

UNITED CMC TEXTILE WORKERS UNION AND ERNESTO TONGCO, PETITIONERS, VS. HON. BLAS F. OPLE, HON. ROMEO YOUNG, MAX LIM, CENTRAL TEXTILE MILLS INC., GEORGE LIM AND CESAR SY, RESPONDE...

G.R. No. 62037. January 27, 1983

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

The United CMC Textile Workers Union and its president, Ernesto Tongco, filed this petition for certiorari, prohibition, and injunction with prayer for a restraining order on October 11, 1982 to set aside three orders of the Minister of Labor and Employment. The first order dated August 25, 1982 certified the labor dispute at the Central Textile Mills for compulsory arbitration by the National Labor Relations Commission. The second order dated September 13, 1982 mandated the Minister's assumption of jurisdiction over the deadlock on economic issues in collective bargaining. The third order dated October 6, 1982 directed the striking workers to return to work immediately and management to accept them under the same terms and conditions prevailing previous to the work stoppage.

The material facts forming the background of this petition are summarized in the public respondent's answer as follows:

"1. On November 6, 1981 the Philippine Transport and General Workers Organization (PTGWO) Local Chapter 486 filed a petition for certification election among the rank-and-file workers of herein respondent Central Textile Mills Inc. (hereinafter referred as respondent company). The petition was docketed as Case No. LRD-M-10-465-81 of the Med-Arbiter Section of the National Capital Region, Ministry of Labor. Herein petitioner United CMC Textile Union (hereinafter referred to as petitioner Union) entered its appearance as intervenor.

"2. Acting on the petition, Med-Arbiter Edgardo de la Cruz issued an order on November 17, 1981 enjoining both unions from negotiating a collective bargaining agreement with herein respondent Company.

"3. Thereafter a certification election was conducted on March 20, 1982. Herein petitioner Union was proclaimed the winner. After the motion of PTGWO for the reconsideration of the proclamation of herein petitioner Union was denied, the negotiation for a collective bargaining agreement resumed. However, it appears the negotiation was deadlock over certain economic demands of petitioners.

"4. On July 8, 1982, petitioner Union filed with the Bureau of Labor Relations (BLR) a notice of strike based on 'unresolved economic issues in the collective bargaining . . . '

The case docketed as BLR Case No. S-7-2077-82, was scheduled for hearing on July 15, 1982, before Labor Conciliator Baguilod. For undisclosed reasons, petitioner Union again filed another notice of strike with the National Capital Region (NCR). The case, docketed as NCR Case No. NS-7-036-82, was scheduled for hearing on July 21, 1982 before Labor Conciliator Ventura. Petitioner Union then asked that the cases be

consolidated and jointly heard by Conciliator Ventura. This was objected to by respondent Company which asked instead for the dismissal of the second case. The first case was heard on July 15, 1982, before Conciliator Baguilod, while the second case was heard on July 21 and August 9 and 11, 1982, before Conciliator Ventura.

"5. Conferences between the parties themselves and before the conciliators yielded no positive results. On August 12, 1982, a conference was held before respondent Romeo Young who was then the Assistant Director for the National Capital Region, Ministry of Labor. This too failed to resolve the deadlock. On that day, petitioner Union served a formal notice to respondent Young that it will go on strike the next day, August 13, 1982.

"6. Petitioner went on strike on August 13, 1982. Claiming that it has been hard hit by inflation, respondent Company requested on the same day respondent Minister of Labor to certify the matter to the National Labor Relations Commission for compulsory arbitration. In its letter-request, respondent Company pointed out that the textile industry was in its worst and saddest state of affairs.' Respondent Company was itself allegedly 'seriously affected by the recent economic down turn in business and (was) hardly able to make ends meet.' It pointed out that 'any further prolongation of this strike will only result in the detriment of the national interest and is definitely not the solution to our problem.' Copy of the letter is attached hereto as Annex 1.

"7. Simultaneously, respondent Company sent to Deputy Minister Carmelo Noriel a letter pointing out the dismal performance of the textile industry during 1980-82 and the employment picture in industry, particularly the textile industry, during the same period. Attached to the letter was Circular No. 35 of the Textile Mills Association calling to the attention of the members of the association data regarding the performance of the textile industry from January 1980 to March 1982 culled from brochure entitled 'Key Industrial Indicator' published by the Ministry of Trade and Industry; a newspaper report on statistics on labor lay-offs compiled by the Labor Statistic Services of the Ministry of Labor and Employment; several summaries of export sales in 1981 to 1982 of respondent Company; and a certificate of registration of respondent Company with the Board of Investments. The letter and its enclosures, attached hereto as Annex 2, et sequentia, show the following:

"(a) The textile industry in general is in distress;

"(b) Among the industries most affected by labor lay-offs in 1981 was the textile industry which occupied second position.

