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SECOND DIVISION

[G.R. No. 180866, March 02, 2010]

LEPANTO CERAMICS, INC., PETITIONER, VS. LEPANTO CERAMICS EMPLOYEES ASSOCIATION, RESPONDENT.

D E C I S I O N

PEREZ, J.:

Before this Court is a Petition for Review on *Certiorari* under Rule 45[1] of the 1997 Rules of Civil Procedure filed by petitioner Lepanto Ceramics, Inc. (petitioner), assailing the: (1) Decision[2] of the Court of Appeals, dated 5 April 2006, in CA-G.R. SP No. 78334 which affirmed *in toto* the decision of the Voluntary Arbitrator[3] granting the members of the respondent association a Christmas Bonus in the amount of Three Thousand Pesos (P3,000.00), or the balance of Two Thousand Four Hundred Pesos (P2,400.00) for the year 2002, and the (2) Resolution[4] of the same court dated 13 December 2007 denying Petitioner's Motion for Reconsideration.

The facts are:

Petitioner Lepanto Ceramics, Incorporated is a duly organized corporation existing and operating by virtue of Philippine Laws. Its business is primarily to manufacture, make, buy and sell, on wholesale basis, among others, tiles, marbles, mosaics and other similar products.[5]

Respondent Lepanto Ceramics Employees Association (respondent Association) is a legitimate labor organization duly registered with the Department of Labor and Employment. It is the sole and exclusive bargaining agent in the establishment of petitioner.[6]

In December 1998, petitioner gave a P3,000.00 bonus to its employees, members of the respondent Association.[7]

Subsequently, in September 1999, petitioner and respondent Association entered into a Collective Bargaining Agreement (CBA) which provides for, among others, the grant of a Christmas gift package/bonus to the members of the respondent Association.[8] The Christmas bonus was one of the enumerated "existing benefit, practice of traditional rights" which "shall remain in full force and effect."

The text reads:

> **Section 8. - All other existing benefits, practice of traditional rights consisting of Christmas Gift package/bonus, reimbursement of transportation expenses in case of breakdown**

of service vehicle and medical services and safety devices by virtue of company policies by the UNION and employees shall remain in full force and effect.

Section 1. EFFECTIVITY

This agreement shall become effective on September 1, 1999 and shall remain in full force and effect without change for a period of four (4) years or up to August 31, 2004 except as to the representation aspect which shall be effective for a period of five (5) years. It shall bind each and every employee in the bargaining unit including the present and future officers of the Union.

In the succeeding years, 1999, 2000 and 2001, the bonus was not in cash. Instead, petitioner gave each of the members of respondent Association Tile Redemption Certificates equivalent to P3,000.00.[9] The bonus for the year 2002 is the root of the present dispute. Petitioner gave a year-end cash benefit of Six Hundred Pesos (P600.00) and offered a cash advance to interested employees equivalent to one (1) month salary payable in one year.[10] The respondent Association objected to the P600.00 cash benefit and argued that this was in violation of the CBA it executed with the petitioner.

The parties failed to amicably settle the dispute. The respondent Association filed a Notice of Strike with the National Conciliation Mediation Board, Regional Branch No. IV, alleging the violation of the CBA. The case was placed under preventive mediation. The efforts to conciliate failed. The case was then referred to the Voluntary Arbitrator for resolution where the Complaint was docketed as Case No. LAG-PM-12-095-02.

In support of its claim, respondent Association insisted that it has been the traditional practice of the company to grant its members Christmas bonuses during the end of the calendar year, each in the amount of P3,000.00 as an expression of gratitude to the employees for their participation in the company's continued existence in the market. The bonus was either in cash or in the form of company tiles. In 2002, in a speech during the Christmas celebration, one of the company's top executives assured the employees of said bonus. However, the Human Resources Development Manager informed them that the traditional bonus would not be given as the company's earnings were intended for the payment of its bank loans. Respondent Association argued that this was in violation of their CBA.

The petitioner averred that the complaint for nonpayment of the 2002 Christmas bonus had no basis as the same was not a demandable and enforceable obligation. It argued that the giving of extra compensation was based on the company's available resources for a given year and the workers are not entitled to a bonus if the company does not make profits. Petitioner adverted to the fact that it was debt-ridden having incurred net losses for the years 2001 and 2002 totaling to P1.5 billion; and since 1999, when the CBA was signed, the company's accumulated losses amounted to over P2.7 billion. Petitioner further argued that the grant of a one (1) month salary cash advance was not meant to take the place of a bonus but was meant to show the company's sincere desire to help its employees despite its

precarious financial condition. Petitioner also averred that the CBA provision on a "Christmas gift/bonus" refers to alternative benefits. Finally, petitioner emphasized that even if the CBA contained an unconditional obligation to grant the bonus to the respondent Association, the present difficult economic times had already legally released it therefrom pursuant to Article 1267 of the Civil Code.[11]

