FIRST DIVISION

[CA-G.R. SP NO. 122201, March 31, 2015]

NAGKAKAISANG MANGGAGAWA NG SUPREME – PHILIPPINE METAL WORKERS ALLIANCE (PEMA), PETITIONER, VS. NATIONAL LABOR RELATIONS COMMISSION, SUPREME STEEL PIPE CORPORATION, MR. REGAN C. SY AND RAMON C. SY, JR., RESPONDENTS.

DECISION

SORONGON, E.D., J.

Before Us is a Petition for Certiorari under Rule 65 of the Rules of Court attributing grave abuse of discretion amounting to excess or lack of jurisdiction unto respondent National Labor Relations Commission (NLRC) in ruling[1] against herein petitioner over a labor dispute certified by the Secretary of Labor for compulsory arbitration to the NLRC.

The Facts

On June 5, 2009, Supreme Steel Pipe Corporation (Company for brevity) and Nagkakaisang Manggagawa ng Supreme - Philippine Metal Workers Alliance (Union for brevity) entered into a Collective Bargaining Agreement (CBA)[2] to be in full force and effect on June 1, 2008 until May 31, 2013.

During the effectivity of the CBA, or on September 2, 2010, the Union filed a Notice of Strike with the National Conciliation and Mediation Board (NCMB), alleging violations of certain provisions of the CBA tantamount to unfair labor practice (ULP). During the proceedings before the NCMB, the parties presented and argued contrasting interpretations of the affected CBA provisions. Unable to meet halfway, the Union submitted to the NCMB the result of the strike vote balloting on January 12, 2011 indicating the desire of its members to hold a strike.

From January 24 to 26, 2011, the Union staged a strike. In an Order[3] dated January 25, 2011, the Secretary of Labor and Employment certified the labor dispute to the NLRC for compulsory arbitration.

The labor dispute pertains to alleged violations of certain CBA provisions tantamount to unfair labor practice committed by the Company against the Union, to wit:

i) That the company persisted in employing contractual workers in all its departments with 116 contractual workers as against only 72 regular employees in the production area, in violation of Sec. 6, Art. II of the CBA;
ii) That the company re-hires such contractual workers repeatedly and at times previously hired contractual workers

were re-hired as probationary workers;

iii) That the company continues to refuse reimbursement of the cost of medical care and medicine incurred by Rommel Gamor after he was hospitalized, in violation of Section 4, Art. III of the CBA;

iv) That the parties agreed in Section 7, Art. VIII of the CBA to remove the Zinc Ash Facility out of the worker's working area due to health and safety reasons, but the company refused to implement the same;

v) That it is the obligation of the company to provide service vehicle and driver in case of medical emergency but the company prefers to use a vehicle which is not all the time available and is also used for delivery and service vehicle for managerial employees.

vi) That the company violated Section 1, Art. XI of the CBA granting 29 day 13th month pay to covered workers with perfect attendance, or absences not exceeding 10 days;

vii) That the company violated Section 2, Art. XIV of the CBA by refusing to pay Rommel Gomon, John Michael dela Cruz and Pepito Veliganio their signing bonus.

viii) That the company refused to pay resignation benefits despite satisfaction of requirements to Vicente Muñoz, Elizalde Gale and Victor Villavicencio, in violation of Section 2, Art. XVII of the CBA; and

ix) That night shift personnels who start work on Saturdays and end on Sundays are not paid their mandatory rest day premium pay when Section 1, Art. X of the CBA provides that Sunday is the worker's rest day.

