

VASSAR INDUSTRIES, INC., PETITIONER, VS. VASSAR INDUSTRIES EMPLOYEES UNION (VIEU) AND/OR DANILO ORDOÑEZ, PRESIDENT, AND LABOR ARBITER CORNELIO L. LINSANGAN, RESPONDENTS.

G.R. No. 76883. September 07, 1989

Ponente: NARVASA, J.

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NARVASA, J.:

A collective bargaining agreement was entered into on October 1, 1978 between Vassar Industries, Inc. (hereafter, simply Vassar) and the Vassar Industries Employees Union (hereafter, simply the Union). The agreement stipulated a term of three (3) years and, among other things, obliged -

- 1) Vassar “ . . . to grant a general wage increase of P15.00 a month for each employee covered by the agreement,” and
- 2) Vassar and the Union to re-negotiate “on salary increase on the second and third year of ** (the) agreement.”

In 1980, the third year of the agreement and as stipulated thereby, the parties re-negotiated on the matter of wage increases but failed to reach a mutually acceptable arrangement thereon. The issue was thereupon submitted for compulsory arbitration to Labor Arbiter V. G. Son. The latter succeeded in effecting an accord between the parties on March 6, 1981, subsequently embodied in an order, which pertinently provided that “the salary increase for the 3rd year of the current CBA, that is, October 1, 1980 to September 30, 1981, shall be P1.25 per day, effective October 1, 1980.”

On March 26, 1981, Wage Order No. 1 was promulgated by former President Marcos by virtue of his “stand-by legislative authority.”¹ The law thus promulgated increased the mandatory cost-of-living allowance of non-agricultural workers to P2.00 per day. It however allowed the crediting in the employer's favor of certain increases in wages as might have been granted to the employees. The relevant provision of Wage Order No. 1 reads as follows:

SEC. 6 - All increases in wages granted unilaterally or by CBA shall be credited as compliance with this Wage Order provided such increases were granted between January 1, 1981 and March 22, 1981.

On April 10, 1981, the National Wages Council promulgated the rules implementing Wage Order No. 1, one of which provided for the crediting by the employer of certain benefits against the increase in emergency cost of living allowance imposed by the wage order, viz:

SEC. 8 – Creditable Benefits. - All increases in wages and allowances granted unilaterally or by collective agreement may be credited as compliance with the emergency cost of living allowances under the Order, provided such increases were granted between January 1, 1981 and the date of effectivity of the Order; ***. For purposes hereof, the increase shall refer to general increases given to all workers but excluding those resulting from regularization, promotion and merit increases, as well as anniversary increases under Collective

Bargaining Agreements.”

What Vassar did, by way of implementation of the law, Wage Order No. 1, was to pay to its workers only P0.75 per day commencing on March 22, 1981. According to it, the increase in the salary of each of its workers of P1.25, which it had earlier given pursuant to the amicable agreement before Arbiter V. G. Son, *supra*, was creditable as compliance with the Wage Order; and it needed to add to it only P0.75 per worker per day to constitute complete payment of the increased daily allowance of P2.00.

The Union disagreed, and filed a complaint to compel Vassar to pay not only the additional cost-of-living allowance prescribed by Wage Order No. 1 in the sum of P2.00 per day, but also the P1.25 increase in the daily salary of each worker stipulated in the amicable agreement of March 6, 1981 which, it theorized was not creditable as compliance with said Wage Order. The case was docketed as NLRC Case No. AB-IV-10-528-81. The Labor Arbiter rendered judgment in the Union's favor. This was affirmed on appeal by the National Labor Relations Commission by decision promulgated on June 9, 1986, assented to by the Chairman¹ and six (6) members,² with three (3) commissioners dissenting.³

The instant petition for certiorari, filed on January 6, 1987, seeks the nullification of the majority decision of the NLRC as having been rendered with grave abuse of discretion, being clearly inconsistent with the law, Wage Order No. 1, as well as pertinent precedents laid down by this Court, i.e., *Dole Philippines, Inc. v. Leogardo, Jr.*, 117 SCRA 938; *National Federation of Sugar Workers v. Ovejera*, 114 SCRA 354; and *Brokenshire Memorial Hospital v. NLRC*, 143 SCRA 364.⁴

A "Verified Supplemental Petition" was filed by Vassar fifteen days later (on January 21, 1987) in which it alleged *inter alia* that ?

1) its factory in Sta. Rosa, Laguna "had closed its operations * * (and) only 31 members of the respondent union remain employed with petitioner's Makati office which is still operating * *;" and

2) the employment of all members of the Union, then employees at the Sta. Rosa factory, "had already been terminated," and "they were paid all their claims for unpaid wages, separation pay, overtime pay, night differential pay, leave pay, differential pay or any other benefits as may be due from petitioner by reason of the employment with the firm, while the case was pending appeal before the respondent Commission, by reason whereof they executed individual Deeds of Quitclaim and Release, with the exception of some who had resigned.

The Solicitor General, in his Comment of January 20, 1987, opined that the increase of P1.25 per day granted by Vassar on March 6, 1981 was "an anniversary increase and should not be credited as compliance with Wage Order No. 1," said increase being "in effect, ** an integral part of an existing CBA that bound both complainant (the Union) and respondent (Vassar)." The private respondents¹ advocate the same theory in their own Comment dated October 28, 1987,² and additionally assert that the precedents cited by Vassar are inapplicable, and the execution by the individual members of the Union of quitclaims and releases, assuming that they had in truth done so, does not preclude their claiming the balance of the cost-of--living allowances in accordance with Wage Order No. 1.