The Voluntary Arbitrator rendered a Decision dated 2 June 2003, declaring that petitioner is bound to grant each of its workers a Christmas bonus of P3,000.00 for the reason that the bonus was given prior to the effectivity of the CBA between the parties and that the financial losses of the company is not a sufficient reason to exempt it from granting the same. It stressed that the CBA is a binding contract and constitutes the law between the parties. The Voluntary Arbitrator further expounded that since the employees had already been given P600.00 cash bonus, the same should be deducted from the claimed amount of P3,000.00, thus leaving a balance of P2,400.00. The dispositive portion of the decision states, viz:

> Wherefore, in view of the foregoing respondent LCI is hereby ordered to pay the members of the complainant union LCEA their respective Christmas bonus in the amount of three thousand (P3,000.00) pesos for the year 2002 less the P600.00 already given or a balance of P2,400.00. [12]

Petitioner sought reconsideration but the same was denied by the Voluntary Arbitrator in an Order dated 27 June 2003, in this wise:

> The Motion for Reconsideration filed by the respondent in the above-entitled case which was received by the Undersigned on June 26, 2003 is hereby denied pursuant to Section 7 Rule XIX on Grievance Machinery and Voluntary Arbitration; Amending The Implementing Rules of Book V of the Labor Code of the Philippines; to wit:
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> > Section 7. Finality of Award/Decision – The decision, order, resolution or award of the voluntary arbitrator or panel of voluntary arbitrators shall be final and executory after ten (10) calendar days from receipt of the copy of the award or decision by the parties and it shall not be subject of a motion for reconsideration.[13]

Petitioner elevated the case to the Court of Appeals *via* a Petition for *Certiorari* under Rule 65 of the Rules of Court docketed as CA-G.R. SP No. 78334.[14] As adverted to earlier, the Court of Appeals affirmed *in toto* the decision of the Voluntary Arbitrator. The appellate court also denied petitioner's motion for reconsideration.

In affirming respondent Association's right to the Christmas bonus, the Court of Appeals held:

> In the case at bar, it is indubitable that petitioner offered private respondent a Christmas bonus/gift in 1998 or before the execution of the 1999 CBA which incorporated the said benefit as a traditional right of the employees. Hence, the grant of said bonus to private respondent can be deemed a practice as the same has not been given only in the 1999 CBA. Apparently, this is the reason why petitioner specifically recognized the grant of a Christmas bonus/gift as a practice or tradition as stated in the CBA. x x x.
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> x x x x
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> Evidently, the argument of petitioner that the giving of a Christmas bonus is a management prerogative holds no water. There were no conditions specified in the CBA for the grant of said benefit contrary to the claim of petitioner that the same is justified only when there are profits earned by the company. As can be gleaned from the CBA, the payment of Christmas bonus was not contingent upon the realization of profits. It does not state that if the company derives no profits, there are no bonuses to be given to the employees. In fine, the payment thereof was not related to the profitability of business operations.
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> Moreover, it is undisputed that petitioner, aside from giving the mandated 13th month pay, has further been giving its employees an additional Christmas bonus at the end of the year since 1998 or before the effectivity of the CBA in September 1999. Clearly, the grant of Christmas bonus from 1998 up to 2001, which brought about the filing of the complaint for alleged non-payment of the 2002 Christmas bonus does not involve the exercise of management prerogative as the same was given continuously on or about Christmas time pursuant to the CBA. Consequently, the giving of said bonus can no longer be withdrawn by the petitioner as this would amount to a diminution of the employee's existing benefits.[15]

Not to be dissuaded, petitioner is now before this Court. The only issue before us is whether or not the Court of Appeals erred in affirming the ruling of the voluntary arbitrator that the petitioner is obliged to give the members of the respondent Association a Christmas bonus in the amount of P3,000.00 in 2002.[16]

We uphold the rulings of the voluntary arbitrator and of the Court of Appeals. Findings of labor officials, who are deemed to have acquired expertise in matters within their respective jurisdictions, are generally accorded not only respect but even finality, and bind us when supported by substantial evidence. This is the rule particularly where the findings of both the arbitrator and the Court of Appeals coincide.[17]

As a general proposition, an arbitrator is confined to the interpretation and application of the CBA. He does not sit to dispense his own brand of industrial justice: his award is legitimate only in so far as it draws its essence from the CBA. [18] That was done in this case.