Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

LIMCOMA LABOR ORGANIZATION (LLO)-PLAC,
Petitioner,

- versus -

LIMCOMA MULTI-PURPOSE COOP. (LIMCOMA),
Respondent.

G.R. No. 239746

Present:

PERLAS-BERNABE, *S.A.J.*,
Chairperson,
HERNANDO,*
INTING,
GAERLAN, and
DIMAAMPAO, *JJ.*

Promulgated:
NOV 29 2021

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DECISION

GAERLAN, *J.*:

The case is a Petition for Review on *Certiorari*[1] under Rule 45 of the Rules of Court filed by herein petitioner Limcoma Labor Organization (LLO)-PLAC (petitioner) seeking to set aside the Decision[2] dated August 9, 2017 and the Resolution[3] dated May 16, 2018 issued by the Court of Appeals (CA) in CA-G.R. SP No. 139655.

Antecedents

Petitioner is a labor union duly registered with the Department of Labor and Employment (DOLE) and an affiliate of Philippine Labor Alliance Council (PLAC). It is the Sole and Exclusive Bargaining Agent (SEBA) representing the regular rank-and-file employees in respondent, Limcoma Multi-Purpose

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* On official leave.
1 *Rollo*, pp. 3-19.
2 Id. at 20-26; penned by Associate Justice Eduardo B. Peralta, Jr. with Associate Justices Priscilla J. Baltazar-Padilla and Rafael Antonio M. Santos, concurring.
3 Id. at 41-42.

Cooperative (respondent). Excluded from the bargaining unit at the time of dispute were the supervisors, technical and confidential employees, and managerial employees, including its Board of Directors.

According to petitioner, in July 2005, a Voluntary Retire-Rehire (VRR) Program was implemented by respondent which was initially opposed by petitioner. After negotiation, the issues were finally settled in a Memorandum of Agreement[4] (MOA) dated July 29, 2005. In the said MOA, the following benefits, among others, were provided:

1. Covered employees were to retire and paid their severance pay;

2. They be granted Industrial Peace Bonus;

3. Covered employees be rehired immediately as new regular employees;

4. Covered employees shall enjoy the benefits under the law, sick leave and vacation leave;

5. The fifteen percent (15%) profit sharing be increased to eighteen percent (18%);

6. The petitioner shall continue to be the SEBA although the prevailing CBA was mutually terminated; and

7. A new CBA shall be negotiated in October 2005.[5]

On April 1, 2006, the first CBA was implemented following the VRR Program. It was later renewed on July 4, 2011 for the duration of five (5) years effective April 1, 2011 up to March 31, 2016 subject to the reopening and renegotiation of wages and other economic benefits. Both CBAs contained the same terms with regards to the profit sharing. Specifically, Section 2 of Article VIII of the CBA remain unchanged, to wit:

> Section 2. The COOPERATIVE agrees to grant to all regular employees a profit-sharing equivalent to Eighteen Percent (18%) of the net surplus less x x x distribution of which shall be based on the basic salary.[6]

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4 Id. at 45-47.
5 Id.
6 Id. at 6.

It was only during the Wage Reopening negotiation in 2014 when petitioner learned that respondent entered into a "*Kasunduan sa Voluntary Retire-Rehire Program (K-VRR)*"[7] with its supervisors, technical and confidential employees, and managers. In the said document, the signatories, which were non-rank-and-file employees, were also to receive a grant of eighteen percent (18%) profit sharing. Petitioner alleged that they were not provided by respondent on how the individual profit sharing of rank-and-file employee was determined.

The Wage Reopening negotiation ended in a deadlock and thus resulted to arbitration wherein the issue on the profit sharing was also submitted.

