

DOLE PHILIPPINES, INC., PETITIONER, VS. THE HON. VICENTE LEOGARDO, JR. (IN HIS CAPACITY AS DEPUTY MINISTER OF LABOR), AND ASSOCIATED LABOR UNION (ALU), RESPONDENTS.

G.R. No. 60018. October 23, 1982

Ponente: ESCOLIN, J.

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ESCOLIN, J.:

Petition for certiorari to annul and set aside the order of respondent Deputy Minister of Labor, dated October 26, 1981, which affirmed the order of the Regional Director of the Ministry of Labor, Davao City, requiring petitioner Dole Philippines, Inc. to pay its employees the year-end productivity bonus agreed upon in their Collective Bargaining Agreement in addition to the 13th month pay prescribed under Presidential Decree No. 851.

The salient facts are as follows:

On June 6, 1975, Standard Philippines Fruit Corporation or STANFILCO, a company merged in 1981 with petitioner Dole Philippines, Inc., entered into a collective bargaining agreement with the Associated Labor Union, ALU for short, effective for a period of three (3) years, beginning June 1, 1975 to May 31, 1978. The Collective Bargaining Agreement provided, among others, the grant of a year-end productivity bonus to all workers within the collective bargaining unit. Section 1, Article XVII thereof reads as follows:

"ARTICLE XVII

YEAR-END PRODUCTIVITY BONUS

SECTION I. The COMPANY agrees to grant each worker within the bargaining unit a year-end productivity bonus equivalent to ten (10) days of his basic daily wage if eighty percent (80%) or more of the average total banana production for the two (2) preceding calendar years together with the current year's estimate is attained. This bonus is exclusive of any bonus which the Company may be presently giving or may give in the future to its workers pursuant to the COMPANY's rights under Section 4, Article I of this Agreement."

Section 4, Article I of the agreement referred to above provides:

"SECTION 4. All terms and conditions of employment of workers not specifically excluded in Section I of this Article are embodied in this Agreement, and the same shall govern the relationship between the COMPANY and such workers. On the other hand, all such benefits and/or privileges as are not expressly provided for in this Agreement but which are now being accorded, may in the future be accorded, or might have previously been accorded to the workers, no matter how long or how often, shall be deemed purely acts of grace and dependent upon the sole judgment and discretion of the COMPANY to grant, modify or withdraw, and shall not be construed as establishing an obligation on the part of the COMPANY."

The 80% production level stated in Article XVII of said CBA having been attained in 1975, the workers were paid the stipulated year-end productivity bonus on December 11, 1975.

Shortly thereafter, or on December 16, 1975, Presidential Decree 851 took effect. Section 1 thereof required all employers to pay their employees receiving a basic salary of not more than P1,000.00 a month, regardless of the nature of their employment, a 13th month pay not later than December 24 of every year. Section 2 of the law, however, exempted from its coverage those employers already paying their employees a 13th month pay or its equivalent.

On June 22, 1975, Secretary (now Minister) of Labor, Hon. Blas F. Ople, issued the "Rules and Regulations Implementing Presidential Decree 851." Section 3(c) thereof provides that "the term 'its equivalent' x x x shall include Christmas bonus, mid-year bonus, profit-sharing payments and other cash bonuses amounting to not less than 1/12th of the basic salary but shall not include cash and stock dividends, cost of living allowance and other allowances regularly enjoyed by the employee as well as non-monetary benefits x x x."

The rules further added that "where an employer pays less than 1/12th of the employee's basic salary, the employer shall pay the difference."

To comply with the provision of P.D. 851 on the 13th month pay, STANFILCO paid its workers on December 29, 1975 the difference between 1/12th of their yearly basic salary and their year-end productivity bonus. In doing so, STANFILCO relied on Section 2 of the decree, as interpreted by the MOLE's implementing rules. The same method of computation was followed in the payment of the year-end productivity bonus and the 13th month pay for the years 1976, 1977 and 1978.

Questioning this procedure, respondent ALU, joined by STANFILCO technical employees as well as its rank-and-file workers, filed on February 19, 1979 a complaint with the South Cotabato District Labor Office at General Santos City, docketed as LR-003-G.S.-79, ALU charging STANFILCO with unfair labor practice and non-implementation of the CBA provision on the year-end productivity bonus. The following day, February 20, 1979, Oscar Rabino, Oscar Serenuela, Raul Montejo and all the rank-and-file workers of STANFILCO instituted another complaint before the same district labor office, docketed as LR-010-G.S.-79, charging the company with non-payment of the production incentive bonus for the years 1975, 1976, 1977 and 1978.

The issues having been joined, the two (2) cases were consolidated and the parties were required to file their position papers.

