

LEPANTO CERAMICS, INC., PETITIONER, VS. LEPANTO CERAMICS EMPLOYEES ASSOCIATION, RESPONDENT.

G.R. No. 180866. March 02, 2010

Ponente: PEREZ, J.

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PEREZ, J.:

Before this Court is a Petition for Review on Certiorari under Rule 45[1] of the 1997 Rules of Civil Procedure filed by petitioner Lepanto Ceramics, Inc. (petitioner), assailing the: (1) Decision[2] of the Court of Appeals, dated 5 April 2006, in CA-G.R. SP No. 78334 which affirmed in toto the decision of the Voluntary Arbitrator[3] granting the members of the respondent association a Christmas Bonus in the amount of Three Thousand Pesos (P3,000.00), or the balance of Two Thousand Four Hundred Pesos (P2,400.00) for the year 2002, and the (2) Resolution[4] of the same court dated 13 December 2007 denying Petitioner's Motion for Reconsideration.

The facts are:

Petitioner Lepanto Ceramics, Incorporated is a duly organized corporation existing and operating by virtue of Philippine Laws. Its business is primarily to manufacture, make, buy and sell, on wholesale basis, among others, tiles, marbles, mosaics and other similar products.[5]

Respondent Lepanto Ceramics Employees Association (respondent Association) is a legitimate labor organization duly registered with the Department of Labor and Employment. It is the sole and exclusive bargaining agent in the establishment of petitioner.[6]

In December 1998, petitioner gave a P3,000.00 bonus to its employees, members of the respondent Association.[7]

Subsequently, in September 1999, petitioner and respondent Association entered into a Collective Bargaining Agreement (CBA) which provides for, among others, the grant of a Christmas gift package/bonus to the members of the respondent Association.[8] The Christmas bonus was one of the enumerated "existing benefit, practice of traditional rights" which "shall remain in full force and effect."

The text reads:

Section 8. - All other existing benefits, practice of traditional rights consisting of Christmas Gift package/bonus, reimbursement of transportation expenses in case of breakdown of service vehicle and medical services and safety devices by virtue of company policies by the UNION and employees shall remain in full force and effect.

Section 1. EFFECTIVITY

This agreement shall become effective on September 1, 1999 and shall remain in full force and effect without change for a period of four (4) years or up to August 31, 2004 except as to the representation aspect which shall be effective for a period of five (5) years. It shall bind each and every employee in the bargaining unit including the present and future officers of the Union.

In the succeeding years, 1999, 2000 and 2001, the bonus was not in cash. Instead, petitioner gave each of the members of respondent Association Tile Redemption Certificates equivalent to P3,000.00.[9] The bonus for the year 2002 is the root of the present dispute. Petitioner gave a year-end cash benefit of Six Hundred Pesos (P600.00) and offered a cash advance to interested employees equivalent to one (1) month salary payable in one year.[10] The respondent Association objected to the P600.00 cash benefit and argued that this was in violation of the CBA it executed with the petitioner.

The parties failed to amicably settle the dispute. The respondent Association filed a Notice of Strike with the National Conciliation Mediation Board, Regional Branch No. IV, alleging the violation of the CBA. The case was placed under preventive mediation. The efforts to conciliate failed. The case was then referred to the Voluntary Arbitrator for resolution where the Complaint was docketed as Case No. LAG-PM-12-095-02.

In support of its claim, respondent Association insisted that it has been the traditional practice of the company to grant its members Christmas bonuses during the end of the calendar year, each in the amount of P3,000.00 as an expression of gratitude to the employees for their participation in the company's continued existence in the market. The bonus was either in cash or in the form of company tiles. In 2002, in a speech during the Christmas celebration, one of the company's top executives assured the employees of said bonus. However, the Human Resources Development Manager informed them that the traditional bonus would not be given as the company's earnings were intended for the payment of its bank loans. Respondent Association argued that this was in violation of their CBA.