"(c) Cost of production has gone up because of higher costs of raw materials, power and financing;

"(d) The net sales of respondent Company have dropped;

"(e) Respondent Company is registered with the Board of Investments as of October 16, 1971 as an export producer.

"8. After efforts to settle the strike in the conferences held on August 17, 20 and 23, 1982, failed, respondent Minister certified on August 25, 1980, the labor dispute to the National Labor Relations Commission. In his order, respondent Minister required the workers to return to work and respondent Company to immediately resume operations.

"9. Petitioners did not comply with the certification order. Instead, it filed on the same day, August 25, 1982, an urgent motion for reconsideration thereof. Thereafter, respondent Young tried to settle the labor dispute in two conferences held on August 27, 1982 and on September 7, 1982, but to no avail.

"10. On September 13, 1982, respondent Minister issued an order denying petitioners' motion for reconsideration. In said order, he personally assumed jurisdiction over the labor dispute because of the inconclusive result of his referral of the dispute to the National Labor Relations Commission. Further, he required respondent Company to

pay the workers their accrued cost of living allowances within twenty days.

"11. On September 17, 1982, petitioners filed a motion to set aside the assumption of jurisdiction. On the same day, the parties met in a conference before respondent Young. In said conference, the parties agreed that respondent Company will pay the accrued allowances on September 23, 1982, after which the workers shall immediately return to work.

"12. The agreement was not fulfilled, and further efforts to reconcile the differences of the parties during the conciliation conferences held on September 23 and 30, and October 4, 1982, were likewise unavailing.

"13. Finding that conciliation would no longer serve any useful purpose, respondent Minister issued an order on October 6, 1982, the dispositive portion of which reads:

"IN VIEW OF THE FOREGOING, the United CMC Textile Mills are hereby ordered to file their respective position papers on the bargaining deadlock and other issues incidental to the work stoppage within 10 days from receipt of this order. All striking workers are hereby directed to return to work immediately and management to accept them under the same terms and conditions prevailing previous to the work stoppage. Management is further directed to comply immediately with its obligation to pay all accrued allowances to its workers. Both parties are hereby enjoined from committing any act of harassment, intimidation or coercion against the other and to observe strictly the status quo. This Office further directs both parties to comply with this Order and the Order dated 13 September 1982 within seventy-two (72) hours from receipt hereof, a violation of which constitutes a ground for contempt and other legal action.

"Accordingly, the motion to lift the order of assumption of jurisdiction and the manifestation to hire replacements by management are hereby denied.

"Pursuant to the provisions of the Labor Code as amended, particularly Section 11 of B.P. 130 and Section 6 of B.P. 227, military and police authorities/herby requested to enforce this Order, protect the rights of both parties, ensure the free ingress to and egress from the company premises for lawful purposes, assure the right to peaceful picketing and maintain peace and order.

"This Order is final and not subject to any motion for reconsideration."

On October 19, 1982, after hearing the oral arguments of the parties' respective counsel, we issued a resolution stating that:

". . . the Court Resolved to DEFER action on the petition for preliminary injunction or restraining order in view of the manifestation made by Assistant Solicitor-General Romeo De La Cruz, for public respondents and Atty. Rafael T. Durian for private respondents that return to work order will be held in abeyance pending the resolution of the motion for the issuance of a restraining order, and to order the private respondents Central Textile Mills, Inc., George Lim, and Cesar Sy to comply with the commitment made in open court that all accrued allowances of all workers shall be paid not later than 5:00 o'clock in the afternoon of Thursday, October 21, 1982 and to submit within ten (10) days from today or not later than October 29, 1982 the financial statements of the respondent corporation submitted to the Securities and Exchange Commission for the past three (3) years such as the balance sheets, income statements, statements of goods manufactured, and schedule of taxes; statements on the accumulated surplus or deficits over the past three (3) years; the schedule of salaries, allowances, and other compensation of executive and junior executive company officials; and evidence of alleged acts of interference with ingress and egress into company premises committed by the petitioners."

