SCA HYGIENE PRODUCTS CORPORATION EMPLOYEES ASSOCIATION-FFW, PETITIONER, VS. SCA HYGIENE PRODUCTS CORPORATION, RESPONDENT.

G.R. No. 182877. August 09, 2010

Ponente: PEREZ, J.

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PEREZ, J.:

For review on certiorari are the Decision[1] dated 19 February 2008 and the Resolution[2] dated 5 May 2008 of the Court of Appeals in CA-G.R. SP No. 100308, which reversed the Resolution[3] dated 2 August 2007 of Voluntary Arbitrator Renato Q. Bello in V.A. Case No. 013-06.

The undisputed facts are as follows:

Respondent SCA Hygiene Products Corporation is a domestic corporation engaged in the manufacture, sale and distribution of industrial paper, tissue and allied products. It has existing Collective Bargaining Agreements (CBAs) with SCA Hygiene Products Corporation Monthly Employees Union-FSM (Monthly Employees Union) and petitioner SCA Hygiene Products Corporation Employees Association-FFW (Daily Employees Union), which represent the monthly and daily paid rank-and-file employees, respectively.

Both CBAs of the Monthly Employees Union and the Daily Employees Union contain provisions on Job Evaluation which state that:

> ARTICLE VIII
> JOB EVALUATION
>
> SECTION 1. The Management (COMPANY) will conduct Job Evaluation when deemed necessary. A third party consultant may be tasked to conduct the program. The COMPANY agrees to maintain the practice of involving the incumbent employee member of the UNION in writing the Job Description which serves as input in the Job Evaluation Program. The third party consultant will conduct an orientation to both Union and Management of the Job Evaluation Process.
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> x x x x
>
> ARTICLE VIII
> JOB EVALUATION
>
> SECTION 1. The COMPANY and the UNION agrees to abide by the result of the Job Evaluation (JE) conducted by the COMPANY's third party consultants. The UNION may participate in this activity in the form of consultations and suggestions.
>
> SECTION 2. The COMPANY agrees to advise the individual members of the UNION of the result of the JE concerning their respective positions and shall furnish the employee a copy of his/her job description.[4]

Sometime in 2003, respondent conducted a company-wide job evaluation through an independent consultant,

Mercer Human Resource Consulting, Inc. As provided for in the CBAs, respondent conducted an orientation on the job evaluation process. All covered employees executed written job descriptions which were used in the job evaluation of their respective positions.

In February 2004, Mercer Human Resource Consulting, Inc. informed respondent of the result of the job evaluation which led respondent to adopt eight new job grade levels:[5]

Job Grade Level	Employee[s'] Category
8	Executive
7	Executive
6	Department Manager
5	Unit Manager
4	Unit Manager
3	Management Team Member
2	Rank-and-File
1	Rank-and-File

In a Letter dated 24 February 2004,[6] respondent informed 22 daily paid rank-and-file employees that their positions had been classified as Job Grade Level 2.

As a result, the Monthly Employees Union demanded that the 22 daily paid rank-and-file employees be given conversion increase, promotion increase as well as retroactive salary increase from the time the job evaluation was completed on the ground that their positions had been converted into a higher job grade level which amounted to a promotion. Likewise, the Daily Employees Union asked for the adjustment of said employees' compensation since the conversion warranted their entitlement to the benefits, status and privileges of a monthly paid rank-and-file employee.

As respondent failed to respond, both unions submitted their grievances for mediation. When the parties failed to reach an amicable settlement, they submitted the case for voluntary arbitration.

The unions claimed that the 22 daily paid rank-and-file employees were entitled to conversion increase since Job Grade Level 2 positions are meant for monthly paid rank-and-file employees and along with the conversion, said

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employees were given additional job descriptions. They were also entitled to promotion increase since such is the company practice everytime an employee's rank is converted to a higher job grade level. The unions added that the company violated their CBAs by refusing to implement the result of the job evaluation considering that those converted from Job Grade Level 2 positions to Job Grade Level 3 positions were granted the benefits concomitant to their new positions.

