank only gave a one-half (1/2) month basic pay as compliance of the 13[th] month pay and none for the Christmas bonus. In a tabular form, here are the bank's violations:

YEAR

MID-YEAR BONUS

CHRISTMAS BONUS

13[TH] MO. PAY

previous years

one mo. basic

one mo. basic

one mo. basic

1984

[one mo. basic]

- none -

one-half mo. basic

1985

one-half mo. basic

- none -

one-half mo. basic

1986

one-half mo. basic

one-half mo. basic

one mo. basic

1987

one-half mo. basic

one-half mo. basic

one mo. basic

Private respondent argues that the mid-year and Christmas bonuses, by reason of their having been given for thirteen consecutive years, have ripened into a vested right and, as such, can no longer be unilaterally withdrawn by petitioner without violating Article 100 of Presidential Decree No. 442[9] which prohibits the diminution or elimination of benefits already being enjoyed by the employees. Although private respondent concedes that the grant of a bonus is discretionary on the part of the employer, it argues that, by reason of its long and regular concession, it may become part of the employee's regular compensation.[10]

On the other hand, petitioner asserts that it cannot be compelled to pay the alleged bonus differentials due to its depressed financial condition, as evidenced by the fact that in 1984 it was placed under conservatorship by the Monetary Board. According to petitioner, it sustained losses in the millions of pesos from 1984 to 1988, an assertion which was affirmed by the labor arbiter. Moreover, petitioner points out that the collective bargaining agreement of the parties does not provide for the payment of any mid-year or Christmas bonus. On the contrary, section 4 of the collective bargaining agreement states that -

Acts of Grace. Any other benefits or privileges which are not expressly provided in this Agreement, even if now accorded or hereafter accorded to the employees, shall be deemed purely acts of grace dependent upon the

sole judgment and discretion of the BANK to grant, modify or withdraw.[11]

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 granted by an enlightened employer to spur the employee to greater efforts for the success of the business and realization of bigger profits.[12] The granting of a bonus is a management prerogative, something given in addition to what is ordinarily received by or strictly due the recipient.[13] Thus, a bonus is not a demandable and enforceable obligation,[14] except when it is made part of the wage, salary or compensation of the employee.[15]

However, an employer cannot be forced to distribute bonuses which it can no longer afford to pay. To hold otherwise would be to penalize the employer for his past generosity. Thus, in *Traders Royal Bank v. NLRC*,[16] we held that -

It is clear x x x that the petitioner may not be obliged to pay bonuses to its employees. The matter of giving them bonuses over and above their lawful salaries and allowances is entirely dependent on the profits, if any, realized by the Bank from its operations during the past year.

From 1979-1985, the bonuses were less because the income of the Bank had decreased. In 1986, the income of the Bank was only 20.2 million pesos, but the Bank still gave out the usual two (2) months basic mid-year and two months gross year-end bonuses. The petitioner pointed out, however, that the Bank weakened considerably after 1986 on account of political developments in the country. Suspected to be a Marcos-owned or controlled bank, it was placed under sequestration by the present administration and is now managed by the Presidential Commission on Good Government (PCGG).

In light of these submissions of the petitioner, the contention of the Union that the granting of bonuses to the employees had ripened into a company practice that may not be adjusted to the prevailing financial condition of the Bank has no legal and moral bases. Its fiscal condition having declined, the Bank may not be forced to distribute bonuses which it can no longer afford to pay and, in effect, be penalized for its past generosity to its employees.

Private respondent's contention, that the decrease in the mid-year and year-end bonuses constituted a diminution of the employees' salaries, is not correct, for bonuses are not part of labor standards in the same class as salaries, cost of living allowances, holiday pay, and leave benefits, which are provided by the Labor Code.

This doctrine was reiterated in the more recent case of *Manila Banking Corporation v. NLRC*[17] wherein the Court made the following pronouncements -

By definition, a "bonus" is a gratuity or act of liberality of the giver which the recipient has no right to demand as a matter of right. It is something given in addition to what is ordinarily received by or strictly due the recipient. The granting of a bonus is basically a management prerogative which cannot be forced upon the employer who may not be obliged to assume the onerous burden of granting bonuses or other benefits aside from the employee's basic salaries or wages, especially so if it is incapable of doing so.

xxx xxx xxx

Clearly then, a bonus is an amount given ex gratia to an employee by an employer on account of success in business or realization of profits. How then can an employer be made liable to pay additional benefits in the nature of bonuses to its employees when it has been operating on considerable net losses for a given period of time?

