

**MIGUELA SANTUYO, CORAZON ZACARIAS, EUGENIA CINCO,
ELIZABETH PERALES, SUSANA BELEDIANO, RUFINA TABINAS,
LETICIA L. DELA ROSA, NENITA LINESES, EDITHA DELA RAMA,
MARIBEL M. OLIVAR,...**

G.R. No. 174420. March 22, 2010

Ponente: CORONA, J.

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CORONA, J.:

From 1992 to 1994, due to a serious industrial dispute, the Kaisahan ng Manggagawa sa Remerco Garments Manufacturing Inc.- KMM Kilusan (union) staged a strike against respondent Remerco Garments Manufacturing, Inc. (RGMI). Because the strike was subsequently declared illegal, all union officers were dismissed. Employees who wanted to sever their employment were paid separation pay while those who wanted to resume work were recalled on the condition that they would no longer be paid a daily rate but on a piece-rate basis.

Petitioners, who had been employed as sewers, were among those recalled.

Without allowing RGMI to normalize its operations, the union filed a notice of strike in the National Conciliation and Mediation Board (NCMB) on August 8, 1995.[2] According to the union, RGMI conducted a time and motion study and changed the salary scheme from a daily rate to piece-rate basis without consulting it. RGMI therefore not only violated the existing collective bargaining agreement (CBA) but also diminished the salaries agreed upon. It therefore committed an unfair labor practice.

On August 24, 1995, RGMI filed a notice of lockout in the NCMB.[3]

On November 11, 1995, while the union and RGMI were undergoing conciliation in the NCMB, RGMI transferred its factory site.

On November 13, 1995, the union went on strike and blocked the entry to RGMI's (new) premises.

In an order dated November 21, 1995,[4] the Secretary of Labor assumed jurisdiction pursuant to Article 263(g) of the Labor Code[5] and ordered RGMI's striking workers to return to work immediately. He likewise ordered the union and RGMI to submit their respective position papers.

In its position paper, the union denied going on strike and blocking entries (and exits) at RGMI's premises. Furthermore, the union enumerated RGMI's alleged unfair labor practices. RGMI not only changed its salary scheme but also refused to pay wages to its employees for three weeks and transferred the plant to a new site. The union therefore asked for the reinstatement of all employees to their former positions at the old worksite and payment of their unpaid salaries based on the daily rate (as provided in the CBA).

RGMI, on the other hand, insisted that its employees refused to obey the November 21, 1995 order. Thus, it prayed that the strike be declared illegal and that all union officers and those employees who refused to return to work be declared to have abandoned their employment.

After evaluating the respective arguments of the union and RGMI, the Secretary of Labor held that RGMI did not lock out its employees inasmuch as it informed them of the transfer of the worksite. However, he did not rule on the legality of the strike.

Furthermore, based on the time and motion study, the Secretary of Labor found that the employees would receive higher wages if they were paid on a piece-rate rather than on a daily rate basis. Hence, the new salary scheme would be more advantageous to the employees. For this reason, despite the provisions of the CBA, the change in salary scheme was validated.

In an order dated September 18, 1996,[6] the Secretary of Labor ordered all employees to return to work and RGMI to pay its employees their unpaid salaries (from September 25, 1995 to October 14, 1995) on the piece-rate basis. Neither the union nor RGMI appealed the aforementioned order.

On October 18, 1995, while the conciliation proceedings between the union and respondent were pending, petitioners filed a complaint for illegal dismissal against RGMI and respondent Victoria Reyes, accusing the latter of harassment.[7] Petitioners subsequently amended their complaint,[8] demanding payment of their accrued salaries from September 25 to October 14, 1995 (computed at the daily rate of P145 plus the CBA-decreed increase of P11 per day) and the monetary equivalent of benefits they were entitled to under the CBA but allegedly withheld by RGMI, namely:

(1) P200 Christmas package and P50 per person budget for the 1994 and 1995 Christmas party which was not held and

(2) 17-day vacation leave in 1994 and 1995.

