

THIRD DIVISION

[G.R. No. 118463, December 15, 1997]

**PHILIPPINE AIRLINES, INC., PETITIONER, VS. NATIONAL LABOR
RELATIONS COMMISSION AND PHILIPPINE AIRLINES
EMPLOYEES ASSOCIATION (PALEA), RESPONDENTS.
D E C I S I O N**

NARVASA, C.J.:

This case goes back to February 23, 1979, when the Philippine Airlines, Inc. (PAL) and the union representing its ground employees, the PAL Employees Association (PALEA), agreed in writing that their current collective bargaining agreement (CBA) -- expiring on September 30, 1979 -- would be extended for another year, or until September 30, 1980. It was PAL which proposed the extension, on the plea that it was in no position to enter into a new CBA because it had suffered severe financial losses from devaluation, the fuel price increase, doubling of travel tax, etc.;^[1] and PALEA consented to the extension apparently because PAL then undertook to conduct a Job Evaluation Program (JEP) which would be the basis of a new pay scale to replace that negotiated in 1977 ^[2] and retroact to November 1, 1978. ^[3] The parties also agreed that a negotiating panel consisting of six members (three from PAL and three from PALEA) would "see to it that in the implementation of the ** program, internal equity in realignment of positions and responsibility shall be achieved," and thresh out such problems as might arise in course of implementation. ^[4]

PAL then drew up a pay scale which, being acceptable to PALEA, was immediately implemented. Under it the employees were categorized as supervisory and non-supervisory. In turn, the non-supervisory employees were classified into:

- (1) Administrative Clerical;
- (2) Marketing and Services; and
- (3) Technical.

The supervisory employees were sub-classified into:

- (1) Administrative and Clerical, and
- (2) Technical.

The sub-classes were further divided into job grades each with a minimum and a maximum salary rate.

Thereafter, a series of enactments increasing the minimum wage (and the mandatory emergency living allowance) came into effect. ^[5] viz.:

- 1) PD 1614, promulgated on March 14, 1979, which increased the minimum wage by P2;
- 2) PD 1713, promulgated on August 18, 1980, which increased the minimum wage by P1.00;
- 3) PD 1751, promulgated on January 1, 1981, which integrated the mandatory emergency living allowance into the basic monthly wage and increased the minimum wage by P4; and
- 4) Wage Order No. 1, promulgated on March 26, 1981, which increase the mandatory emergency living allowance of those having a monthly salary of not more than P1,800, by P2.00 a day.

On May 14, 1981, the parties concluded negotiations for a new CBA covering the period from October 1, 1980 to September 30, 1983. They agreed that: (1) there would be across-the-board pay increases of P120 per month for the first year (effective October 1, 1980), none for the second year, and P105 per month for the third year (effective October 1, 1982); and (2) "PAL shall revise the present payscale to be effective 1 Oct 1982 and its implementation shall be made after consultation with the union." [6] These terms were set out in the Minutes of the CBA negotiations of May 14, 1981. The CBA was signed on May 18, 1981.

On October 18, 1982, PALEA president Mario Santos addressed a letter to PAL (through Ismael Khan, PAL Vice-President on Human Resources) remonstrating that "after almost a month of its supposed implementation and consultation with PALEA, PAL management has not made any move or any action to inform the union of its position on the provisions of the PAL-PALEA CBA." Khan replied that PAL was "now in the final process of pre-determining the cross section of employees to be benefited by the revised payscale and the various salary administration policies which need to be established in order to minimize if not totally eliminate possible pay distortions." [7]

On July 6, 1983, another Wage Order (No. 2) was issued increasing the minimum daily wage by P1.00, and the daily living allowance of those with a monthly salary of less than P1,800.00, by P1.50 a day. Khan then wrote to PALEA on August 8, 1983, advising that said Wage order No. 2 was being implemented retroactive to July 1, 1983, that all employees were already properly slotted under the new pay scale, and that the updated pay scale would be sent under separate cover. [8] And two days later, a copy of the implementing guidelines of the new pay scale was sent to PALEA. [9]