Records bear out that petitioner Manilabank was already in dire financial straits in the mid-80's. As early as 1984, the Central Bank found that Manilabank had been suffering financial losses. Presumably, the problems commenced even before their discovery in 1984. As earlier chronicled, the Central Bank placed petitioner bank

under comptrollership in 1984 because of liquidity problems and excessive interbank borrowings. In 1987, it was placed under receivership and ordered to close operation. In 1988, it was ordered liquidated.

It is evident, therefore, that petitioner bank was operating on net losses from the years 1984, 1985 and 1986, thus, resulting to its eventual closure in 1987 and liquidation in 1988. Clearly, there was no success in business or realization of profits to speak of that would warrant the conferment of additional benefits sought by private respondents. No company should be compelled to act liberally and confer upon its employees additional benefits over and above those mandated by law when it is plagued by economic difficulties and financial losses. No act of enlightened generosity and self-interest can be exacted from near empty, if not empty coffers.

It was established by the labor arbiter[18] and the NLRC[19] and admitted by both parties[20] that petitioner was placed under conservatorship by the Monetary Board, pursuant to its authority under Section 28-A of Republic Act No. 265,[21] as amended by Presidential Decree No. 72,[22] which provides -

Sec. 28-A. Appointment of conservator. - Whenever, on the basis of a report submitted by the appropriate supervising and examining department, the Monetary Board finds that a bank is in a state of continuing inability or unwillingness to maintain a condition of solvency and liquidity deemed adequate to protect the interest of depositors and creditors, the Monetary Board may appoint a conservator to take charge of the assets, liabilities, and the management of that banking institution, collect all monies and debts due said bank and exercise all powers necessary to preserve the assets of the bank, reorganize the management thereof and restore its viability. He shall have the power to overrule or revoke the actions of the previous management and board of directors of the bank, any provision of law to the contrary notwithstanding, and such other powers as the Monetary Board shall deem necessary.

xxx xxx xxx

Under Section 28-A, the Monetary Board may place a bank under the control of a conservator when it finds that the bank is continuously unable or unwilling to maintain a condition of solvency or liquidity. In *Central Bank of the Philippines v. Court of Appeals*,[23] the Court declared that the order placing petitioner herein under conservatorship had long become final and its validity could no longer be litigated upon. Also, in the same case, the Court found that sometime in August, 1983, some news items triggered a bank-run in petitioner which resulted in continuous over-drawings on petitioner's demand deposit account with the Central Bank; the over-drawings reached P143.955 million by 17 January 1984; and as of 13 February 1990, petitioner had over-drawings of up to P1.233 billion, which evidences petitioner's continuing inability to maintain a condition of solvency and liquidity, thus justifying the conservatorship. Our findings in the Central Bank case coincide with petitioner's claims that it continuously suffered losses from 1984 to 1988 as follows -

YEAR

NET LOSSES IN MILLIONS OF PESOS

1984

P 144.418

1985

P 144.940

1986

P 132.940

1987

P 84.182

January-February 1988

P 9.271

These losses do not include the interest expenses on the overdraft loan of the petitioner to the Central Bank, which interest as of July 31, 1987, amounted to P610.065 Million, and penalties on reserve deficiencies which amounted to P89.029 Million. The principal balance of the overdraft amounted to P971.632 Million as of March 16, 1988.[24]

Petitioner was not only experiencing a decline in its profits, but was reeling from tremendous losses triggered by a bank-run which began in 1983. In such a depressed financial condition, petitioner cannot be legally compelled to continue paying the same amount of bonuses to its employees. Thus, the conservator was justified in reducing the mid-year and Christmas bonuses of petitioner's employees. To hold otherwise would be to defeat the reason for the conservatorship which is to preserve the assets and restore the viability of the financially precarious bank. Ultimately, it is to the employees' advantage that the conservatorship achieve its purposes for the alternative would be petitioner's closure whereby employees would lose not only their benefits, but their jobs as well.