Later, petitioners again amended their complaint, stating that respondents suspended them for questioning their decision to pay salaries on a piece-rate basis.[9]

Respondents, on the other hand, moved to dismiss the complaint in view of the pending conciliation proceedings (which involved the same issue) in the NCMB. Moreover, alleged violations of the CBA should be resolved according to the grievance procedure laid out therein.[10] Thus, the labor arbiter had no jurisdiction over the complaint.

The labor arbiter found that respondents did not pay petitioners their salaries and deprived them of the benefits they were entitled to under the CBA. Thus, in a decision dated July 15, 1999,[11] he ordered respondents to pay petitioners their unpaid salaries according to their daily rate with the corresponding increase provided in the CBA and benefits, separation pay and attorney's fees.

Respondents appealed the decision of the labor arbiter in the National Labor Relations Commission (NLRC)[12] but it was denied.[13]

Aggrieved, respondents filed a petition for certiorari in the Court of Appeals (CA) claiming that the NLRC acted with grave abuse of discretion in affirming the decision of the labor arbiter. They argued that since the complaint involved the implementation of the CBA, the labor arbiter had no jurisdiction over it.

In a decision dated April 27, 2006,[14] the CA reversed and set aside the decision of the NLRC on the ground that the labor arbiter had no jurisdiction over the complaint.[15]

Petitioners moved for reconsideration but it was denied.[16] Hence, this recourse.[17]

Petitioners insist that the labor arbiter had jurisdiction inasmuch as the complaint was for illegal dismissal. Furthermore, they claim that the September 18, 1996 order of the Secretary of Labor was inapplicable to them.

Despite being members of the union, they were not among those who went on strike.

The petition has no merit.

Petitioners clearly and consistently questioned the legality of RGMI's adoption of the new salary scheme (i.e., piece-rate basis), asserting that such action, among others, violated the existing CBA. Indeed, the controversy was not a simple case of illegal dismissal but a labor dispute[18] involving the manner of ascertaining employees' salaries, a matter which was governed by the existing CBA.

With regard to the question of jurisdiction over the subject matter, Article 217(c) of the Labor Code provides:

Article 217. Jurisdiction of Labor Arbiters and the Commission.

x x x x x x x x

(c) Cases arising from the interpretation or implementation of collective bargaining agreements and those arising from the interpretation or enforcement of company personnel policies shall be disposed of by the Labor Arbiter by referring the same to the grievance machinery and voluntary arbitration as may be provided in said agreements. (emphasis supplied)

This provision requires labor arbiters to refer cases involving the implementation of CBAs to the grievance machinery provided therein and to voluntary arbitration.

Moreover, Article 260 of the Labor Code clarifies that such disputes must be referred first to the grievance machinery and, if unresolved within seven days, they shall automatically be referred to voluntary arbitration.[19] In this regard, Article 261 thereof states:

Article 261. Jurisdiction of voluntary arbitrators and panel of voluntary arbitrators. -- The Voluntary Arbitrator or panel of Voluntary Arbitrators shall have original and exclusive jurisdiction to hear and decide all unresolved grievances arising from the interpretation or implementation of the Collective Bargaining Agreement and those arising from the interpretation or enforcement of company personnel policies referred to in the immediately preceding Article. Accordingly, violations of a Collective Bargaining Agreement, except those which are gross in character, shall no longer be treated as unfair labor practice and shall be resolved as grievances under the Collective Bargaining Agreement. For purposes of this Article, gross violations of a Collective Bargaining Agreement shall mean flagrant and/or malicious refusal to comply with the economic provisions of such agreement. (emphasis supplied)

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Under this provision, voluntary arbitrators have original and exclusive jurisdiction over matters which have not been resolved by the grievance machinery.

Pursuant to Articles 217 in relation to Articles 260 and 261 of the Labor Code, the labor arbiter should have referred the matter to the grievance machinery provided in the CBA. Because the labor arbiter clearly did not have jurisdiction over the subject matter, his decision was void.