The law (Wage Order No. 1), for that it was, having as aforesaid been promulgated by President Marcos in the exercise of his "stand-by legislative authority," provided that "(a)ll increases in wages granted unilaterally or by CBA shall be credited as compliance with this Wage Order provided such increases were granted between January 1, 1981 and March 22, 1981." It made no distinction as to the nature of the increases in wages, as anniversary or otherwise. But such a distinction was made in the implementing rules issued by the National Wages Council. The question is whether a law authorizing an administrative agency to promulgate implementing

rules may be restricted or modified in its scope by any implementing rule thus promulgated. The issue, more particularly, is whether the law, Wage Order No. 1 -- explicitly authorizing that increases in wages, without distinction, granted unilaterally or by CBA shall be credited as pro tanto compliance with its requirement on employers to pay additional emergency cost of living allowances -- may be modified by an implementing rule which inter alia declares as not creditable, anniversary increases under collective bargaining agreements. The issue has already been presented to and resolved by this Court. In a case presenting strikingly analogous facts, *Cebu Oxygen & Acetylene Co., Inc. (COACO) v. Secretary Drilon, etc., et al.*, G.R. No. 82849, promulgated on August 2, 1989, the Court en banc (per Gancayco, J.) resolved the issue as follows:

"As to the issue of the validity of Section 8 of the rules implementing Republic Act No. 6640, which prohibits the employer from crediting the anniversary wage increases provided in collective bargaining agreements, it is a fundamental rule that an implementing rule cannot add or detract from the provisions of law it is designed to implement. The provisions of Republic Act No. 6640 do not prohibit the crediting of CBA anniversary wage increases for purposes of compliance with Republic Act No. 6640. The implementing Rules cannot provide for such a prohibition not contemplated by law.

"Administrative regulations adopted under legislative authority by a particular department must be in harmony with the provisions of the law, and should be for the sole purpose of carrying into effect its general provisions. The law itself cannot be expanded by such regulations. An administrative agency cannot amend an act of Congress (*Manuel v. General Auditing Office*, 42 SCRA 660 [1971] cited).

"Thus, petitioner's contention that the salary increases granted by it pursuant to the existing CBA, including anniversary wage increases, should be considered in determining compliance with the wage increase mandated by Republic Act No. 6640, is correct. However, the amount that should only be credited to petitioner is the wage increase for 1987 under the CBA when the law took effect. The wage increase for 1986 had already accrued in favor of the employees even before the said law was enacted."

The ruling is consistent with the rationale of the cases invoked by the petitioner: *Dole Philippines, Inc. v. Leogardo, Jr.*, 117 SCRA 938; *National Federation of Sugar Workers v. Ovejera*, 114 SCRA 354, and *Brokenshire Memorial Hospital v. NLRC*, 143 SCRA 364. Although these three (3) cases involved an additional 13th month pay mandated by Presidential Decree No. 851, and not an increase in emergency cost-of-living allowance which was decreed by Wage Order No. 1, all four cases do have a common message, i.e., that a "double burden" may not be imposed upon an employer except by clear provision of law.

WHEREFORE, the petition is granted, the Decision of the respondent Commission promulgated on June 9, 1986 is NULLIFIED AND SET ASIDE, and the complaint of "Vassar Industries Employees Union (VIEU) and/or Danilo Ordoñez," which commenced the proceedings below, NLRC Case No. AB-IV-10-528-81, is DISMISSED, without pronouncement as to costs.

SO ORDERED.

Cruz, Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

1 Granted by P.D. 1790, Reserving to the President/Prime Minister Stand-By Authority to Issue Wage Orders and Prescribing the Procedure for Such Issuance

1 Hon. Augusto S. Sanchez

2 Hon. Diego P. Atienza, Ricardo C. Castro, Geronimo Q. Quadra, Cecilio T. Seno, Guillermo C. Medina, Gabriel M. Gatchalian

3 Commissioner Federico O. Borromeo wrote the dissenting opinion, in which he was jointed by Hon. Cleto T. Villatuya and Miguel B. Varela

4 This last case, Brokenshire, was invoked by petitioner in its "Reply to Comment" (of Solicitor General) dated January 27, 1987.

1 It is claimed by Trade Unions of the Philippines and Allied Services (TUPAS), through its counsel, Tupaz and Associates, that "as early as in ** 1984," Vassar's employees disaffiliated from ** (their original union) and organized themselves as a new and distinct labor organization as Vassar Industries Workers Union (TUPAS Local Chapter No. 1105)" (Rollo, pp. 71-72

2 The pleading (Rollo, pp. 86-97) was filed by the private respondents' original counsel, Atty. Jose T. Maghari, who (1) had earlier filed a "Notice of Attorney's Lien" dated August 16, 1987 (Rollo, pp. 78-79), (2) declared that the majority of the Union members had not disauthorized him, and (3) questioned "the ethics and delicadeza" of Atty. Benjamin C. Alar of Tupaz & Associates (Rollo, 99-101), Atty. Maghari later filed an urgent motion for an early resolution of the case and to require Vassar to file a supersedeas bond (Rollo, pp. 110-111). On the other hand, Tupaz & Associates subsequently advised the Court of the expulsion from Tupas Federation of said Atty. Benjamin Alar who had consequently lost authority to represent the private respondents (Undated Manifestation and Appearance of Counsel filed on July 22, 1988, Rollo, pp. 114-115).

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