The petitioners contend that the questioned orders of the Minister of Labor and Employment must be annulled and set aside because the exercise of power and assumption of jurisdiction by the Minister over the labor dispute at Central Textile Mills, Inc. is illegal and void on the following grounds:

"a. SUBVERSIVE OF THE WORKERS' CONSTITUTIONAL RIGHTS TO FREE COLLECTIVE BARGAINING AND SELF ORGANIZATION;

"b. IN DEROGATION OF I.L.O. CONVENTION NO. 87;

"c. VIOLATIVE OF THE WORKERS' CONSTITUTIONAL RIGHT TO FREEDOM OF EXPRESSION;

"d. A NEGATION OF THE UNDERLYING PRINCIPLES OF 'LAISSEZ FAIRE' UNDER P.D. 442 AS AMENDED BY B.P. 227."

The invocation of the workers' constitutional rights to free collective bargaining and self organization, to freedom from governmental intervention in collective bargaining pursuant to ILO Convention No. 87, and to underlying principles of "laissez faire" which are allegedly violated by a referral for compulsory arbitration belabors an issue which has long been moot and academic. The 1935 Constitution itself authorized the State to provide for compulsory arbitration thus foreclosing any debate on whether or not it should form part of labor law in our country. Sec. 6 of Article XIV of the 1935 Constitution provided:

"Sec. 6. The state shall afford protection to labor, especially to working women and minors, and shall regulate the relations between land-owner and tenant, and between labor and capital in industry and in agriculture. The state may provide for compulsory arbitration. (*Italics supplied.*)

We have passed upon and declared valid the certifications of labor disputes to the Court of Industrial Relations, now abolished. (See *Pampanga Sugar Development Co. v. Court of Industrial Relations*, 1 SCRA 770; *FEATI University v. Bautista*, 18 SCRA 1191; *Bachrach Transportation Co. v. Rural Transit Shop Employees Association*, 20 SCRA 779.) Article II, section 9 of the Constitution expressly reiterated the very exercise of power which the petitioners contend is unconstitutional. The protection to labor provision now states:

"Sec. 9. The state shall afford protection to labor, promote full employment and equality in employment, ensure equal work opportunities regardless of sex, race, or creed, and regulate the relations between workers and employers. The state shall assure the rights of workers to self-organization, collective bargaining, security of tenure, and just and humane conditions of work. The state may provide for compulsory arbitration. (*Italics supplied.*)

The fact that a labor dispute has been referred to the proper administrative agency or tribunal for compulsory arbitration does not mean that the protections and freedoms of workers are thereby sacrificed. In resolving a labor dispute through compulsory arbitration, the Ministry of Labor and Employment is even more strictly bound to comply with the mandates of Section 9, Article II of the Constitution and to faithfully adhere to the letter and spirit of the mass of Supreme Court decisions which, over the years since the protection to labor provision was adopted in Section 6, Article XIV of the 1935 Constitution, have given this provision, unmistakably and clearly, an interpretation requiring preferential consideration for the claims of labor. In the words of Chief Justice Enrique M. Fernando, "the obligation to protect labor is incumbent on the state. It is a command to live up to. In the final analysis, it is as simple as that. That is the welfare state concept vitalized." (Fernando, *The Constitution of the Philippines*, 2nd Edition, p. 83).

Free Telephone Workers Union v. Minister of Labor and Employment (108 SCRA 757), which was penned for the Court by the Chief Justice, declares:

". . . It must be stressed anew, however, that the power of compulsory arbitration, while allowable under the Constitution and quite understandable in labor disputes affected with a national interest, to be free from the taint of unconstitutionality, must be exercised in accordance with the constitutional mandate of protection to labor. The arbiter then is called upon to take due care that in the decision to be reached, there is no violation of 'the rights of workers to self-organization, collective bargaining, security of tenure, and just and humane

conditions of work.' (Article II, Section 9 of the Constitution.)"

It is, therefore, error for the petitioners to allege that by the mere act of certifying a labor dispute for compulsory arbitration and issuing a return to work order, the Minister of Labor and Employment thereby "enters the picture on the side of the Company", and violates the freedom of expression of workers engaged in picketing, "in utter subversion of the constitutional rights of workers." As contended by the Solicitor General, "there can be no such unconstitutional application (of Batas Pambansa Blg. 227) because all that respondent Minister has done is to certify the labor dispute for arbitration and thereafter personally assume jurisdiction over it. He has not rendered any decision; he has not favored one party over another."