13[th] Month Pay

With regard to the 13[th] month pay, the NLRC adopted the position taken by private respondent and held that the conservator was not justified in diminishing or not paying the 13[th] month pay and that petitioner should have instead applied for an exemption, in accordance with section 7 of Presidential Decree No. 851 (PD 851), as amended by Presidential Decree No. 1364, but that it did not do so.[25] The NLRC held that the actions of the conservator ran counter to the provisions of PD 851.

In its position paper,[26] private respondent claimed that petitioner made the following payments to its members -

YEAR

MID-YEAR BONUS

13[th] MONTH PAY

CHRISTMAS BONUS

1984

1 month basic

½ month basic

None

1985

½ month basic

½ month basic

None

1986

½ month basic

1 month basic

½ month basic

1987

½ month basic

1 month basic

½ month basic

However, in its Memorandum[27] filed before this Court, private respondent revised its claims as follows -

YEAR

MID-YEAR BONUS

13[th] MONTH PAY

CHRISTMAS BONUS

1984

1 month basic

None

½ month basic

1985

½ month basic

None

½ month basic

1986

½ month basic

½ month basic

1 month basic

1987

½ month basic

½ month basic

1 month basic

1988

½ month basic

½ month basic

1 month basic

Petitioner argues that it is not covered by PD 851 since the mid-year and Christmas bonuses it has been giving its employees from 1984 to 1988 exceeds the basic salary for one month (except for 1985 where a total of one month basic salary was given). Hence, this amount should be applied towards the satisfaction of the 13th month pay, pursuant to Section 2 of PD 851.[28]

PD 851, which was issued by President Marcos on 16 December 1975, requires all employers to pay their employees receiving a basic salary of not more than P1,000 a month,[29] regardless of the nature of the employment, a 13th month pay, not later than December 24 of every year.[30] However, employers already paying their employees a 13th month pay or its equivalent are not covered by the law. Under the Revised Guidelines on the Implementation of the 13th-Month Pay Law,[31] the term "equivalent" shall be construed to include Christmas bonus, mid-year bonus, cash bonuses and other payments amounting to not less than 1/12 of the basic salary. The intention of the law was to grant some relief - not to all workers - but only to those not actually paid a 13th month salary or what amounts to it, by whatever name called. It was not envisioned that a double burden would be imposed on the employer already paying his employees a 13th month pay or its equivalent - whether out of pure generosity or on the basis of a binding agreement. To impose upon an employer already giving his employees the equivalent of a 13th month pay would be to penalize him for his liberality and in all probability, the employer would react by withdrawing the bonuses or resist further voluntary grants for fear that if and when a law is passed giving the same benefits, his prior concessions might not be given due credit.[32]

In the case at bar, even assuming the truth of private respondent's claims as contained in its position paper or Memorandum regarding the payments received by its members in the form of 13th month pay, mid-year bonus and Christmas bonus, it is noted that, for each and every year involved, the total amount given by petitioner would still exceed, or at least be equal to, one month basic salary and thus, may be considered as an "equivalent" of the 13th month pay mandated by PD 851. Thus, petitioner is justified in crediting the mid-year bonus and Christmas bonus as part of the 13th month pay.

Wage Order No. 6

Wage Order No. 6, which came into effect on 1 November 1984, increased the statutory minimum wage of workers, with different increases being specified for agricultural plantation and non-agricultural workers. The bone of contention, however, involves Section 4 thereof which reads -

All wage increase in wage and/or allowance granted by employers between June 17, 1984 and the effectivity of this Order shall be credited as compliance with the minimum wage and allowance adjustments prescribed herein provided that where the increases are less than the applicable amount provided in this Order, the employer shall pay the difference. Such increases shall not include anniversary wage increases provided in collective bargaining agreements unless the agreement expressly provide otherwise.

On 16 November 1984, the parties entered into a collective bargaining agreement providing for the following salary adjustments -

Article VIII. Section 1. Salary Adjustments. - Cognizant of the effects of, among others, price increases of oil and other commodities on the employees' wages and earnings, and the certainty of continued governmental or statutory actions adjusting employees' minimum wages, earnings, allowances, bonuses and other fringe benefits, the parties have formulated and agreed on the following highly substantial packaged increases in salary and allowance which take into account and cover (a) any deflation in income of employees because of such price increases and inflation and (b) the expected governmental response thereto in the form of statutory adjustments in wages, allowances and benefits, during the next three (3) years of this Agreement:

(i) Effective March 1, 1984 - P225.00 per month as salary increase plus P100.00 per month as increase in allowance to employees within the bargaining unit on March 1, 1984.