Nonetheless, the Secretary of the Labor assumed jurisdiction over the labor dispute between the union and RGMI and resolved the same in his September 18, 1996 order. Article 263(g) of the Labor Code[20] gives the Secretary of Labor discretion[21] to assume jurisdiction over a labor dispute likely to cause a strike or a lockout in an industry indispensable to the national interest and to decide the controversy or to refer the same to the NLRC for compulsory arbitration. In doing so, the Secretary of Labor shall resolve all questions and controversies in order to settle the dispute. His power is therefore plenary and discretionary in nature to enable him to effectively and efficiently dispose of the issue. [22]

The Secretary of Labor assumed jurisdiction over the controversy because RGMI had a substantial number of employees and was a major exporter of garments to the United States and Canada.[23] In view of these considerations, the Secretary of Labor resolved the labor dispute between the union and RGMI in his September 18, 1996 order.[24] Since neither the union nor RGMI appealed the said order, it became final and executory.

Settled is the rule that unions are the agent of its members for the purpose of securing just and fair wages and good working conditions.[25] Since petitioners were part of the bargaining unit represented by the union and members thereof, the September 18, 1996 order of the Secretary of Labor applies to them.

Furthermore, since the union was the bargaining agent of petitioners, the complaint was barred under the principle of conclusiveness of judgments. The parties to a case are bound by the findings in a previous judgment with respect to matters actually raised and adjudged therein.[26] Hence, the labor arbiter should have dismissed the complaint on the ground of res judicata.

WHEREFORE, the petition is hereby DENIED.

Costs against petitioners.

SO ORDERED.

Velasco, Jr., Nachura, Peralta, and Mendoza, JJ., concur.

[1] The Court of Appeals was impleaded as respondent but was excluded by the Court as party in this case pursuant to Section 4, Rule 45 of the Rules of Court.

[2] Docketed as NCMB-NCR-NS-08-356-95.

[3] Docketed as NCMB-NCR-NL-08-017-95.

[4] Order penned by Acting Secretary Jose S. Brillantes in OS-AJ-0057-95. Rollo, pp. 242-243.

[5] Labor Code, Art. 263(g) provides:

Article. 263. Strikes, picketing, and lockouts. -- x x x x x x x x

(g) When, in his opinion, there exists a labor dispute causing or likely to cause a strike or lockout in an industry indispensable to the national interest, the Secretary of Labor and Employment may assume jurisdiction over the dispute and decide it or certify the same to the [NLRC] for compulsory arbitration. Such assumption or certification shall have the effect of automatically enjoining the intended or impending strike or lockout as specified in the assumption or certification order. If one has already taken place at the time of assumption or certification, all striking or locked out employees shall immediately return to work and the employer shall immediately resume operations and readmit all workers under the same terms and conditions prevailing before the strike or lockout. The Secretary of Labor and Employment or the Commission may seek the assistance of law enforcement agencies to ensure compliance with this provision as well as with such orders as he may issue to enforce the same.

In line with the national concern for and the highest respect accorded to the right of patients to life and health, strikes and lockouts in hospitals, clinics and similar medical institutions shall, to every extent possible, be avoided, and all serious efforts, not only by labor and management but government as well, be exhausted to substantially minimize, if not prevent, their adverse effects on such life and health, through the exercise, however legitimate, by labor of its right to strike and by management to lockout. In labor disputes adversely affecting the

continued operation of such hospitals, clinics or medical institutions, it shall be the duty of the striking union or locking-out employer to provide and maintain an effective skeletal workforce of medical and other health personnel, whose movement and services shall be unhampered and unrestricted, as are necessary to insure the proper and adequate protection of the life and health of its patients, most especially emergency cases, for the duration of the strike or lockout. In such cases, therefore, the Secretary of Labor and Employment may immediately assume, within twenty four (24) hours from knowledge of the occurrence of such a strike or lockout, jurisdiction over the same or certify it to the Commission for compulsory arbitration. For this purpose, the contending parties are strictly enjoined to comply with such orders, prohibitions and/or injunctions as are issued by the Secretary of Labor and Employment or the Commission, under pain of immediate disciplinary action, including dismissal or loss of employment status or payment by the locking-out employer of backwages, damages and other affirmative relief, even criminal prosecution against either or both of them.

