

## SECOND DIVISION

**[ G.R. No. 168612, December 10, 2014 ]**

**PHILIPPINE ELECTRIC CORPORATION (PHILEC), PETITIONER,  
VS. COURT OF APPEALS, NATIONAL CONCILIATION AND  
MEDIATION BOARD (NCMB), DEPARTMENT OF LABOR AND  
EMPLOYMENT, RAMON T. JIMENEZ, IN HIS CAPACITY AS  
VOLUNTARY ARBITRATOR, PHILEC WORKERS' UNION (PWU),  
ELEODORO V. LIPIO, AND EMERLITO C. IGNACIO,  
RESPONDENTS.**

### D E C I S I O N

**LEONEN, J.:**

An appeal to reverse or modify a Voluntary Arbitrator's award or decision must be filed before the Court of Appeals within 10 calendar days from receipt of the award or decision.

This is a petition<sup>[1]</sup> for review on certiorari of the Court of Appeals' decision<sup>[2]</sup> dated May 25, 2004, dismissing the Philippine Electric Corporation's petition for certiorari for lack of merit.

Philippine Electric Corporation (PHILEC) is a domestic corporation "engaged in the manufacture and repairs of high voltage transformers."<sup>[3]</sup> Among its rank-and-file employees were Eleodoro V. Lipio (Lipio) and Emerlito C. Ignacio, Sr. (Ignacio, Sr.), former members of the PHILEC Workers' Union (PWU).<sup>[4]</sup> PWU is a legitimate labor organization and the exclusive bargaining representative of PHILEC's rank-and-file employees.<sup>[5]</sup>

From June 1, 1989 to May 31, 1997, PHILEC and its rank-and-file employees were governed by collective bargaining agreements providing for the following step increases in an employee's basic salary in case of promotion:<sup>[6]</sup>

Pay Grade	Rank-and-File (PWU)		
	June 1, 1989 to May 31, 1992	June 1, 1992 to May 31, 1994	June 1, 1994 to May 31, 1997
I – II	50	60	65
II – III	60	70	78
III – IV	70	80	95
IV – V	80	110	120
V- VI	100	140	150
VI – VII	120	170	195

VII – VIII	170	230	255
VIII – IX	220	290	340
IX – X	260	350	455

On August 18, 1997 and with the previous collective bargaining agreements already expired, PHILEC selected Lipio for promotion from Machinist under Pay Grade VIII<sup>[7]</sup> to Foreman I under Pay Grade B.<sup>[8]</sup> PHILEC served Lipio a memorandum,<sup>[9]</sup> instructing him to undergo training for the position of Foreman I beginning on August 25, 1997. PHILEC undertook to pay Lipio training allowance as provided in the memorandum:

This will confirm your selection and that you will undergo training for the position of Foreman I (PG B) of the Tank Finishing Section, Distribution Transformer Manufacturing and Repair effective August 25, 1997.

You will be trained as a Foreman I, and shall receive the following training allowance until you have completed the training/observation period which shall not exceed four (4) months.

First Month	- - - -	P350.00
Second Month	- - - -	P815.00
Third Month	- - - -	P815.00
Fourth Month	- - - -	P815.00

Please be guided accordingly.<sup>[10]</sup>

Ignacio, Sr., then DT-Assembler with Pay Grade VII,<sup>[11]</sup> was likewise selected for training for the position of Foreman I.<sup>[12]</sup> On August 21, 1997, PHILEC served Ignacio, Sr. a memorandum,<sup>[13]</sup> instructing him to undergo training with the following schedule of allowance:

This will confirm your selection and that you will undergo training for the position of Foreman I (PG B) of the Assembly Section, Distribution Transformer Manufacturing and Repair effective August 25, 1997.

You will be trained as a Foreman I, and shall receive the following training allowance until you have completed the training/observation period which shall not exceed four (4) months.

First Month	- - - -	P255.00
Second Month	- - - -	P605.00
Third Month	- - - -	P1,070.00
Fourth Month	- - - -	P1,070.00

Please be guided accordingly.<sup>[14]</sup>

On September 17, 1997, PHILEC and PWU entered into a new collective bargaining

agreement, effective retroactively on June 1, 1997 and expiring on May 31, 1999.  
[15] Under Article X, Section 4 of the June 1, 1997 collective bargaining agreement, a rank-and-file employee promoted shall be entitled to the following step increases in his or her basic salary:[16]

Section 4. STEP INCREASES. [Philippine Electric Corporation] shall adopt the following step increases on the basic salary in case of promotion effective June 1, 1997. Such increases shall be based on the scale below or upon the minimum of the new pay grade to which the employee is promoted, whichever is higher:

<u>Pay Grade</u>	<u>Step Increase</u>
I - II	P80.00
II - III	P105.00
III - IV	P136.00
IV - V	P175.00
V - VI	P224.00
VI - VII	P285.00
VII - VIII	P361.00
VIII - IX	P456.00
IX - X	P575.00

To be promoted, a rank-and-file employee shall undergo training or observation and shall receive training allowance as provided in Article IX, Section 1(f) of the June 1, 1997 collective bargaining agreement:[17]

#### Section 1. JOB POSTING AND BIDDING:

. . . .

(f) Allowance for employees under Training or Observation shall be on a graduated basis as follows:

For the first month of training, the allowance should be equivalent to one step increase of the next higher grade. Every month thereafter the corresponding increase shall be equivalent to the next higher grade until the allowance for the grade applied for is attained.