By letter dated August 29, 1983, PALEA sent its "Counter-Payscale" to PAL with the request that the negotiating panel be convened. PALEA's position was that –

" ** (p)ursuant to the PAL-PALEA CBA, a new payscale should be effected on October 1, 1982, the spirit and intent of which is to maintain the P135.00 difference between the minimum rate of the new Payscale and the minimum rate as provided by law. The maintenance of the difference of the P135.00 between the minimum rates necessarily effect wage distortions in the new Payscale, Necessarily, constants

for step grades 1 to 10 and jobs grades 1 to 10 for non-supervisory personnel should likewise be maintained. The same thing holds true for step grades 1 to 10 and job grades 1 to 5 for supervisory level.” [10]

On November 7, 1983, still another Wage Order (No.3) was issued, again increasing the minimum daily wage by P1.00 and the daily living allowance under Wage Order No. 2 by P1.50 daily.

Having received no word from PAL regarding its “Counter Payscale” and request for immediate convening of the negotiation panel to discuss the matter, PALEA filed a complaint with the NLRC, dated December 29, 1983, [11] in which it accused PAL and VP Khan:

- 1) of unfair labor practice (ULP), in reneging on the obligation assumed on May 14, 1981 to consult the union regarding implementation of the pay scale; and
- 2) of violating Wage Orders Nos. 2 and 3, in failing to cure the wage distortions as therein mandated. [12]

The case was, however, held in abeyance by agreement of the parties, for the reason that negotiations were then going on for a new CBA to cover the period from 1983 to 1986.

At about this time, yet other Wage Orders were issued, Numbered 4 and 5. Wage Order No. 4, released on May 1, 1984, increased the minimum daily wage of non-agricultural workers (like PALEA members) by P11.00 a day, and integrated into their basic wage the mandatory emergency living allowances under PDs 1614, 1634, 1678 and 1713. [13] The daily living allowances thus integrated, amounted to P210 a month plus P2.00 a day under PD 1678. Wage Order No. 5, issued on June 5, 1984, raised the minimum daily wage by P3.00 and the daily living allowance, by P5.00 a day for those receiving a salary of P1,800 a month.

On September 14, 1984 PAL and PALEA executed a new CBA. [14] By it, PAL granted:

- (1) across-the-board increases of P250 per month, effective October 1, 1983; P150 per month, effective October 1, 1984; and P200 per month, effective October 1, 1985; as well as
- (2) “seniority pay” in various amounts fixed according to length of service ranging from a minimum of P25.00 for service of 5 years to P175.00 for service of 20 years and above -- avowedly “to preserve the wage gap among its employees.”

On November 1, 1984, another Wage Order, No. 6, came into effect, raising the minimum daily wage in the non-agricultural sector by P2.00.

On April 15, 1985, the ULP case against PAL -- abated by the parties’ agreement -- was resumed on motion of PALEA.[15] which presented a supplemental complaint alleging additionally that PAL had also violated Wage Orders Nos. 1, 4, 5 and 6, failed to furnish PALEA with information relative to the new payscale, and

"compounded the wage distortions which had accumulated." [16]

In its position paper, PAL (1) denied violating its undertaking to consult the union, arguing that the letters of VP Ismael Khan to the union clearly evinced efforts to comply therewith; (2) averred that "there is no disparity or distortion in the wage structure or payscale;" and (3) stressed that the salary increases in the new CBA between it and PALEA, covering 1983-1986, "effectively removed and cured whatever wage distortions existed in the previous salary scale." [17] In a supplemental pleading, PAL also adverted to the fact that the new CBA, "overwhelmingly ratified by the rank and file employees," contained a reciprocal waiver proviso rendering moot the wage distortion issue.

PAL further alleged that it granted PALEA "substantial benefits" consisting of:

(1) wage increases in line with the series of wage hikes imposed by law during the period of negotiations, and

(2) seniority pay in various amounts fixed according to length of service, ranging from a minimum of P25.00 for service of 5 years to P175.00 for 20 years and above; this, in order to preserve the wage structure and "the wage gaps between the different job grades."