(ii) Effective March 1, 1985 - P125.00 per month as salary increase plus P100.00 per month as increase in allowance to employees within the bargaining unit on March 1, 1985.

(iii) Effective March 1, 1986 - P125.00 per month as salary increase plus P100.00 per month as increase in allowance to employees within the bargaining unit on March 1, 1986.

In addition, the collective bargaining agreement of the parties also included a provision on the chargeability of such salary or allowance increases against government-ordered or legislated income adjustments -

Section 2. Pursuant to the MOLE Decision dated October 2, 1984 and Order dated October 24, 1984, the first-year salary and allowance increases shall be chargeable against adjustments under Wage Order No. 5, which took effect on June 16, 1984. The chargeability of the foregoing salary increases against government-ordered or legislated income adjustments subsequent to Wage Order No. 5 shall be determined on the basis of the provisions of such government orders or legislation.

Petitioner argues that it complied with Wage Order No. 6 because the first year salary and allowance increase provided for under the collective bargaining agreement can be credited against the wage and allowance increase mandated by such wage order. Under Wage Order No. 6, all increases in wages or allowances granted by the employer between 17 June 1984 and 1 November 1984 shall be credited as compliance with the wage and allowance adjustments prescribed therein. Petitioner asserts that although the collective bargaining agreement was signed by the parties on 16 November 1984, the first year salary and allowance increase was made to take effect retroactively, beginning from 1 March 1984 until 28 February 1985. Petitioner maintains that this period encompasses the period of creditability provided for under Wage Order No. 6 and that, therefore, the balance remaining after applying the first year salary and allowance increase in the collective bargaining agreement to the increase mandated by Wage Order No. 5, in the amount of P125.00, should be made chargeable against the increase prescribed by Wage Order No. 6, and if not sufficient, petitioner is willing to pay the difference.[33]

On the other hand, private respondent contends that the first year salary and allowance increases under the collective bargaining agreement cannot be applied towards the satisfaction of the increases prescribed by Wage Order No. 6 because the former were not granted within the period of creditability provided for in such wage order. According to private respondent, the significant dates with regard to the granting of the first year increases are 9 November 1984 - the date of issuance of the MOLE Resolution, 16 November 1984 - the date when the collective bargaining agreement was signed by the parties and 1 March 1984 - the retroactive date of effectivity of the first year increases. Private respondent points out that none of these dates fall within the period of creditability under Wage Order No. 6 which is from 17 June 1984 to 1 November 1984. Thus, petitioner has not complied with Wage Order No. 6.[34]

The creditability provision in Wage Order No. 6 is based on important public policy, that is, the encouragement of employers to grant wage and allowance increases to their employees higher than the minimum rates of increases prescribed by statute or administrative regulation. Thus, we held in *Apex Mining Company, Inc. v. NLRC*[35] that -

[t]o obliterate the creditability provisions in the Wage Orders through interpretation or otherwise, and to compel employers simply to add on legislated increases in salaries or allowances without regard to what is already being paid, would be to penalize employers who grant their workers more than the statutorily prescribed minimum rates of increases. Clearly, this would be counter-productive so far as securing the interest of labor is concerned. The creditability provisions in the Wage Orders prevent the penalizing of employers who are industry leaders and who do not wait for statutorily prescribed increases in salary or allowances and pay their workers more than what the law or regulations require.

Section 1 of Article VIII of the collective bargaining agreement of the parties states that "...the parties have

formulated and agreed on the following highly substantial packaged increases in salary and allowance which take into account and cover (a) any deflation in income of employees because of such price increases and inflation and (b) the expected governmental response thereto in the form of statutory adjustments in wages, allowances and benefits, during the next three (3) years of this Agreement..." The unequivocal wording of this provision manifests the clear intent of the parties to apply the wage and allowance increases stipulated in the collective bargaining agreement to any statutory wage and allowance adjustments issued during the effectivity of such agreement - from 1 March 1984 to 28 February 1987. Furthermore, contrary to private respondent's contentions, there is nothing in the wording of Section 2 of Article VIII of the collective bargaining agreement that would prevent petitioner from crediting the first year salary and allowance increases against the increases prescribed by Wage Order No. 6.