After the submission of the issues, the DOLE Accredited Voluntary Arbitrator (VA) appointed by both parties, Atty. Cenon Wesley P. Gacutan, declared that the eighteen percent (18%) Profit Sharing Provision in the CBA is due only to all covered rank-and-file employees covered by the union, to the exclusion of the supervisory, confidential and managerial employees, the dispositive portion of the Decision[8] reads:

> WHEREFORE, premises considered, Judgment is hereby rendered as follows:
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> Article VIII, Bonus and Other Benefits, Section 2 shall mean: The COOPERATIVE agrees to grant to all regular rank and file employees, including rank and file cooperative member a Profit Sharing equivalent to 18% of the net of profit. The Cooperative shall grant to all rank and file employees, including rank and file cooperative member hospitalization benefits, rice subsidy and 13th month pay as provided for by law. No amount shall be paid by the employee.
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> The 18th of the net profit shall be equitably distributed to the rank and file employee, including rank and file cooperative member irrespective of salary.
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> The Attorney's Fee shall be borne individually by the Cooperative and the Union
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> So Ordered.[9]

Respondent then filed a motion for reconsideration, however, it was denied by the VA thru his Resolution[10] dated February 26, 2015. Thus, respondent went to the CA thru a petition for review on *certiorari* under Rule 65 of the 1997 Rules

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7 Id. at 48-53.
8 Id. at 55-63.
9 Id. at. 63.
10 Id. at 64-65.

of Court. On August 9, 2017, respondent was able to attain a favorable decision. The CA reversed the ruling of the VA and granted the petition for review of respondent. The dispositive portion of which reads as follow:

> **WHEREFORE**, the Petition for Review is **GRANTED**. Accordingly, the Decision of the Voluntary Arbitrator is **REVERSED**, thusly:
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> 1. Article VIII, Section 2 of the parties' CBA shall mean: That ALL regular employees of the cooperative, regardless of their rank or position, are entitled to the profit sharing equivalent to 18% of the cooperative's net surplus; and
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> 2. [T]he expenses for hospitalization, rice subsidy and excess or additional 13th month pay advanced by the cooperative are deductible from the 18% of the net surplus to be distributed to the regular employees as profit sharing.
>
> **SO ORDERED.**[11]

Petitioner, aggrieved by the reversal, filed a Motion for Reconsideration[12] but the same was denied in the Resolution[13] dated May 16, 2018. Hence, the present petition, the issue being limited only to the coverage of the CBA, particularly the profit sharing provision found in Section 2, Article VIII thereof. The matter of deadlock in negotiation has become academic in view of the expiration of the 2011-2016 CBA and thereafter renewed for 2016-2021. Thus, the petition covers the claim of share in the net surplus for the years 2011, 2012 and 2013.

Issues

Petitioner submits the following issues for our consideration:

> 1. Whether or not the CA committed serious error of judgement in ruling that supervisors, confidential and managerial employees are entitled to benefit from the provisions of the CBA of the rank and file employees.
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> 2. Whether or not the CA misapprehended the fact that the 18% of Net Surplus under the parties' CBA is a unilateral grant under its management prerogative and is the same 18% Limcoma

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11 Id. at 25-26.
12 Id. at 27-40.
13 Id. at 41-42.

obligated itself under a "Kasunduan" it entered with the non-covered or excluded employees in the bargaining unit.[13]

Court's Ruling

Petitioner argues that they are not in any disagreement with respondent to provide the same benefit they receive from CBA to non-rank-and-file employees. However, petitioner contends that the eighteen percent (18%) of the net surplus under its negotiated CBA should only be distributed among the covered employees, in which case the regular rank-and-file employees, and that another eighteen percent (18%), or may be smaller or bigger, be allocated and distributed to non-covered employees which would then represent the management prerogative to provide benefits to its non-rank-and-file employees, i.e. the supervisory, confidential and managerial employees, and should not be taken from the eighteen percent (18%) net surplus as provided in the CBA. The CA, by interpreting the assailed provision to apply to all regular employees, violated the basic rule that managerial and supervisory employees are prohibited from joining collective bargaining unit of rank and file employees.

Further, petitioner avers that the CA made assumptions that the Profit Sharing scheme was premised on a speculative voluntary grant ripening to a practice of giving bonuses when it is not the issue brought forth for resolution. Petitioner poses that what was brought by the respondent was the interpretation of Section 2, Article VIII of the CBA and not whether the benefits of profit sharing due to all employees are voluntary grant which had ripened into practice.

