

PANAY RAILWAYS, INC., PETITIONER, VS. THE NATIONAL LABOR RELATIONS COMMISSION, HON. LABOR ARBITER MA. SOL M. MANALO, DEPUTY SHERIFF OF NLRC-ILOILO CITY AND BERTY PALUAY, RESPOND...

G.R. No. 69416. July 11, 1985

Ponente: ESCOLIN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-69416/>

ESCOLIN, J.:

This petition for certiorari challenges the decision of the respondent National Labor Relations Commission, affirming the decision of the labor arbiter of Iloilo City, which denied the application of the three-year back wages rule in the execution of a judgment rendered in favor of private respondent Bertie Palu-ay and against petitioner Panay Railways, Inc.

A recital of all the antecedent facts of this case would be both redundant and unnecessary. For the resolution of the instant petition, it suffices to state that on November 7, 1963, the Labor Arbiter of Iloilo City rendered a resolution ordering petitioner Panay Railways, Inc., as successor in interest of FIVIDEC Railways, Inc., "xxx to reinstate complainant Bertie Palu-ay (private respondent therein) to his former position with full back wages from date of dismissal on January 1, 1977 at P1,000.00 a month up to the date of his actual reinstatement."

No appeal having been interposed from said order, the labor arbiter, on motion of respondent Palu-ay, issued a writ of execution. Pursuant thereto, the sheriff of respondent NLRC garnished the amount of P83,000.00 deposited by petitioner with the Iloilo City Branch of Traders Royal Bank. Palu-ay subsequently filed a motion to order Traders Royal Bank to deliver the garnished amount to the sheriff. Reacting to said motion, petitioner moved to stop the execution of the judgment, and to set a hearing for the purpose of computing the amount due to Palu-ay, or, in lieu of conducting such computation proceedings, to fix the award of Palu-ay's back wages to an amount equivalent to "three-year salaries without deduction or qualification."

On March 8, 1984, the Labor arbiter denied petitioner's motion; and on appeal, the respondent NLRC affirmed the decision of the labor arbiter. NLRC subsequently denied petitioner's motion for reconsideration. Hence, this petition.

In *Insular Life Assurance Co., Ltd. Employees Association v. Insular Life assurance Co., Ltd.*[1] this Court laid down the policy to fix the amount of back wages "to a just and reasonable level without qualifications or deduction to their total equivalent of three years." The rationale for the policy was enunciated thus:

"As has been noted, this, formula of awarding reasonable net backwages without deduction or qualification relieves the employees from proving or disproving their earnings during their lay-off and the employers from submitting counterproofs, and obviates the twin evils of idleness on the part of the employee who would 'with folded arms, remain inactive in the expectation that a windfall would come to him' (*Itogon Suyoc Mines, Inc. vs. Sangilo-Itogon Workers Union*, 24 SCRA 873 (1968), cited in *Diwa ng Pagkakaisa vs. Filtex International Corp.*, 43 SCRA 217 (1972) and attrition and protracted delay in satisfying such award on the part of

unscrupulous employers who have seized upon the further proceedings to determine the actual earnings of the wrongfully dismissed or laid-off employees to hold unduly extended hearings for each and every employee awarded backwages and thereby render practically nugatory such award and compel the employees to agree to unconscionable settlements of their backwages award in order to satisfy their dire need. (See *La Campana Food Products, Inc. vs. CIR*, 28 SCRA 314 (1969) and *Kaisahan ng mga Manggagawa vs. La Campana Food Products, Inc.*, 36 SCRA 142 (1970)."

In view of this policy, this Court has consistently awarded back wages to the maximum of only three (3) years.^[2] The Court finds no reason why said policy should not apply in the case at bar.

WHEREFORE, the petition is hereby granted and the resolution of the respondent NLRC dated July 27, 1984 is hereby set aside. Accordingly, respondent Panay Railways, Inc. is ordered to satisfy the award for back wages by paying an amount equivalent to three (3) years, at the rate of P1,000.00 a month.

SO ORDERED.

Makasiar, (Chairman), Aquino, Concepcion, Jr., Abad Santos, and Cuevas, JJ., concur.

[1] 76 SCRA 50

[2] *Peoples Bank and Trust Co., et al. v. Peoples Bank and Trust Co. Employees Union, et al*, 69 SCRA 10; *Insular Life Co., Ltd. Employees Association-NATU v. Insular Life Assurance Co., Ltd.*, 76 SCRA 50; *Monteverde v. CIR*, 79 SCRA 259; *Liberty Mills Workers Union v. Liberty Cotton Mills, Inc.* 90 SCRA 391; *Pepito v. Secretary of Labor*, 96 SCRA 454; *Lepanto Consolidated Mining Co. v. Hon. Labor Arbiter, et al.*, G.R. Nos. 67002-03, April 30, 1985.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.