For its part, the Company argued, among others, that *bona fide* efforts were exerted to comply with the CBA and that there was willingness on its part to discuss the proper interpretation of the affected CBA provisions. It explained that the phasing out of contractual employees is a long process and that an agreement was reached on October 13, 2010 where the Company begun hiring directly probationary employees to replace contractual and agency-hired workers as their contracts expire. As to the removal of the Zinc ash facility, it was agreed upon that for the meantime, the workers at Galvanizing II located near the Zinc ash will be transferred to Galvanizing I until the completion of the project for its dumping site outside the production building. The Company also claimed that it had already prepared guidelines for the use of the company car as an emergency vehicle which is already due for implementation. On the entitlement of the 29-day 13th month pay, it stressed that the 5-day absences, other than the bereavement leaves, must be for a valid reason. The Company refused to reimburse Rommel Gamor for the medical expenses he incurred because the illness or injuries he sustained are not work-related. The signing bonus of the workers is also denied because they were not regular employees during the effectivity of the CBA. Vicente Muñoz was not able to claim his resignation benefits because he failed to obtain a clearance nor did he give the required three-day notice prior to his resignation. Elizalde Gale and Victor Villavicencio, on the other hand, are no longer interested in claiming their resignation benefits as they were already abroad and presumably working thereat.

In its July 13, 2011 Decision, the NLRC ruled in favor of the Company and dismissed

the complaint filed by herein petitioner for lack of merit. It held that under Art. 261 of the Labor Code, violations of the CBA are no longer treated as unfair labor practice but are considered as grievances which are to be resolved in accordance with the CBA. The NLRC further held that gross violation of the CBA shall mean flagrant and/or malicious refusal to comply with its economic provisions. Consequently, the NLRC ruled only on the alleged violations of the economic provisions of the CBA where it found none.

The Issues

The main issue to be resolved herein is **whether or not Supreme Steel Pipe Corporation (petitioner) committed violations of the CBA resulting to unfair labor practice.**

The Court's Ruling

In resolving the questioned CBA provisions, we will be guided by the principles on interpretation of CBA provisions that *"A CBA is more than a contract; it is a generalized code to govern a myriad of cases which the draftsmen cannot wholly anticipate. It covers the whole employment relationship and prescribes the rights and duties of the parties xxx. If the terms of a CBA are clear and have no doubt upon the intention of the contracting parties, the literal meaning of its stipulation shall prevail. Xxx. When a CBA may be expected to speak on a matter, but does not, its sentence imports ambiguity on that subject. The VA is not merely to rely on the cold and cryptic words on the face of the CBA but is mandated to discover the intention of the parties. Xxx. Moreover, the CBA must be construed liberally rather than narrowly and technically and the Court must place a practical and realistic construction upon it."*[4]

The Court shall individually rule on the questioned provisions of the CBA, as follows:

1. ***Art. II, Section 6 of the CBA on contractual employees***

Art. II, Sec. 6 of the CBA provides:

> "Thirty (30) days from the signing of this CBA, contractual employees in all departments, except warehouse and packing section, shall be phased out. Those contractual employees who are presently in the workforce of the COMPANY shall no longer be allowed to work after the expiration of their contracts without prejudice to being hired as probationary employees of the COMPANY."

The Union contends that the Company has been violating the above quoted provision by persisting to employ contractual workers in all departments up to the time of the filing of the notice of strike in 2010 where the company had about 116 contractual workers in the production area as against only 72 regular employees therein. The Union further argues that said contractual employees are re-hired by the Company repeatedly as contractual, or sometimes as probationary employees despite having rendered several months of satisfactory service, thereby worsening the violation. Thus, the Union concludes that such practice is done by the Company solely to prevent the workers from joining the Union.

The Company, on the other hand, avers that during the proceedings before the NCMB, it already explained that the phasing out contractual employees is a lengthy process and still an on-going endeavor. In fact, during the hearing before the NCMB on October 13, 2010, the parties agreed that the company will "*begin hiring probationary employees to replace contractual and agency-hired as their contracts expired*". Thus, this subsequent agreement before the NCMB, which was reflected in the minutes of the proceedings during the said hearing, should be treated as akin to amending the CBA thus entitling the Company to be given reasonable time to comply with this provision.