The foregoing notwithstanding, the President of the Philippines shall not be precluded from determining the industries that, in his opinion, are indispensable to the national interest, and from intervening at any time and assuming jurisdiction over any labor dispute in such industries in order to settle or terminate the same.

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The Secretary of Labor, in his November 21, 1995 order, explained:

Respondent] is engaged in the manufacture of garments and it exports one hundred percent (100%) of its products. At present, it holds a substantial export quota allocation for the United States and Canada. It has in its employ a total of 305 workers. As a major exporter of garments, the company contributes substantial foreign exchange to the economy.

[6] Penned by Secretary Leonardo A. Quisumbing (a retired member of this Court). Rollo, pp. 245-250.

[7] Docketed as NLRC-NCR-CA No. 023224-00/ NLRC-NCR Case No. 00-10-07018-95.

[8] Amended complaint and joint affidavit. Dated February 21, 1996. Annex "A," rollo, pp. 30-33.

[9] Supplemental complaint. Dated September 23, 1996. Annex "B," id., pp. 34-40.

[10] Art. VI of the CBA provided:

Section 1. All disputes, grievances or matters arising from the implementation or interpretation of the [CBA] shall be threshed out in accordance with the Grievance Procedure provided in this Agreement.

Section 2. Any grievance, complaint, dispute or agreement between [RGMI] and the covered employees or the union and its members on matters such as interpretation or enforcement and/or violation of this [CBA] shall be settled [according the following grievance procedure].

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[11] Penned by Labor Arbiter Madjayran H. Ayan. Rollo, pp. 66-80.

[12] Docketed as NLRC NCR CA No. 023224-00.

[13] Decision penned by Commissioner Angelita A. Gacutan and concurred in by Presiding Commissioner Raul T. Aquino and Commissioner Victoriano R. Calaycay. Dated March 19, 2004. Rollo, pp. 136-146.

Respondents moved for reconsideration but it was denied in an order dated July 7, 2005. Id., pp. 147-148.

[14] Penned by Associate Justice Conrado M. Vasquez, Jr. (retired) and concurred in by Associate Justices

Mariano C. del Castillo (now a member of this Court) and Magdangal M. de Leon of the Third Division of the Court of Appeals. Id., pp. 187-199.

[15] Citing *Silva v. National Labor Relations Commission*, G.R. No. 110226, 19 June 1997, 274 SCRA 159.

[16] Resolution dated August 9, 2006. Rollo, pp. 218-219.

[17] Under Rule 65 of the Rules of Court.

[18] Labor Code, Art. 212(l) provides:

(l) "Labor dispute" includes any controversy or matter concerning terms or conditions of employment or the association or representation of persons in negotiating, fixing, maintaining, changing or arranging the terms and conditions of employment, regardless of whether the disputants stand in the proximate relation of employer and employee. (emphasis supplied)

[19] Labor Code, Art. 260(2) provides:

Article 260. Grievance machinery and voluntary arbitration. -- x x x x x x x x

All grievances submitted to the grievance machinery which are not settled within seven (7) calendar days from the date of its submission shall automatically be referred to voluntary arbitration prescribed in the collective bargaining agreement.

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[20] Supra note 5.

[21] *Steel Corporation of the Philippines v. SCP Employees Union-National Federation of Labor Unions*, G.R. No. 169829-30, 16 April 2008, 551 SCRA 594, 609.

[22] *Philcom Employees Union v. Philippine Global Communications*, G.R. No. 144315, 17 July 2006, 495 SCRA 214, 232-234.

[23] November 21, 1995 order. Supra note 5.

[24] Supra note 6.

[25] *Heirs of Teodoro M. Cruz v. Court of Industrial Relations*, G.R. Nos. L-23331-32 and L-23361-62, 27 December 1969, 30 SCRA 917, 944.

[26] *Philippine Commercial International Bank v. Alejandro*, G.R. No. 175587, 21 September 2007, 533 SCRA 738, 747.

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