The petitioner averred that the complaint for nonpayment of the 2002 Christmas bonus had no basis as the same was not a demandable and enforceable obligation. It argued that the giving of extra compensation was based on the company's available resources for a given year and the workers are not entitled to a bonus if the company does not make profits. Petitioner adverted to the fact that it was debt-ridden having incurred net losses for the years 2001 and 2002 totaling to P1.5 billion; and since 1999, when the CBA was signed, the company's accumulated losses amounted to over P2.7 billion. Petitioner further argued that the grant of a one (1) month salary cash advance was not meant to take the place of a bonus but was meant to show the company's sincere desire to help its employees despite its precarious financial condition. Petitioner also averred that the CBA provision on a "Christmas gift/bonus" refers to alternative benefits. Finally, petitioner emphasized that even if the CBA contained an unconditional obligation to grant the bonus to the respondent Association, the present difficult economic times had already legally released it therefrom pursuant to Article 1267 of the Civil Code.[11]

The Voluntary Arbitrator rendered a Decision dated 2 June 2003, declaring that petitioner is bound to grant each of its workers a Christmas bonus of P3,000.00 for the reason that the bonus was given prior to the effectivity of the CBA between the parties and that the financial losses of the company is not a sufficient reason to exempt it from granting the same. It stressed that the CBA is a binding contract and constitutes the law between the parties. The Voluntary Arbitrator further expounded that since the employees had already been given P600.00 cash bonus, the same should be deducted from the claimed amount of P3,000.00, thus leaving a balance of P2,400.00. The dispositive portion of the decision states, viz:

Wherefore, in view of the foregoing respondent LCI is hereby ordered to pay the members of the complainant union LCEA their respective Christmas bonus in the amount of three thousand (P3,000.00) pesos for the year 2002 less the P600.00 already given or a balance of P2,400.00.[12]

Petitioner sought reconsideration but the same was denied by the Voluntary Arbitrator in an Order dated 27 June 2003, in this wise:

The Motion for Reconsideration filed by the respondent in the above-entitled case which was received by the

Undersigned on June 26, 2003 is hereby denied pursuant to Section 7 Rule XIX on Grievance Machinery and Voluntary Arbitration; Amending The Implementing Rules of Book V of the Labor Code of the Philippines; to wit:

Section 7. Finality of Award/Decision – The decision, order, resolution or award of the voluntary arbitrator or panel of voluntary arbitrators shall be final and executory after ten (10) calendar days from receipt of the copy of the award or decision by the parties and it shall not be subject of a motion for reconsideration.[13]

Petitioner elevated the case to the Court of Appeals via a Petition for Certiorari under Rule 65 of the Rules of Court docketed as CA-G.R. SP No. 78334.[14] As adverted to earlier, the Court of Appeals affirmed in toto the decision of the Voluntary Arbitrator. The appellate court also denied petitioner's motion for reconsideration.

In affirming respondent Association's right to the Christmas bonus, the Court of Appeals held:

In the case at bar, it is indubitable that petitioner offered private respondent a Christmas bonus/gift in 1998 or before the execution of the 1999 CBA which incorporated the said benefit as a traditional right of the employees. Hence, the grant of said bonus to private respondent can be deemed a practice as the same has not been given only in the 1999 CBA. Apparently, this is the reason why petitioner specifically recognized the grant of a Christmas bonus/gift as a practice or tradition as stated in the CBA. x x x.

x x x x

Evidently, the argument of petitioner that the giving of a Christmas bonus is a management prerogative holds no water. There were no conditions specified in the CBA for the grant of said benefit contrary to the claim of petitioner that the same is justified only when there are profits earned by the company. As can be gleaned from the CBA, the payment of Christmas bonus was not contingent upon the realization of profits. It does not state that if the company derives no profits, there are no bonuses to be given to the employees. In fine, the payment thereof was not related to the profitability of business operations.

Moreover, it is undisputed that petitioner, aside from giving the mandated 13th month pay, has further been giving its employees an additional Christmas bonus at the end of the year since 1998 or before the effectivity of the CBA in September 1999. Clearly, the grant of Christmas bonus from 1998 up to 2001, which brought about the filing of the complaint for alleged non-payment of the 2002 Christmas bonus does not involve the exercise of management prerogative as the same was given continuously on or about Christmas time pursuant to the CBA. Consequently, the giving of said bonus can no longer be withdrawn by the petitioner as this would amount to a diminution of the employee's existing benefits.[15]

Not to be dissuaded, petitioner is now before this Court. The only issue before us is whether or not the Court of Appeals erred in affirming the ruling of the voluntary arbitrator that the petitioner is obliged to give the members of the respondent Association a Christmas bonus in the amount of P3,000.00 in 2002.[16]

We uphold the rulings of the voluntary arbitrator and of the Court of Appeals. Findings of labor officials, who are deemed to have acquired expertise in matters within their respective jurisdictions, are generally accorded not only respect but even finality, and bind us when supported by substantial evidence. This is the rule particularly where the findings of both the arbitrator and the Court of Appeals coincide.[17]

As a general proposition, an arbitrator is confined to the interpretation and application of the CBA. He does not sit to dispense his own brand of industrial justice: his award is legitimate only in so far as it draws its essence from the CBA.[18] That was done in this case.