We rule in favor of the Company's stance. As can be gleaned from the minutes of the hearing[5] before the NCMB on October 13, 2010, the Company, through its representative, agreed to hire as probationary employees the contractual workers in its employ upon the expiration of their respective contracts. It can be said then that the proceedings conducted before the NCMB are binding between the Union and the Company and have the effect of an agreement between them. Besides, there is no violation of the CBA provision even if we follow the Union's position that some contractual employees whose contracts expired were re-hired as probationary employees because this is exactly what the CBA provision provides. By way of exception, Art. II Sec. 6 of the CBA states that contractual employees "*shall no longer be allowed to work after the expiration of their contracts without prejudice to being hired as probationary employees of the company*".

Likewise, it is understandable if the Company hires additional working hands or manpower on contractual capacity at times when immediate and unforeseen event so requires, such as when there is high demand in the Company's products. The above CBA provision does not totally remove from the Company the exercise of management prerogative, especially if such exercise is for the purpose of meeting the demands of its clients. This fact finds support in Section 1 Article V of the CBA[6] providing:

> *Section 1. Management Prerogative. The UNION recognizes that the management of the business of the COMPANY and the direction of its personnel, subject to the terms of this agreement, are the sole prerogative of the COMPANY. xxx the management of the COMPANY and the direction of the work force, the right to hire, schedule, promote, transfer, demote, discipline, suspend, or discharge for any just and sufficient cause, and to prescribe working hours, the right to introduce or install new or improved time and money saving methods, facilities or devices, the right to plan, schedule, curtail or control factory operations xxx the right to designate the work to the employee or employees to perform it xxx are vested solely in the COMPANY. xxx*

The Company's reason in contracting out seasonal contractual employees is that the demand for their product is not constant, determined only by an increase in orders coming from foreign countries. Under such a circumstance, it is allowed to engage additional manpower, conditioned only on the premise that this additional workforce does not violate the employment rights of the union members.

Under the doctrine of management prerogative, every employer has the inherent right to regulate, according to his own discretion and judgment, all aspects of

employment, including hiring, work assignments, working methods, the time, place and manner of work, work supervision, transfer of employees, lay-off of workers, and discipline, dismissal, and recall of employees. The only limitations to the exercise of this prerogative are those imposed by labor laws and the principles of equity and substantial justice.[7]

Here, we do not see any malice nor ill motive on the part of the Company in engaging contractual employees to meet the demand of its clients *vis-a-vis* the increase in demand of production at a given period.

2. **Art. VIII, Section 4 of the CBA on medical care**

The questioned provision on medical care specifically provides:

> "*Section 4. Medical Care and Cost of Medicine - The Company agrees to provide first aid medicine and first aid service and consultation free of charge to all its employees.*
>
> *The company shall provide transportation to and from the hospital when the accident/illness happens during working hours. If confinement in a hospital is not necessary, the company shall reimburse the cost of the prescribed medicines after presentation of official receipts.*[8]"

The Union argues that the above provision covers reimbursement of medicines as long as official receipts are presented. It cited the case of two (2) of its members, Rommel Gomon and Darius Dioquino, who were refused reimbursement of costs of medicines.

For its part, the Company posits that it is liable to reimburse medicines which were used only for illness or injuries which are work related.

Again, we concur with the position of the Company. Read in its entirety, the provision on reimbursement of medicines is incorporated in the provision requiring the Company to provide first aid medicines and first aid services and consultation in the workplace. The essence of the entire provision is the giving of immediate medical attention and assistance to any union member when they incur injury or sickness in the workplace and at the time of work, not at any time. Meaning, the medical expense has to be work related, meaning, the illness is sustained while in the performance of duty. Had the intention of the parties been to provide financial assistance on any and all medical expenses, the same should have been contained in a separate provision, not merely incorporated in the same provision for first aid medicines and services.

This conclusion is strengthened by the related provisions of the same Article, notably Sections 1 and 5, covering instances when hospitalization is required, thus:

> *"Section 1. The COMPANY agrees to extend financial assistance to regular employees/workers who are required to undergo hospitalization upon proper certification by the COMPANY Physician except in emergency cases which do not require physician's certification. xxx xxx xxx*[9]