It drew attention, too, to the mutual waiver clause in the CBA of September 14, 1984, viz.:

"The parties acknowledge that during the negotiations which resulted in this Agreement, each had unlimited right and opportunity to make demands and proposals with respect to any subject or matter not removed by the law from the area of collective bargaining and that the understanding and agreements arrived at by the parties after the exercise of that right and opportunity are set forth in this Agreement, each voluntarily and unqualifiedly waives their right and each agrees that the other shall not be obligated to bargain collectively with respect to any subject or matter referred to or covered in this Agreement, or with respect to any subject or matter not specifically referred to or covered in this Agreement, even though such object or matter may not have been within the knowledge or contemplation of either or both parties at the time they negotiated or signed this Agreement."

In its reply dated September 24, 1985, PALEA controverted PAL's claims and arguments.

Labor Arbiter Teodorico Ruiz thereafter rendered an Order dated April 28, 1986, in which the following conclusions were set forth, among others:

"We do not agree to respondent's (PAL's) contention that the latest CBA cured or corrected the matter of wage distortions **. A perusal of the CBA reveals that while Article V thereof was entitled 'Pay Scale', the pay increases given are of 'normal' nature and retroacts to October 1, 1983 only. Respondents' contention could have afforded us an iota of truth had

the pay increase for the first year been made retroactive to October 1, 1982. The provisions of the 13th month pay is but a restatement of the respondents' revised guidelines presented to PALEA President, Mario Santos. Neither could it be said that the minor change in the seniority pay increase can correct the wage distortions claimed.

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On the matter of waiver, this Office strongly believes that the attendant facts of the case and the attendant circumstances of the CBA point to the fact that the waiver does not include the instant case on wage distortion. Otherwise, it should have been mentioned in the CBA owing to the fact that the CBA negotiations was precisely the ground for which the proceedings of the instant case had been held in abeyance. Equity also demands that when there exists doubt the same should be resolved in favor of labor."

The Order closed with a dispositive portion reading:

"WHEREFORE AND IN VIEW OF THE ABOVE FINDINGS, this office declares that there exist a wage distortion and since the parties have evinced the desire to seek a solution to this problem, they are hereby directed to seek a solution to this problem, they are hereby directed to sit, within 5 days from receipt of this order and discuss the wage distortions brought about by Presidential Decrees 1614, 1713, 1751, and 1123 and the Wage Order Nos. 1 to 6 as claimed for in the complaint with the end in view of updating the payscale so as to cure or correct distortions in the wages of the covered employees and to apply the same effective October 1, 1982, pursuant to the respondent's commitment during the CBA negotiations on May 14, 1981. Respondents are further ordered to pay Attorney's fee to the complainant's counsel equivalent to 10% of the amount involved. The office of the Socio Economic Analyst of this office is also directed to proceed to the office of the respondent and compute the wage distortion and the amount due to the members of the complainant union."

On appeal, the National Labor Relations Commission affirmed the Labor Arbiter's decision in an En Banc resolution promulgated on November 2, 1988. Noting, however, that "the dispositive portion of the appealed order would likely cause some degree of uncertainty ** because the dispositive portion is unclear as to which shall take precedence between the order to the parties to 'sit down' and update the payscale in order to correct the wage distortions, vis-à-vis the order to the Socio Economic Analyst of this Commission to 'proceed' to appellant's Office and compute the amount due to each member of appellee union **," the NLRC revised said dispositive portion to read:

"WHEREFORE AND IN VIEW OF THE ABOVE FINDINGS, this Office –

1. declares that there exists a wage distortion and since the parties have evinced the desire to seek a solution to this problem, they are hereby directed to sit, within five (5) days from the receipt of this Order, and discuss the wage distortions brought about by Presidential Decrees 1614, 1713, 1751, and 1123 and the Wage Order Nos. 1 to 6 as claimed for in the complaint with the end in view of updating the