On the other hand, respondent refutes the petitioner's contention on the ground that the subject provision is clear and specifically states that all employees are granted with the profit sharing benefit. It asserts that if they intended it to mean otherwise, it should have been rephrased or changed when the CBA was renegotiated. Further, it has been a long standing practice of the cooperative to grant an annual profit sharing bonus to all regular employees from a fixed portion of its net surplus.

The petition is impressed with merit.

At the onset, We would like to note that respondent's recourse to the CA was via a petition for review on *certiorari* under Rule 65. We have ruled that the proper remedy to reverse or modify a VA's or a panel of VA's

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[13] Id. at 8-9.

decision or award is to appeal the award or decision before the CA. Sections 1 and 3 of Rule 43 of the Rules of Court are instructive.

> Section 1. *Scope*. - This Rule shall apply to appeals from judgments or final orders of the Court of Tax Appeals and from awards, judgments, final orders or resolutions of or authorized by any quasi-judicial agency in the exercise of its quasi-judicial functions. Among these agencies are the Civil Service Commission, Central Boards of Assessment Appeals, Securities and Exchange Commission, Office of the President, Land Registration Authority, Social Security Commission, Civil Aeronautics Board, Bureau of Patents, Trademarks and Technology Transfer, National Electrification Administration, Energy Regulation Board, National Telecommunications Commission, Department of Agrarian Reform under Republic Act No. 6657, Government Service Insurance System, Employees Compensation Commission, Agricultural Inventions Board, Insurance Commission, Philippine Atomic Energy Commission, Board of Investments, Construction Industry Arbitration Commission, and **voluntary arbitrators authorized by law**. (Emphasis supplied)
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> Sec. 3. Where to appeal.
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> An appeal under this Rule may be taken to the Court of Appeals within the period and in the manner herein provided, whether the appeal involves questions of fact, of law, or mixed questions of fact and law.

The above rule is in relation to the provisions of the Labor Code which states that:

> ART. 261. JURISDICTION OF VOLUNTARY ARBITRATORS OR PANEL OF VOLUNTARY ARBITRATORS.
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> The Voluntary Arbitrator or panel of Voluntary Arbitrators shall have original and exclusive jurisdiction to hear and decide all unresolved grievances arising from the interpretation or implementation of the Collective Bargaining Agreement and those arising from the interpretation or enforcement of company personnel policies referred to in the immediately preceding article. Accordingly, violations of a Collective Bargaining Agreement, except those which are gross in character, shall no longer be treated as unfair labor practice and shall be resolved as grievances under the Collective Bargaining Agreement. For purposes of this article, gross violations of Collective Bargaining Agreement shall mean flagrant and/or malicious refusal to comply with the economic provisions of such agreement.
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> The Commission, its Regional Offices and the Regional Directors of the Department of Labor and Employment shall not entertain disputes, grievances, or matters under the exclusive and original jurisdiction of the Voluntary Arbitrator or panel of Voluntary Arbitrators and shall immediately dispose and refer the same to the Grievance Machinery or Voluntary Arbitration provided in the Collective Bargaining Agreement.

> ART. 262. JURISDICTION OVER OTHER LABOR DISPUTES. The Voluntary Arbitrator or panel of Voluntary Arbitrators, upon agreement of the parties, shall also hear and decide all other labor disputes including unfair labor practices and bargaining deadlocks.

Thus, the foregoing rule establishes that *certiorari* is not a proper remedy in the present case. However, it must be noted that this court has at times permitted the resort to *certiorari* despite the availability of appeal, or of any plain speedy and adequate remedy in the ordinary course of law *in exceptional situations*, such as: (1) when the remedy of *certiorari* is necessary to prevent irreparable damages and injury to a party; (2) where the trial judge capriciously and whimsically exercised his judgment; (3) where there may be danger of a failure of justice; (4) where appeal would be slow, inadequate and insufficient; (5) where the issue raised is one purely of law; (6) where public interest is involved; and (7) in case of urgency.[15] As pointed out in the case of *Jaca v. Davao Lumber Company*:[16]