By definition, a "bonus" is a gratuity or act of liberality of the giver. It is something given in addition to what is ordinarily received by or strictly due the recipient. A bonus is 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.[19]

A bonus 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.[20]

Generally, a bonus is not a demandable and enforceable obligation. For a bonus to be enforceable, it must have been promised by the employer and expressly agreed upon by the parties.[21] Given that the bonus in this case is integrated in the CBA, the same partakes the nature of a demandable obligation. Verily, by virtue of its incorporation in the CBA, the Christmas bonus due to respondent Association has become more than just an act of generosity on the part of the petitioner but a contractual obligation it has undertaken.[22]

A CBA refers to a negotiated contract between a legitimate labor organization and the employer, concerning wages, hours of work and all other terms and conditions of employment in a bargaining unit. As in all other contracts, the parties to a CBA may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided these are not contrary to law, morals, good customs, public order or public policy.[23]

It is a familiar and fundamental doctrine in labor law that the CBA is the law between the parties and they are obliged to comply with its provisions.[24] This principle stands strong and true in the case at bar.

A reading of the provision of the CBA reveals that the same provides for the giving of a "Christmas gift package/bonus" without qualification. Terse and clear, the said provision did not state that the Christmas package shall be made to depend on the petitioner's financial standing. The records are also bereft of any showing that the petitioner made it clear during CBA negotiations that the bonus was dependent on any condition. Indeed, if the petitioner and respondent Association intended that the P3,000.00 bonus would be dependent on the company earnings, such intention should have been expressed in the CBA.

It is noteworthy that in petitioner's 1998 and 1999 Financial Statements, it took note that "the 1997 financial crisis in the Asian region adversely affected the Philippine economy." [25]

From the foregoing, petitioner cannot insist on business losses as a basis for disregarding its undertaking. It is manifestly clear that petitioner was very much aware of the imminence and possibility of business losses owing to the 1997 financial crisis. In 1998, petitioner suffered a net loss of P14,347,548.00.[26] Yet it gave a P3,000.00 bonus to the members of the respondent Association. In 1999, when petitioner's very own financial statement reflected that "the positive developments in the economy have yet to favorably affect the operations of the company," [27] and reported a loss of P346,025,733.00,[28] it entered into the CBA with the respondent Association whereby it contracted to grant a Christmas gift package/bonus to the latter. Petitioner supposedly continued to incur losses in the years 2000[29] and 2001. Still and all, this did not deter it from honoring the CBA provision on Christmas bonus as it continued to give P3,000.00 each to the members of the respondent Association in the years 1999, 2000 and 2001.

All given, business losses are a feeble ground for petitioner to repudiate its obligation under the CBA. The rule is settled that any benefit and supplement being enjoyed by the employees cannot be reduced, diminished, discontinued or eliminated by the employer. The principle of non-diminution of benefits is founded on the constitutional mandate to protect the rights of workers and to promote their welfare and to afford labor full protection.[30]

Hence, absent any proof that petitioner's consent was vitiated by fraud, mistake or duress, it is presumed that it entered into the CBA voluntarily and had full knowledge of the contents thereof and was aware of its commitments under the contract.

The Court is fully aware that implementation to the letter of the subject CBA provision may further deplete petitioner's resources. Petitioner's remedy though lies not in the Court's invalidation of the provision but in the parties' clarification of the same in subsequent CBA negotiations. Article 253 of the Labor Code is relevant:

Art. 253. Duty to bargain collectively when there exists a collective bargaining agreement. - When there is a collective bargaining agreement, the duty to bargain collectively shall also mean that neither party shall terminate nor modify such agreement during its lifetime. However, either party can serve a written notice to terminate or modify the agreement at least sixty (60) days prior to its expiration date. It shall be the duty of both parties to keep the status quo and to continue in full force and effect the terms and conditions of the existing agreement during the sixty (60)-day period and/or until a new agreement is reached by the parties.