The petitioners limit themselves to assailing the concept itself of compulsory arbitration as subversive of the rights of labor. There is nothing in the petition that points to any constitutional infirmity of Article 264(g) of the Labor Code as amended by Batas Pambansa Blg. 227, which governs the exercise of the constitutionally recognized power.

Indeed, the petitioners rely on P.D. 442, as amended by B.P. 227 thus admitting its validity because at page 17 of their petition, they state that "Batas Pambansa 227 in amending the Labor Code was so designed to alleviate and rationalize labor-management relations. It was never intended to curtail the constitutional rights of citizens much less the underlying principle of free enterprise under the Labor Code or in Philippine society."

Parenthetically, we have had occasion to uphold the validity of Batas Pambansa Blg. 227 in *Free Telephone Workers Union v. Minister of Labor and Employment* earlier cited.

What is really challenged in this petition is the act of the Minister of Labor and Employment in certifying this particular dispute for compulsory arbitration. Does the dispute fall within the statutory provision?

Article 264(g) of the Labor Code, as amended by B.P. 227, provides:

"(g) When in his opinion there exists a labor dispute causing or likely to cause strikes or lockouts adversely affecting the national interest, such as may occur in but not limited to public utilities, companies engaged in the generation or distribution of energy, banks, hospitals, and export-oriented industries including those within export processing zones, the Minister of Labor and Employment shall assume and decide it or certify the same to the Commission 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 Minister 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."

There is no question about the existence of a labor dispute which has caused a strike. The petitioner union declared a strike on August 13, 1982 and since then company operations have been paralyzed. Moreover, the strike has not been a consistently peaceful one. With both labor and management charging each other with the commission of acts of violence, we have no doubt that unlawful acts have indeed been perpetrated. The voluminous affidavits, manifestations, and photographs submitted by both petitioners and respondents show that only the timely exercise of restraint and perhaps providential luck has kept the strike from resulting in tragedy to some of the protagonists.

The law authorizes the Minister of Labor and Employment to certify a labor dispute for compulsory arbitration where the strike or lockout adversely affects the national interest, "such as may occur in but not limited to public utilities, companies engaged in the generation or distribution of energy, banks, hospitals, and export-oriented

industries including those within export processing zones." (Article 264(g) of the Labor Code.)

The legislative determination found in Article 264(g) of the Labor Code of some industries, which if paralyzed by a strike or lockout, would adversely affect the national interest is of great help in determining the validity of the questioned orders. As enunciated by Justice Laurel, speaking for this Court in *Angara v. Electoral Commission* (63 Phil. 139), "the judiciary in the determination of actual cases and controversies must reflect the wisdom of the people as expressed through their representatives in the executive and legislative departments of the government."

Export-oriented industries are categorized by the legislature as affected with national interest. The petitioners have adduced no reasons to overthrow the legislative determination that an export-oriented industry is one that affects national interest. Instead, they asserted during the October 19, 1982 hearing that "export-oriented industry" does not apply to Central Textile Mills, Inc.

The respondent Minister gave the following reasons why he certified the labor dispute at Central Textile Mills, Inc., for compulsory arbitration and ordered the return to work of workers and resumption of operations by the management:

"The Central Textile Mills employs more than 3,000 workers. It is engaged in the production of textile fabrics for export as well as for domestic consumption with a high value added on the raw materials used in the production.

"The Ministry of Trade and Industry disclosed that despite improved sales in the textile industry for 1982 its actual value, based on 1980 prices, has gone down. Inventory of raw materials has decreased by 33% below the 1980 level. Also, employment in the industry has decreased by 31% as compared to 1980 levels. Records from the National Economic Development Authority reveal that in 1980 retrenchments and layoffs went up to 710. In 1981 layoffs went up to a new recorded high of 19,210 with permanent layoffs increasing by 1,871. A prolonged work stoppage in the company is inimical to the national interest as it seriously affects the viability of the entire textile industry generally considered as a distressed sector of the economy. Should the strike persist, the possibility of closure would become imminent restating to the loss of jobs of a big number of employees that would aggravate unemployment in the country. The work stoppage at the company should not be allowed to continue indefinitely. An immediate effective action through compulsory arbitration is necessary."

Without in any way passing upon the merits of the labor dispute which shall be considered during the compulsory arbitration proceedings, We find the order not affected by constitutional or statutory infirmity.