As an example, if a Grade I employee qualifies for a Grade III position, he will receive the training allowance for Grade I to Grade II for the first month. On the second month, he will receive the training allowance for Grade I to Grade II plus the allowance for Grade II to Grade III. He will then continue to receive this amount until he finishes his training or observation period.[18]

Claiming that the schedule of training allowance stated in the memoranda served on Lipio and Ignacio, Sr. did not conform to Article X, Section 4 of the June 1, 1997 collective bargaining agreement, PWU submitted the grievance to the grievance

machinery.<sup>[19]</sup>

PWU and PHILEC failed to amicably settle their grievance. Thus, on December 21, 1998, the parties filed a submission agreement<sup>[20]</sup> with the National Conciliation and Mediation Board, submitting the following issues to voluntary arbitration:

## I

WHETHER OR NOT PHILEC VIOLATED SECTION 4 (Step Increases) ARTICLE X (Wage and Position Standardization) OF THE EXISTING COLLECTIVE BARGAINING AGREEMENT (CBA) IN IMPLEMENTING THE STEP INCREASES RELATIVE TO THE PROMOTION OF INDIVIDUAL COMPLAINANTS.

## II

WHETHER OR NOT PHILEC's MANNER OF IMPLEMENTING THE STEP INCREASES IN CONNECTION WITH THE PROMOTION OF INDIVIDUAL COMPLAINANTS IN RELATION TO THE PROVISIONS OF SECTION 4, ARTICLE X OF THE CBA CONSTITUTES UNFAIR LABOR PRACTICE.<sup>[21]</sup>

In their submission agreement, PWU and PHILEC designated Hon. Ramon T. Jimenez as Voluntary Arbitrator (Voluntary Arbitrator Jimenez).<sup>[22]</sup>

Voluntary Arbitrator Jimenez, in the order<sup>[23]</sup> dated January 4, 1999, directed the parties to file their respective position papers.

In its position paper,<sup>[24]</sup> PWU maintained that PHILEC failed to follow the schedule of step increases under Article X, Section 4 of the June 1, 1997 collective bargaining agreement. Machinist I, Lipio's position before he underwent training for Foreman I, fell under Pay Grade VIII, while Foreman I fell under Pay Grade X. Following the schedule under Article X, Section 4 of the June 1, 1997 collective bargaining agreement and the formula under Article IX, Section 1(f), Lipio should be paid training allowance equal to the step increase for pay grade bracket VIII-IX for the first month of training. For the succeeding months, Lipio should be paid an allowance equal to the step increase for pay grade bracket VIII-IX plus the step increase for pay grade bracket IX-X, thus:<sup>[25]</sup>

First Month	- - - - -	P456.00
Second Month	- - - - -	P1,031.00
Third Month	- - - - -	P1,031.00
Fourth Month	- - - - -	P1,031.00

With respect to Ignacio, Sr., he was holding the position of DT-Assembler under Pay Grade VII when he was selected to train for the position of Foreman I under Pay Grade X. Thus, for his first month of training, Ignacio, Sr. should be paid training allowance equal to the step increase under pay grade bracket VII-VIII. For the second month, he should be paid an allowance equal to the step increase under pay

grade bracket VII-VIII plus the step increase under pay grade bracket VIII-IX. For the third and fourth months, Ignacio, Sr. should receive an allowance equal to the amount he received for the second month plus the amount equal to the step increase under pay grade bracket IX-X, thus:[26]

First Month	- - - -	P361.00
Second Month	- - - -	P817.00
Third Month	- - - -	P1,392.00
Fourth Month	- - - -	P1,392.00

For PHILEC's failure to apply the schedule of step increases under Article X of the June 1, 1997 collective bargaining agreement, PWU argued that PHILEC committed an unfair labor practice under Article 248[27] of the Labor Code.[28]

In its position paper,[29] PHILEC emphasized that it promoted Lipio and Ignacio, Sr. while it was still negotiating a new collective bargaining agreement with PWU. Since PHILEC and PWU had not yet negotiated a new collective bargaining agreement when PHILEC selected Lipio and Ignacio, Sr. for training, PHILEC applied the "Modified SGV" pay grade scale in computing Lipio's and Ignacio, Sr.'s training allowance.[30]

This "Modified SGV" pay grade scale, which PHILEC and PWU allegedly agreed to implement beginning on May 9, 1997, covered both rank-and-file and supervisory employees.[31] According to PHILEC, its past collective bargaining agreements with the rank-and-file and supervisory unions resulted in an overlap of union membership in Pay Grade IX of the rank-and-file employees and Pay Grade A of the supervisory employees.[32] Worse, past collective bargaining agreements resulted in rank-and-file employees under Pay Grades IX and X enjoying higher step increases than supervisory employees under Pay Grades A and B:[33]

<u>Pay Grade Scale under the Rank-and-File</u>		<u>Pay Grade Scale under the Supervisory</u>	
<u>CBA</u>	<u>Step Increase</u>	<u>CBA</u>	<u>Step Increase</u>
VIII-IX	P340.00	A	P290.00
IX-X	P455.00	A-B	P350.00

To preserve the hierarchical wage structure within PHILEC's enterprise, PHILEC and PWU allegedly agreed to implement the uniform pay grade scale under the "Modified SGV" pay grade system, thus:[34]

<u>Pay Grade</u>		<u>Step Increase</u>
Rank-and-File	Supervisory	
I - II		P65.00
II-III		P78.00
III-IV		P95.00
IV-V		P120.00