WHEREFORE, Premises considered, the petition is DENIED for lack of merit. The Decision of the Court of Appeals dated 5 April 2006 and the Resolution of the same court dated 13 December 2007 in CA-G.R. SP No. 78334 are AFFIRMED.

SO ORDERED.

Carpio, (Chairperson), Brion, Del Castillo, and Abad, JJ., concur.

[1] Appeal by Certiorari to the Supreme Court.

[2] Penned by Associate Justice Josefina Guevara-Salonga, with Associate Justices Fernanda Lampas Peralta and Sesinando E. Villon concurring. Rollo, pp. 10-19.

[3] Penned by Voluntary Arbitrator Lydia A. Navarro. Id. at 167-169.

[4] Id. at 30.

[5] CA rollo, p. 36.

[6] Id. at 39.

[7] Id. at 42.

[8] Records, p. 7.

[9] Rollo, pp. 43-44.

[10] Id. at 45.

[11] Article 1267. When the service has become so difficult as to be manifestly beyond the contemplation of the parties, the obligor may also be released therefrom, in whole or in part.

[12] Rollo, p. 169.

[13] Id. at 170.

[14] The Court of Appeals gave due course to the Petition although the proper remedy should have been a Petition for Review under Rule 43 of the 1997 Rules of Civil Procedure.

Rule 43. - Appeals From the Court of Tax Appeals and Quasi-Judicial Agencies to the Court of Appeals.

Section 1. Scope. - This Rule shall apply to appeals from judgments or final orders of the Court of Tax Appeals and from awards, judgments, final orders or resolutions of or authorized by any quasi-judicial agency in the exercise of its quasi-judicial functions. Among these agencies are x x x, and voluntary arbitrators authorized by

law.

[15] *Id.* at 16-17.

[16] *Id.* at 9.

[17] *Philippine Airlines, Inc. v. Philippine Airlines Employees Association (PALEA)*, G.R. No. 142399, 12 March 2008, 548 SCRA 117, 129 citing *Stamford Marketing Corporation v. Julian*, 468 Phil. 34, 55 (2004).

[18] *United Kimberly-Clark Employees Union-Philippine Transport General Workers' Organization v. Kimberly-Clark Philippines, Inc.*, G.R. No. 162957, 6 March 2006, 484 SCRA 187, 200.

[19] *Protacio v. Laya Mananghaya and Co.*, G.R. No. 168654, 25 March 2009.

[20] *Philippine Airlines, Inc. v. Philippine Airlines Employees Association (PALEA)*, *supra* note 16 at 133 citing *Philippine Education Co., Inc. (PECO) v. Court of Industrial Relations*, 92 Phil. 381, 385 (1952).

[21] *American Wire and Cable Daily Rated Employees Union v. American Wire and Cable*, 497 Phil. 213, 224 (2005).

[22] *Philippine Airlines, Inc. v. Philippine Airlines Employees Association (PALEA)*, *supra* note 16 at 133.

[23] *Honda Philippines, Inc. v. Samahan ng Malayang Manggagawa sa Honda*, G.R. No. 145561, 15 June 2005, 460 SCRA 186,190.

[24] *University of San Agustin v. University of San Agustin Employees Union*, G.R. No. 177594, 23 July 2009; *HFJ Philippines, Inc. v. Pilar*, G.R. No. 168716, 16 April 2009.

[25] Said Financial Statements further noted that "The Asian Crisis led to a volatile foreign exchange and interest rates. During the first half of 1999, the situation has improved with the peso moving in a relatively narrow range of \$38 to \$40 against the US dollar between 31 December 1998 and 30 September 1999 x x x. Records, p. 215.

[26] *Id.* at 218.

[27] *Id.* at 215.

[28] *Id.* at 218.

[29] Petitioner's financial statement states that in year 2000 it incurred a net loss of P865,137,705.00 and P958,602,659.00 in the year 2001.

[30] *Arco Metal Products, Co., Inc. v. Samahan ng Mga Mangagagawa sa Arco Metal-NAFLU (SAMARM-NAFLU)*, G.R. No. 170734, 14 May 2008, 554 SCRA 110, 118-119.

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