On May 25, 1979, the Regional Director of MOLE, Davao City, issued an order sustaining respondents' position that the year-end productivity bonus, being a contractual commitment, is separate and distinct from the 13th month pay and must, therefore, be paid separately in full. The decretal portion of the order reads:

"WHEREFORE, in view of all the foregoing, judgment is hereby rendered:

"1) DISMISSING the complaint of the office and technical employees;

"2) DISMISSING the claim of ALU for damages and interest including its charges against respondent for unfair labor practice;

"3) ABSOLVING respondent Thomas M. Leahy from any personal liability;

"4) GRANTING the complaint of OSCAR RABINO and his group as the complaint of all rank and file workers covered by the CBA, and which will also include all rank and file workers under the complaint filed by ALU;

"5) ORDERING respondent to pay the bonuses under the CBA for the years 1975, 1976, 1977 and 1978."

On appeal, the respondent Deputy Minister of Labor affirmed the order.

In mandating the payment of the 13th month compensation to employees earning less than P1,000.00, PD 851 obviously seeks to remedy the sad plight of labor in a milieu of world-wide inflation vis-a-vis a static wage level. However, cognizant of the fact that the remedy sought to be enforced had long been granted by some employers out of their own volition and magnanimity, the law has expressly exempted from its coverage those employers "who are already paying their employees a 13th month pay or its equivalent." [1]

While the intention to exclude those certain employers from the operation of the law is quite clear, the parties advance conflicting views as to the meaning of the phrase "or its equivalent."

Section 3(e) of the Rules and Regulations Implementing PD No. 851, issued by the Minister of Labor on December 22, 1975 explicitly states that the term "or its equivalent x x x shall include Christmas bonus, mid-year bonus, profit-sharing payments and other cash bonuses amounting to not less than one-twelfth of the basic salary. Where an employer pays less than 1/12 of the employee's basic salary, the employer shall pay the difference."

In "National Federation of Sugar Workers versus Ovejera, et al." [2], the interpretation given by the MOLE received the imprimatur of this Court, thus:

"Having been issued by the agency charged with the implementation of PD No. 851 as its contemporaneous interpretation of the law, the quoted rule shall be accorded great weight."

Furthermore, to resolve the growing number of controversies stemming from the interpretation of Section 2, PD No. 851, this Court in the above-cited case, speaking thru Justice Plana, established definitely the legal equivalent of the 13th month pay in this wise:

"The evident intention of the law, as revealed by the law itself, was to grant an additional income in the form of a 13th month pay to employees not already receiving the same. Otherwise put, the intention was to grant some relief - not to all workers - but only to the unfortunate ones not actually paid a 13th month salary or what amounts to it, by whatever name called; but 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, and, in the latter case, regardless of the conditional character of the grant (such as making the payment dependent on profit), so long as there is actual payment. Otherwise, what was con-ceived to be a 13th month salary would in effect become a 14th or possibly 15th month pay." (Underscoring supplied).

Continuing, this Court said:

"Pragmatic considerations also weigh heavily in favor of crediting both voluntary and contractual bonuses for the purpose of determining liability for the 13th month pay x x x." (Underscoring ours).

Tested against this norm, it becomes clear that the year-end productivity bonus granted by petitioner to private respondents pursuant to their CBA is, in legal contemplation, an integral part of their 13th month pay, notwithstanding its conditional nature. When, therefore, petitioner, in order to comply with the mandate of PD No. 851, credited the year-end productivity bonus as part of the 13th month pay and adopted the procedure of paying only the difference between said bonus and 1/12th of the worker's yearly basic salary, it acted well within the letter and spirit of the law and its implementing rules. For in the event that "an employer pays less than one-twelfth of the employees' basic salary, all that said employer is required to do under the law is to pay the difference." [3]

To hold otherwise would be to impose an unreasonable and undue burden upon those employers who had demonstrated their sensitivity and concern for the welfare of their employees. A contrary stance would indeed create an absurd situation whereby an employer who started giving his employees the 13th month pay only

because of the unmistakable force of the law would be in a far better position than another who, by his own magnanimity or by mutual agreement, had long been extending to his employees the benefits contemplated under PD No. 851, by whatever nomenclature these benefits have come to be known. Indeed, PD No. 851, a legislation benevolent in its purpose, never intended to bring about such oppressive situation.

WHEREFORE, this petition is hereby granted and, accordingly, the order of respondent Deputy Minister of Labor, dated October 26, 1981, is set aside. No costs.

SO ORDERED.

Aquino, Concepcion, Jr., Guerrero, De Castro, Melencio-Herrera, Plana, Vasquez, Relova and Gutierrez, JJ., concur.

Fernando, C.J., concur in the dissenting opinion of J. Makasiar.

Teehankee, J., reserves his votes.

Abad Santos, J., dissent for the reason given in concurring opinion in the La Carlota case.

[1] Section 2, PD 851.

[2] G.R. No. 59743, May 31, 1982.

[3] Section 3(e) of the Rules.

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