**SUPREME COURT**
**EN BANC**

**BACOLOD-MURCIA MILLING CO., INC. and ALFREDO T. GARCIA,**
***Petitioners*,**

***-versus-***

**G.R. No. L-9003**
**December 21, 1956**

**NATIONAL EMPLOYEES WORKERS SECURITY UNION,**
***Respondent*.**
**x----------x**

**D E C I S I O N**

**BAUTISTA ANGELO, *J.*:**

This is a Petition for Review of a Decision of the Court of Industrial Relations holding that the collective bargaining and closed shop agreement entered into between the Bacolod-Murcia Milling Co., Inc. and the Allied Workers Association of the Philippines is null and void and finding the former guilty of unfair labor practice as a result of which it was ordered to desist from such practice and to reinstate all the laborers and employees it dismissed from the service with back pay from the time of their discharge to the time of their reinstatement.

In the month of July or August, 1953, a good number of laborers of the Bacolod-Murcia Milling Co., Inc., hereinafter referred to as Company for short, most of them affiliated with the Allied Workers Association of the Philippines, hereinafter referred as Allied Workers Association (AWA), organized the National Employees-Workers' Security Union (NEWSUN), which was registered in the Department of Labor on January 23, 1954. On December 24, 1953, the president of the NEWSUN, one Humberto M. Tutaan, sent a letter to the management of the Company containing several labor demands. The Company, through its manager, on January 7, 1951, acknowledged said letter stating in substance that the Company is not opposed to the formation or organization of any labor union as in fact it has already recognized the Allied Workers Association with which it has concluded a collective bargaining and closed shop agreement for which reason it has to decline the demands contained in the letter. In said agreement, it was covenanted that during the life the agreement, no member of the labor union shall join another labor organization and any member who violates this condition, or ceases to be a member thereof, shall be dropped from the service by the employer.

On February 5, 1954, the Allied Workers Association addressed a letter to the employer stating that some of its members had been expelled from the association and requesting that they be dropped from the service in line with the closed shop agreement. Finding no other alternative, the management dropped these members from the service after giving them a notice to that effect and paying them a salary equivalent to one month. As a result, these members filed charges of unfair labor practice against the employer which initiated these proceedings before the Court of Industrial Relations.

The questions to be determined are: (1) Is the closed shop agreement entered into between the Company and the Allied Workers Association null and void? (2) Can the Company be held guilty of unfair labor practice for having dismissed from the service the complaining members in line with said closed shop agreement?

It appears that the Bacolod-Murcia Milling Co., Inc. is a corporation operating a sugar central at Bacolod City, Occidental Negros. It has many laborers and employees. Right from the start these laborers organized a labor union known as Allied Workers Association of the

Philippines which since 1947 entered into a collective bargaining and closed shop agreement with said Company. Said agreement has been renewed from time to time, that is, in 1949, 1950 and 1953. During the milling season of 1953-1954, there were a total of 1,198 laborers and employees in that Company, both permanent and temporary, and about 736 thereof were members of said union, which shows that at least 2/3 of the total number of employees and laborers were affiliated with said union and as such it has the requisite number to conclude a collective bargaining contract under the law [Section 12 subsection (a), Republic Act 875]. On the other hand, it appears that it was only as late as July or August, 1953, that another union was formed, under the leadership of Humberto M. Tutaan most of whom were members of the Allied Workers Association which union was registered in the Department of Labor only on January 23, 1954. The new collective bargaining agreement was signed on December 19, 1953.

Considering this factual background, can we say that the Court of Industrial Relations was correct in holding that this agreement is illegal because, in its opinion, it violates Section 12, subsection (d) of Republic Act 875, which permits an employer to petition the court for an election "if there has been no certification election held during the twelve month's prior to the date of the request of the employees, and if the employer has reasonable doubt as to the bargaining representative of the employees in the appropriate unit." Let us analyze the provisions of the law concerning the conclusion of collective bargaining agreements.

There are four different ways under which a collective bargaining agreement may be entered into between the employer and his employees. These are the ones specified in subdivisions (a), (b), (c) and (d) of Section 12 of Republic Act 875 which, for purposes of reference, we quote:

> "(a) The labor organization designated or selected for the purpose of collective bargaining by the majority of the employees in an appropriate collective bargaining unit shall be the exclusive representative of all the employees in such unit for the purpose of collective bargaining in respect to rates of pay, wages, hours of employment, or other

conditions of employment: Provided, That any individual employee or group of employees shall have the right at any time to present grievances to their employer.

"(b) Whenever a question arises concerning the representation of employees, the Court may investigate such controversy and certify to the parties in writing the name of the labor organization that has been designated or elected for the appropriate bargaining unit. In any such investigation, the Court shall provides for a speedy and appropriate hearing upon due notice and if there is any reasonable doubt as to whom the employees have choosen as their representative for purposes of collective bargaining, the Court shall order a secret ballot election to be conducted by the Department of Labor, to ascertain who is the freely chosen representative of the employees under such rules and regulations as the Court may prescribe, at which balloting representatives of the contending parties shall have the right to attend as inspectors. Such a balloting shall be known as a 'certification election' and the Court shall not order certifications in the same unit more often than once in twelve months. The organization receiving the majority of votes cast in such election shall be certified as the exclusive bargaining representative of such employees.