It would be inconsistent with the abovestated rationale underlying the creditability provision of Wage Order No. 6 if, after applying the first year increase to Wage Order No. 5, the balance was not made chargeable to the increases under Wage Order No. 6 for the fact remains that petitioner actually granted wage and allowance increases sufficient to cover the increases mandated by Wage Order No. 5 and part of the increases mandated by Wage Order No. 6.

Holiday Pay

Article 94 of the Labor Code provides that every worker shall be paid his regular daily wage during regular holidays^[36] and that the employer may require an employee to work on any holiday but such employee shall be paid a compensation equivalent to twice his regular rate. In this case, the Labor Arbiter found that the divisor used by petitioner in arriving at the employees' daily rate for the purpose of computing salary-related benefits is 314.^[37] This finding was not disputed by the NLRC.^[38] However, the divisor was reduced to 303 by virtue of an inter-office memorandum issued on 13 August 1986, to wit -

To increase the rate of overtime pay for rank and filers, we are pleased to inform that effective August 18, 1986, the acting Conservator approved the use of 303 days as divisor in the computation of Overtime pay. The present Policy of 314 days as divisor used in the computation for cash conversion and determination of daily rate, among others, still remain, Saturdays, therefore, are still considered paid rest days.

Corollarily, the Acting Conservator also approved the increase of meal allowance from P25.00 to P30.00 for a minimum of four (4) hours of work for Saturdays.

Proceeding from the unambiguous terms of the above quoted memorandum, the Labor Arbiter observed that the reduction of the divisor to 303 was for the sole purpose of increasing the employees' overtime pay and was not meant to replace the use of 314 as the divisor in the computation of the daily rate for salary-related benefits.^[39]

Private respondent admits that, prior to 18 August 1986, petitioner used a divisor of 314 in arriving at the daily wage rate of monthly-salaried employees. Private respondent also concedes that the divisor was changed to 303 for purposes of computing overtime pay only. In its Memorandum, private respondent states that -

49. The facts germane to this issue are not debatable. The Memorandum Circular issued by the Acting Conservator is clear. Prior to August 18, 1986, the petitioner bank used a divisor of 314 days in arriving at the daily wage rate of the monthly-salaried employees. Effective August 18, 1986, this was changed. It adopted the following formula:

Basic salary x 12 months = Daily Wage Rate
303 days

50. By utilizing this formula even up to the present, the conclusion is inescapable that the petitioner bank is not actually paying its employees the regular holiday pay mandated by law. Consequently, it is bound to pay the

salary differential of its employees effective November 1, 1974 up to the present.

xxx xxx xxx

54. Since it is a question of fact, the Inter-office Memorandum dated August 13, 1986 (Annex "E") provides for a divisor of 303 days in computing overtime pay. The clear import of this document is that from the 365 days in a year, we deduct 52 rest days which gives a total of 313 days. Now, if 313 days is the number of working days of the employees then, there is a disputable presumption that the employees are paid their holiday pay. However, this is not so in the case at bar. The bank uses 303 days as its divisor. Hence, it is not paying its employees their corresponding holiday pay.[40]

In *Union of Filipino Employees v. Vivar, Jr.*[41] the Court held that "[t]he divisor assumes an important role in determining whether or not holiday pay is already included in the monthly paid employee's salary and in the computation of his daily rate." This was also our ruling in *Chartered Bank Employees Association v. Ople*,[42] as follows -

It is argued that even without the presumption found in the rules and in the policy instruction, the company practice indicates that the monthly salaries of the employees are so computed as to include the holiday pay provided by law. The petitioner contends otherwise.

One strong argument in favor of the petitioner's stand is the fact that the Chartered Bank, in computing overtime compensation for its employees, employs a "divisor" of 251 days. The 251 working days divisor is the result of subtracting all Saturdays, Sundays and the ten (10) legal holidays from the total number of calendar days in a year. If the employees are already paid for all non-working days, the divisor should be 365 and not 251.

Apparently, the divisor of 314 is arrived at by subtracting all Sundays from the total number of calendar days in a year, since Saturdays are considered paid rest days, as stated in the inter-office memorandum. Thus, the use of 314 as a divisor leads to the inevitable conclusion that the ten legal holidays are already included therein.