The company countered that the job evaluation was merely a process of determining the relative contribution and value of the positions in its operations and does not provide for any adjustment in the salaries of the covered employees. The subject employees cannot be converted to monthly paid rank-and-file employees and given a conversion increase since they continue to occupy the same positions that they were occupying prior to the job evaluation. They are not entitled to any promotion increase since they were never promoted to a higher position as a Job Grade Level 2 position does not involve any increase in their duties and responsibilities. The company added that those employees converted to Job Grade Level 3 positions are entitled to salary and benefits increase since they are classified as managerial employees. On the other hand, those holding Job Grade Level 2 positions remained rank-and-file employees.

On 2 August 2007, Voluntary Arbitrator Renato Q. Bello ruled in favor of the unions and awarded conversion increase and attorney's fees to the 22 daily paid rank-and-file employees. In so ruling, he noted that said employees were performing the duties and responsibilities of a monthly paid rank-and-file employee. The only difference was that there was no clear classification of their positions.

The dispositive portion of the resolution provides:

> WHEREFORE, in view of the foregoing, this Voluntary Arbitrator promulgates the following:
>
> 1. Declaring that the following employees are now deemed monthly paid rank-and-file employees and thus are entitled to conversion increase equivalent to ten per cent (10%) of their current basic salary as daily paid rank-and-file employees, retroactive from 24 February 2006 up to the time that full payment thereof is made by the Company:
>
> Names
>
> Positions
>
> 1. Julius M. Concepcion
>
> Shift Mechanical Technician
>
> 2. Rolando C. Miel
>
> Shift Mechanical Technician
>
> 3. Leonilo T. Sabinada
>
> Electro Mechanical Technician
>
> 4. Danilo T. Maningas
>
> Electrical Technician
>
> 5. Rulen A. Acosta
>
> Back Tender
>
> 6. Luisito P. Diaz

Back Tender

7. Reynaldo M. Legario

Back Tender

8. Arnel T. Limbaring

Back Tender

9. Arlon Sison

Back Tender

10. Roberto dela Cruz

Preventive Mechanical Technician

11. Elaido V. Agbayani

Preventive Mechanical Technician

12. Charlie M. Manaois

Mechanical Technician

13. Nelio E. Bejosano

Warehouse Custodian

14. Inventor V. Florada, Jr.

Mechanical Technician

15. Paulo B. Romero

Electrical

16. Dennis A. Ligue

Production Operator

17. Samuel F. Villosimo

Boiler Tender

18. Marian F. Perolino

Boiler Tender

19. Renante Anding

Boiler Tender

20. Gemar de Leola Electro

Mechanical Technician

21. Julius Cellona Electro

Mechanical Technician

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22. Wenceslao B. Codizal

Instrumentation Technician

2. Denying the Union's claim for retroactive payment of promotional increase for lack of merit; and

3. Dismissing the Unions' claim for damages also for lack of merit and awarding ten per cent (10%) attorney's fees to the Unions based on the total computed conversion increase due the twenty two (22) employees. For this purpose, the management of the Company and the duly authorized officers of the Unions are enjoined to sit down and discuss the mechanics of the actual implementation of this judgment award.[7]

On appeal, the Court of Appeals ruled in favor of respondent. First, it held that the job evaluation was conducted as a reorganization process to standardize the company's organizational set-up. It was not designed to provide any conversion or adjustment to the salaries of the employees. The CBAs merely provided the procedure for the implementation of the job evaluation. It did not specifically state that the covered employees are entitled to any salary adjustment after the job evaluation. Hence, in the absence of any law or agreement between the parties, any conversion much less promotion is left entirely to respondent's sound discretion. Second, the appellate court did not give credence to the unions' claim that the grant of conversion/promotion increase was respondent's long-standing practice. To be considered a regular practice, the grant of such increase should have been done over a long period of time and must be shown to be consistent and deliberate. In this case, there was no evidence that respondent agreed to continue giving the benefits knowing fully well that its employees are not covered by the law requiring payment thereof. Third, the appellate court noted that those employees converted to Job Grade Level 3 positions were given salary and benefits increase since they became managerial employees after the job evaluation. The same could not be said with regard to those holding Job Grade Level 2 positions since they remained rank-and-file employees.