In arriving at this determination, not a few of us did so with considerable reluctance because of the apparent foot dragging on the part of the private respondents in complying with our order to pay allowances due before the strike and because of what impressed some of the members of the Court as the undue hostility of management to unquestioned rights of the workers instead of displaying acts of accommodation and goodwill, of bending over before positions had hardened, which the workers would undoubtedly have reciprocated by also moving forward from their set positions. It is error for the management of any firm beset by labor disputes to feel that it can do anything short of criminal or tortious acts to obstruct or weaken unionism simply because the firm may happen to fall under those industries covered by compulsory arbitration. The employer cannot find shelter in legislative policy for anti-labor acts because, as earlier stated, the statute is to be applied by the Ministry of Labor and Employment consistent with the social justice and protection to labor clauses of the Constitution.

The respondent Minister has certified that Central Textile Mills, which employs more than 3,000 workers, is engaged in the production of textile fabrics for export as well as for domestic consumption with a high value added on the raw materials used in the production. The statement submitted to the Board of Investments on April 8, 1980 indicates that the respondent firm exported 257,482.75 yards of fabrics worth P1,735,242.39 in the first

three months of 1980 alone. The respondent Minister has also determined that the company's products, such as towels and the like, have a high value added upon the raw material because of the manufacturing process. Manufactured items which acquire a value much higher than the cost of the raw material and which are exported bring the manufacturer within the definition of "export-oriented" industry under the implementing rules of the Ministry of Labor and Employment.

At any rate, the danger to national interest lies in the collapse of the entire textile industry which is unquestionably distressed today. The implications for the nation's foreign exchange earnings and for economic stability in the entire country cannot be ignored. The petitioners contend that the textile industry may be distressed but Central Textile Mills, Inc is not distressed because it "is gaining profits by the hundreds of thousands each year" (Petition, p. 14). On the other hand the private respondents have submitted financial statements to show that with assets of P109,040,375.53, total sales of P86,525,173.45, direct labor costs of P12,723,186.72, and manufacturing overhead (which includes bonuses, employees welfare, indirect labor, janitorial services, SSS contributions, depreciation, energy or electricity and water, and maintenance) of P28,575,710.17 in the year 1979, the net profit after tax was only P398,616.17. (Annex 3, pp. 154-156, Rollo). The claims of both parties on the economic picture of the respondent firm will be threshed out in the course of compulsory arbitration proceedings, but the firm has made a prima facie showing that for all its huge capitalization and operating expenses it is barely breaking even and may be in danger of going under. The Minister of Labor and Employment has reason to be concerned that one textile firm after another, including the seemingly healthy ones, should not, domino-like, join the many firms now operating at a loss, subjected to government takeovers, or completely stopping operations and unleashing workers to swell the unfortunate groups of unemployed or underemployed persons. The Government has to view industries from a broader perspective when it is constrained to move in and exercise the constitutionally granted power of compulsory arbitration in labor disputes. The public respondents cannot act on the basis of the petitioners' argument that the alleged losses and layoffs in the textile industry are irrelevant and have no bearing because the union is negotiating, not with the textile industry, but with the Central Textile Mills. During the October 19, 1982 hearing, both petitioners and respondents assured the Court that continued efforts to arrive at a mutually acceptable solution, without need of compulsory arbitration, would be continuously and earnestly pursued by them. The efforts have proved futile. We sustain the exercise of official discretion by the public respondents.

WHEREFORE, the petition for certiorari, prohibition, and injunction is hereby dismissed.

SO ORDERED.

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

Fernando, C.J., concurs with a brief statement of his views.

Teehankee, J., took no part.

Aquino, J., concurs in the result.

Abad Santos, J., I reserve my vote.

CONCURRING OPINION

FERNANDO, C.J.:

I concur in the ably-written opinion of the Court penned by Justice Gutierrez. It is worth repeating that the provision on compulsory arbitration should not lend itself to a construction obviously at war with the fundamental principles of social justice and protection to labor. Without being unfair to the parties representing capital, the

State through the Ministry of Labor and Employment is duty bound to implement such constitutional objectives -- especially when it exercises the power of compulsory arbitration. The Free Telephone Workers Union decision cited in the opinion of the Court is quite categorical on the matter. That is to abide by the mandates of the Constitution. A word more. The conduct of private respondents Central Textile Mills, Inc., George Lim and Cesar Sy, characterized in the opinion of the Court as betraying "undue hostility" to the rights of the workers is deserving of censure.

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