We agree with the labor arbiter that the reduction of the divisor to 303 was done for the sole purpose of increasing the employees' overtime pay, and was not meant to exclude holiday pay from the monthly salary of petitioner's employees. In fact, it was expressly stated in the inter-office memorandum - also referred to by private respondent in its pleadings - that the divisor of 314 will still be used in the computation for cash conversion and in the determination of the daily rate. Thus, based on the records of this case and the parties' own admissions, the Court holds that petitioner has complied with the requirements of Article 94 of the Labor Code.

Damages

As to private respondent's claim for damages, the NLRC was correct in ruling that there is no basis to support the same.

WHEREFORE, for the reasons above stated, the 30 April 1991 Decision of public respondent in NLRC-NCR Case No. 02-00753-88, entitled "*Producers Bank Employees Association v. Producers Bank of the Philippines*," and its 18 June 1991 Resolution issued in the same case are hereby SET ASIDE, with the exception of public respondent's ruling on damages.

SO ORDERED.

Melo, (Chairman), Vitug, Panganiban, and Sandoval-Gutierrez, JJ., concur.

[1] Re-raffled to herein ponente pursuant to the Court's Resolution in A.M. No. 00-9-03-SC dated February 27,

2001.

[2] Rollo, 39-49.

[3] Ibid., 60-76.

[4] Second Division, composed of Rustico L. Diokno, ponente; Edna Bonto-Perez, presiding commissioner; and Domingo H. Zapanta.

[5] Rollo, 114-140.

[6] Ibid., 12-13.

[7] Ibid., 170.

[8] Ibid., 39.

[9] Otherwise known as "The Labor Code of the Philippines"; hereinafter referred to as "[the] Labor Code."

[10] Rollo, 44, 284.

[11] Ibid., 241-242, 244.

[12] Luzon Stevedoring Corp. v. Court of Industrial Relations, 15 SCRA 660 (1965).

[13] Traders Royal Bank v. NLRC, 189 SCRA 274 (1990).

[14] Luzon Stevedoring Corp. v. Court of Industrial Relations, *supra*.

[15] Philippine National Construction Corporation v. NLRC, 307 SCRA 218 (1999); Atok-Big Wedge Mutual Benefit Association v. Atok-Big Wedge Mining Co., 92 Phil 754 (1953).

[16] *Supra*.

[17] 279 SCRA 602 (1997).

[18] Rollo, 68.

[19] Ibid., 128

[20] Ibid., 41, 51.

[21] Otherwise known as "The Central Bank Act."

[22] Issued on November 29, 1972.

[23] 208 SCRA 652 (1992).

[24] Rollo, 227.

[25] Ibid., 125.

[26] Ibid., 275. Ibid., 42.

[27] Ibid., 275.

[28] Ibid., 243.

[29] On 13 August 1986, President Aquino issued Memorandum Order No. 28 removing the P1,000 salary

ceiling, thus entitling all rank-and-file employees to the 13th-month pay.

[30] Section 1.

[31] Issued on 16 November 1987.

[32] *National Federation of Sugar Workers v. Ovejera*, 114 SCRA 354 (1982). See *UST Faculty Union v. NLRC*, 190 SCRA 215 (1990); *Brokenshire Memorial Hospital, Inc. v. NLRC*, 143 SCRA 564 (1986).

[33] *Rollo*, 252-253.

[34] *Ibid.*, 295-296.

[35] 206 SCRA 497 (1992). See also *National Federation of Labor v. NLRC*, 234 SCRA 311 (1994).

[36] Executive Order No. 203, which took effect on 30 June 1987, provides that there are only ten (10) regular holidays - New Year's Day (January 1), Maundy Thursday (movable date), Good Friday (movable date), *Araw ng Kagitingan* (April 9), Labor Day (May 1), Independence Day (June 12), National Heroes Day (Last Sunday of August), Bonifacio Day (November 30), Christmas Day (December 25), and Rizal Day (December 30).

[37] *Rollo*, 75.

[38] *Ibid.*, 137-138.

[39] *Ibid.*, 75.

[40] *Ibid.*, 286-288.

[41] 205 SCRA 200 (1992).

[42] 138 SCRA 273 (1985).

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.