> The availability of the ordinary course of appeal does not constitute sufficient ground to prevent a party from making use of the extraordinary remedy of certiorari where the appeal is not an adequate remedy or equally beneficial, speedy and sufficient. It is the inadequacy — not the mere absence — of all other legal remedies and the danger of failure of justice without the writ, that must usually determine the propriety of certiorari.[17]

Also, our jurisprudence allows the relaxation of labor rules from time to time if such would serve the ends of justice. Punctilious adherence to stringent technical rules may be relaxed in the interest of the working man, and should not defeat the complete and equitable resolution of the rights and obligations of the parties.[18] Thus, in the case of *Mora v. Avesco Marketing Corporation*,[19] this court held that petitioner Noel E. Mora erred in filing a petition for *certiorari* against the VA's decision. Nevertheless, this court decided the case on the merits "in the interest of substantial justice to arrive at the proper conclusion that is conformable to the evidentiary facts."[20]

After perusal of the issues presented, We find that the CA erred in reversing the ruling of the VA in so far as to the interpretation of Section 2, Article VIII of the CBA. The CBA between petitioner and respondent is clear on who are the covered employees.

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15 *Baronda v. Court of Appeals, et al.*, 771 Phil. 56, 69-70 (2015).
16 *Jaca, et al. v. Davao Lumber Company, et al.*, 198 Phil. 493, 517 (1982).
17 Id.
18 *CAPANELA v. NLRC*, 311 Phil. 744, 763 (1995).
19 591 Phil. 827, 836 (2008).
20 Id.

A CBA is a contract negotiated and entered into by the employer and a legitimate labor organization with regard to the terms and conditions of employment. Like any other contract, it has the force of law between the parties and, thus, should be complied with in good faith.[21] Under Article 1370 of the Civil Code, "[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control. If the words appear to be contrary to the evident intention of the parties, the latter shall prevail over the former." Accordingly, the stipulations, clauses, terms and conditions of the CBA, being the law between the parties, must be complied with by them. The literal meaning of the stipulations of the CBA, as with every other contract, control if they are clear and leave no doubt upon the intention of the contracting parties.[22]

As correctly observed by the VA, Section 2 of Article II of the CBA gave the description as to who are covered by the said agreement. Section 2 of Article II (Scope and Coverage) specifically provides:

> Section 2. All covered rank and file employees/workers of the COOPERATIVE shall compose of the collective bargaining unit of this agreement and for all other legal purposes in connection therewith. Whenever the word "EMPLOYEE" is used in this Agreement, the same shall be understood unless otherwise indicated as referring to an employee within the collective bargaining unit.

Article 1374 of the Civil Code provides that "[t]he various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly." Thus, a contract must be interpreted as a whole and intention of the parties must be taken from the entire instrument and not from particular words, phrases, or clauses. All provisions should, if possible, be so interpreted as to harmonize with each other.[23] Applying the above to the questioned provision, there is no other meaning or interpretation of the phrase "all regular employee" as mentioned under the CBA but all regular rank-and-file employee only of respondent. Corollarily, this means that supervisory, confidential and managerial employees or those who will fall as non-rank-and-file employee are excluded.

To interpret it otherwise would indirectly violate the rule provided under Article 245 of the Labor Code that bars managerial employees from joining the collective bargaining unit of rank-and-file employees. Managerial employees cannot be allowed to share in the concessions obtained by the labor

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21 *Wesleyan University – Philippines v. Wesleyan University - Faculty and Staff Association*, 729 Phil. 240, 252 (2014).

22 *Philippine Journalist, Inc. v. Journal Employees Union*, 710 Phil. 94, 103-104 (2013).

23 Civil Code, Article 1374.

union through collective negotiation. Otherwise, they would be exposed to the temptation of colluding with the union during the negotiations to the detriment of the employer.[24]

Further, inclusion of supervisory, confidential and managerial employees in the interpretation of the provision would in effect violate the provision on profit sharing as provided under Section 2 of Article VIII of the CBA because the rank-and-file employee will not be receiving an "equivalent to 18% of the net surplus" as they are sharing the same with other employees not covered by the CBA.