"(c) In an instance where a petition is filed by at least ten per cent of the employees in the appropriate unit requesting an election, it shall be mandatory on the Court to order an election for the purpose of determining the representative of the employees for the appropriate bargaining unit.

"(d) When requested to bargain collectively, an employer may petition the Court for an election if there has been no certification election held during the twelve months prior to the date of the requests of the employees, and if the employer has reasonable doubt as to the bargaining representative of the employees in the appropriate unit."

Note that under the first method, a majority of the employees may designate the labor organization it may choose to act as its

representative for the purpose of collective bargaining, which it can do without court intervention, and the organization so designated may immediately conclude a collective bargaining agreement with its employer. [subsection (a)]. The second method, on the other hand, requires judicial investigation to determine which labor organization has been designated as the representative of the employees whenever a question arises concerning such representation. And if the court should find reasonable doubt as to whom the employees have chosen after such investigation, it shall order a certification election [subsection (b)]. The third method authorizes at least 10 per cent of the employees in the appropriate unit to request an election, which shall be mandatory on the court whenever a petition is filed requesting such election to determine the representation of the employees [subsection (c)]. And the fourth method is the one which permits an employer to petition the court for an election if there has been no certification election held during the twelve months prior to the date of the request of the employees, and if the employer has reasonable doubt as to the bargaining representative of the employees in the appropriate unit [subsection (d)].

In the case at bar, the method pursued by the Bacolod Murcia Milling Co., Inc. and its employees is that provided for in subsection (a). This they did when in 1947 they entered into a collective bargaining and closed shop agreement, which was renewed in 1949, 1950 and 1953. And this was made possible because of the organization of the Allied Workers Association. Considering that this was the only labor union then organized among said employees, for the other union was validly organized only on January 23, 1954, when it was registered in the Department of Labor, there-was therefore no reason for the application of the other three methods of collective bargaining, and so it was a mistake to hold that the agreement concluded between them on December 19, 1953 has not been entered into in accordance with law. Nor can it be said that the fourth method prescribed in subsection (d) is applicable, as found by the court, for neither the employer has asked for any certification election, nor has it any doubt as to the bargaining representative of the employees.

> "Labor organization is not considered legitimate in contemplation of law unless that requirement has been complied with. Thus, the law postulates that 'a legitimate labor

> organization is an organization, association or union of laborers duly registered and permitted to operate by the Department of Labor', and that 'the registration of, and the issuance of a permit to, any legitimate labor organization shall entitle it to all the rights and privileges granted by law.' (Sections 1 and 2, Commonwealth Act No. 213.) To be considered a legitimate labor organization with the right to enjoy all the rights and privileges recognized by law, it is therefore necessary that it be registered and permitted to operate as required by law." (Philippine Land-Air-Sea Labor Union (PLAS-LU), Inc. vs. Court of Industrial Relations, 93 Phil., 747; 49 Of Gaz., [9] 3859.)

Another ground on which the Court of Industrial Relations predicates the invalidity of the agreement in question is that some of its stipulations contravene the provisions of the law which prohibits unfair labor practices. The court expressed the opinion that said stipulations tend so impair the right of the employees to self-organization for they have the effect of forcing the employees to become or remain a member of a labor organization on pain of losing their employment if they join any other labor union. And this, it contains, constitutes unfair labor practice.

With the finding, we disagree for it ignores the specific, provision of our law which precisely recognizes the conclusion of a closed shop agreement. Thus, in Section 4, subsection (a), paragraph 4, of Republic Act No. 875, it is expressly provided "That nothing in this Act or in any other Act or statute of the Republic of the Philippines shall preclude an employer from making an agreement with a labor organization to require as a condition of an employment membership therein, if such labor organization is the representative of the employees." And in a similar case where the dismissed employees raised the validity of an agreement of this nature, this Court made the following comment: "'The closed-up contract' it is said 'is the most prized achievement of unionism. It adds membership and compulsory dues. By holding out to loyal members a promise of employment in the closed-shop, it welds group solidarity.' (Handler, Notes, 48 Yale Law Journal 1053, 1059; Francisco, Labor Laws p. 186.)" Then, after stating the arguments pro and con, the Court concluded:

> "'Closed-shop agreement is an agreement whereby an employer binds himself to hire only members of the contracting union who must continue to remain members in good standing to keep their jobs.' While there are arguments in favor of, and against the closed-shop agreement' Congress, in the exercise of its policy making power, has approves the closed-shop, in Section 4, subsection (a) paragraph 4 of Republic Act No. 875." (National Labor Union, vs. Aguinaldo's Echaque, Inc., Off. Gaz., No. 6, p. 2899.)

**WHEREFORE**, the Decision appealed from is **REVERSED**, without pronouncement as to costs.

**Paras, *C.J.*, Bengzon, Padilla Montemayor, Labrador, Reyes, Endencia and Felix, *JJ.*, concur.**

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