The decretal portion of the decision provides:

WHEREFORE, the petition for review is GRANTED and the Resolution dated August 2, 2007 of the voluntary arbitrator is NULLIFIED and SET ASIDE.[8]

Hence, the instant petition raising the following issues:

I.

THE HONORABLE COURT OF APPEALS GROSSLY ERRED WHEN IT DECIDED THE CASE IN UTTER DISREGARD OF THE SUBSTANTIATED FACTS THAT A PROMOTION TOOK PLACE WHEN THE TWENTY-TWO (22) DAILY PAID EMPLOYEES, WHO WERE PREVIOUSLY OCCUPYING JOB LEVEL I POSITIONS, WERE SUBSEQUENTLY CONVERTED INTO OR PROMOTED TO JOB LEVEL 2 POSITIONS AFTER THE RESULT OF THE JOB EVALUATION ON FEBRUARY 24, 2004.

II.

THE HONORABLE COURT OF APPEALS GROSSLY ERRED WHEN IT DECIDED THE CASE IN UTTER DISREGARD OF THE SUBSTANTIATED FACTS AND THE EVIDENCE ADDUCED TO THE EFFECT THAT THERE WAS A LONG-STANDING [COMPANY PRACTICE] THAT EVERYTIME THERE IS A CHANGE IN THE JOB LEVEL POSITION OF AN EMPLOYEE, THE COMPANY GRANTS A CORRESPONDING CONVERSION INCREASE OF TEN [PERCENT] (10%), BASED ON THE EMPLOYEE'S CURRENT BASIC SALARY.[9]

Briefly, the key issues in this petition are: (1) Were the 22 daily paid rank-and-file employees promoted after their positions have been converted from Job Grade Level 1 to Job Grade Level 2?; and (2) if so, are they entitled to conversion increase equivalent to 10% of their current basic salary?

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Petitioner contends that the 22 daily paid rank-and-file employees were promoted after the job evaluation. In fact, they have been performing the duties and responsibilities of a monthly paid rank-and-file employee occupying a Job Grade Level 2 position even before the job evaluation. Petitioner adds that said employees are entitled to conversion increase since such has been the company practice everytime an employee's rank is converted to a higher job grade level.

Respondent counters that the job evaluation was merely a process of determining the relative contribution and value of the positions in its operations and does not provide for any adjustment in the salaries of the covered employees. It adds that the 22 daily paid rank-and-file employees were not promoted since they continue to occupy the same positions that they were occupying prior to the job evaluation. They also perform the same functions and have the same responsibilities.

The petition has no merit.

It is a well-settled rule that labor laws do not authorize interference with the employer's judgment in the conduct of its business. The Labor Code and its implementing rules do not vest managerial authority in the labor arbiters or in the different divisions of the National Labor Relations Commission or in the courts. The hiring, firing, transfer, demotion, and promotion of employees have been traditionally identified as a management prerogative subject to limitations found in the law, a collective bargaining agreement, or in general principles of fair play and justice. This is a function associated with the employer's inherent right to control and manage effectively its enterprise. Even as the law is solicitous of the welfare of employees, it must also protect the right of an employer to exercise what are clearly management prerogatives. The free will of management to conduct its own business affairs to achieve its purpose cannot be denied. Accordingly, this Court has recognized and affirmed the prerogative of management to implement a job evaluation program or a re-organization for as long as it is not contrary to law, morals or public policy.[10]

In the case at bar, petitioner has miserably failed to convince this Court that respondent acted in bad faith in implementing the job evaluation program. There is no showing that it was intended to circumvent the law and deprive the 22 daily paid rank-and-file employees of the benefits they are supposed to receive.

The job evaluation program was undertaken to streamline respondent's operations and to place its employees in their proper positions or groupings. A perusal of the CBAs of the parties showed that, as correctly ruled by the Court of Appeals, it merely provided the procedure for the implementation of the job evaluation and did not guarantee any adjustment in the salaries of the employees.