There was nowhere in the said CBA that prohibits the respondent to give the same benefit to other employees not covered by the CBA. The grant of a bonus is basically a management prerogative[25] and there is nothing to prevent the employer from granting benefits to managerial employees equal to or higher than those afforded to union members. There can be no conflict of interest where the employer himself voluntarily agrees to grant such benefits to managerial employees.[26] As such, respondent can enter into an agreement with the other employees, managerial and supervisory employees, and give the same benefit as that which was given in the CBA. This is in fact what they did when they entered into the K-VRR Program which was signed by their supervisors, technical and confidential employees, and managers. It is within respondent's prerogative to grant benefits or bonuses to employees as they deem fit. But, to clarify, the benefits given is not by virtue of the CBA but in accordance with a separate agreement or those which have been ripened into practice.

However, it must be noted that jurisprudence provides that even if a benefit or grant has ripened into practice, it can still be removed or corrected. The court held in *Central Azucarera de Tarlac v. Central Azucarera de Tarlac Labor Union-NLU*,[27] that:

> Article 100 of the Labor Code, otherwise known as the Non-Diminution Rule, mandates that benefits given to employees cannot be taken back or reduced unilaterally by the employer because the benefit has become part of the employment contract, written or unwritten. The rule against diminution of benefits applies if it is shown that the grant of the benefit is based on an express policy or has ripened into a practice over a long period of time and that the practice is consistent and deliberate. Nevertheless, the rule will not apply if the practice is due to error in the

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24 *Manila Hotel Corp. v. De Leon*, 836 Phil. 594, 608 (2018).

25 See *Eastern Telecommunications Philippines, Inc. v. Eastern Telecoms Employees Union*, 681 Phil. 519, 530 (2012).

26 *Martinez v. NLRC*, 358 Phil. 288, 297-298 (1998).

27 639 Phil. 633, 641 (2010).

> construction or application of a doubtful or difficult question of law. But even in cases of error, it should be shown that the correction is done soon after discovery of the error.

In the case at bar, there was an error in the construction of the CBA. Thus, it is proper that the same be corrected. Respondent cannot raise as a defense that the profit share bonus has ripened into a practice. Further, respondent cannot also claim that petitioner is estopped from questioning the arrangement. Petitioner only discovered the same during the renegotiation of the CBA and they immediately acted on it by raising its grievance. It can be noted, that in this kind of benefit, it is the respondent, as employer, who has the advantage since they hold the book of accounts of the cooperative and also they are the ones who declares the portion that will be given as profit-share. Since everybody has been receiving what they believe was their rightful share in the profit, it cannot be easily detected that there is something wrong in the distribution.

Therefore, based on the foregoing, respondent is ordered to comply with the CBA which would mean that they should provide the profit sharing to all regular rank-and-file employees equivalent to 18% of the net surplus. Respondent should also provide for the profit-share for those employees under the K-VRR Program and the same shall not be taken from the profit share provided under the CBA. Otherwise, the share of the rank-and-file employees would be diluted by the profit-share of the employees covered by the K-VRR Program, and this would no longer be the "equivalent" of the 18% of the net surplus.

WHEREFORE, in view of the foregoing, the instant petition is **GRANTED**. The Decision dated August 9, 2017 and the Resolution dated May 16, 2018 issued by the Court of Appeals are **REVERSED** and **SET ASIDE**. The Decision of the Voluntary Arbitrator dated January 7, 2015 is **REINSTATED**.

SO ORDERED.

SAMUEL H. GAERLAN
Associate Justice

WE CONCUR:

ESTELA M. PERLAS-BERNABE
Senior Associate Justice

(On official leave)
RAMON PAUL L. HERNANDO
Associate Justice

HENRI JEAN PAUL B. INTING
Associate Justice

JAPAR B. DIMAAMPAO
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ALEXANDER G. GESMUNDO
Chief Justice