We are not prepared to grant any conversion or promotion increase to the 22 daily paid rank-and-file employees since what transpired was only a promotion in nomenclature. Of primordial consideration is not the nomenclature or title given to the employee, but the nature of his functions.[11] Based on the eight new job grade levels which respondent adopted after the job evaluation, Job Grade Levels 1 and 2 positions are both categorized as rank-and-file employees. Said employees continued to occupy the same positions they were occupying prior to the job evaluation. Moreover, their job titles remained the same and they were not given additional duties and responsibilities.

There is also no evidence to show that Job Grade Levels 1 and 2 positions are confined only to daily and monthly paid rank-and-file employees, respectively, such that when a conversion from Job Grade Level 1 to Job Grade Level 2 takes place, a promotion automatically ensues. The pronouncement of Voluntary Arbitrator Renato Q. Bello that Job Grade Level 2 positions are mostly occupied by monthly paid rank-and-file employees implies that some daily paid rank-and-file employees also occupy that position.[12] Thus, a mere conversion from Job Grade Level 1 position to Job Grade Level 2 position does not, of course, make a daily paid rank-and- filer a monthly

paid one with a concomitant conversion and promotion increase.

Petitioner also failed to substantiate its allegation that it has been a long-standing company practice to grant a conversion or promotion increase everytime an employee's rank is converted to a higher job grade level. The instances which petitioner cited showed clear intent on respondent's part to promote the employees concerned. The job titles and positions held by such employees have changed following the fact that they have assumed additional duties and responsibilities.

Finally, we see why petitioners cannot make common cause with those whose positions were converted from Job Grade Level 2 to Job Grade Level 3 and were, thereby, given the benefits concomitant to the higher level. Those who were elevated to Job Grade Level 3 positions were rightfully given the additional benefits since they have become managerial employees, specifically Management Team Members, and not merely rank-and-file employees. The same cannot be said of the twenty-two (22) daily paid rank-and-file employees involved in the case at bar.

WHEREFORE, the petition is DENIED. The Decision dated 19 February 2008 and the Resolution dated 5 May 2008 of the Court of Appeals in CA-G.R. SP No. 100308 are AFFIRMED.

SO ORDERED.

Corona, C.J., (Chairperson), Leonardo-De Castro, Bersamin,[*] and Mendoza, JJ.,[**] concur.

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[*] Per Special Order No. 876, Associate Justice Lucas P. Bersamin is designated an additional member in place of Associate Justice Presbitero J. Velasco, Jr. who is on official leave under the Court's Wellness Program.

[**] Per raffle dated 7 July 2010, Associate Justice Jose Catral Mendoza is designated as an additional member in place of Associate Justice Mariano C. Del Castillo.

[1] Rollo, pp. 36-48. Penned by Associate Justice Mariano C. Del Castillo (now a member of this Court) with Associate Justices Arcangelita M. Romilla-Lontok and Romeo F. Barza concurring.

[2] Id. at 51.

[3] Id. at 82-94.

[4] Id. at 58-59. There are two CBAs entered into by the corporation - one, with the monthly paid employees and the other with the daily paid employees. Both CBAs embody identical provisions denominated as Article VIII on Job Evaluation.

[5] Id. at 60.

[6] Id. at 161-180.

[7] Id. at 93-94.

[8] Id. at 47.

[9] Id. at 22.

[10] Hongkong and Shanghai Banking Corporation Employees Union v. National Labor Relations Commission, 346 Phil. 524, 534-535 (1997); See Nagkahiusang Namumuo sa Dasuceco-National Federation of Labor (NAMADA-NFL) v. Davao Sugar Central Co., Inc., G.R. No. 145848, 9 August 2006, 498 SCRA 271, 274-275.

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[11] National Federation of Labor Unions v. National Labor Relations Commission, G.R. No. 90739, 3 October 1991, 202 SCRA 346, 353.

[12] Rollo, p. 90.

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