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SUPREME COURT
THIRD DIVISION

CALTEX REFINERY EMPLOYEES ASSOCIATION (CREA),
***Petitioner*,**

-versus-

G.R. No. 123782
September 16, 1997

HON. JOSE S. BRILLANTES, in his capacity as Acting Secretary of the Department of Labor and Employment, and CALTEX (PHILIPPINES), Inc.,
***Respondents*.**
x---x

R E S O L U T I O N

PANGANIBAN, *J.*:

Unless shown to be clearly whimsical, capricious or arbitrary, the orders or resolutions of the secretary of labor and employment resolving conflicts on what should be the contents of a collective bargaining agreement will be respected by this Court. We realized that, oftentimes, such orders and resolutions are based neither on

definitive shades of black or white, nor on what is legally right or wrong. Rather, they are grounded largely on what is possible, fair and reasonable under the peculiar circumstances of each case.

Statement of the Case

Petitioner Caltex Refinery Employees Association (CREA) seeks through Rule 65 of the Rules of Court "reversal or modification" of three orders of public respondent, then Acting Secretary of Labor and Employment Jose S. Brillantes, in Case No. OS-AJ-0044-95[1] entitled "In re: Labor Dispute at Caltex (Phils.), Inc." The disposition of the first assailed Order[2] of public respondent dated October 9, 1995 reads:[3]

> "WHEREFORE, ON THE BASIS OF THE FOREGOING, the Caltex Refinery Employees Association and Caltex Philippines, Inc. are hereby directed to execute a new collective bargaining agreement embodying therein the appropriate dispositions above spelled out including those subject of previous agreements.
>
> Provisions in the old CBA, or existing benefits subject of Company policy or practice not otherwise modified or improved herein are deemed maintained.
>
> New demands not otherwise touched upon or disposed of are hereby denied."

The motions for reconsideration and clarification of the above Order filed by both petitioner and private respondent were denied in the second assailed Order dated November 21, 1995, which disposed:[4]

> "WHEREFORE, except the modifications hereinabove set forth, the Order dated 9 October 1995 is hereby affirmed.
>
> Moreover, pursuant to the Agreement reached by the parties on 13 September 1995 for this Office to commence the proceedings concerning the legality of strike and the termination of the union officers, after the resolution of the CBA issues, both parties are hereby directed to submit their position papers and

> evidence within ten (10) days from receipt of a copy of this Order. For this purpose, Atty. Tito F. Genilo is hereby designated as Hearing Officer and authorized as such, to immediately conduct hearings and receive evidence and, thereafter, submit his report and recommendations thereon."

Petitioner's second motion for reconsideration of the above Order was likewise denied by the third assailed Order dated January 9, 1996, as follows:[5]

> "WHEREFORE, PREMISES CONSIDERED, our Order of 21 November 1995 is hereby affirmed en toto, subject to the afore-mentioned clarification on the issue of Sunday work.
>
> No further motions of this nature shall be entertained by this Office.
>
> The parties are given another ten (10) days from receipt hereof to submit their respective position papers and evidences (sic) relative to the issue of the legality of strike and termination of the union officers."

The Facts

Anticipating the expiration of their Collective Bargaining Agreement on July 31, 1995, petitioner and private respondent negotiated the terms and conditions of employment to be contained in a new CBA. The negotiation between the two parties was participated in by the National Conciliation and Mediation Board (NCMB) and the Office of the Secretary of Labor and Employment. Some items in the new CBA were amicably arrived at and agreed upon, but others were unresolved.

To settle the unresolved issues, eight meetings between the parties were conducted. Because the parties failed to reach any significant progress in these meetings, petitioner declared a deadlock. On July 24, 1995, petitioner filed a notice of strike. Six (6) conciliation meetings conducted by the NCMB failed to settle the parties' differences. Then, the parties held marathon meetings at the plant level, but this remedy proved also unavailing.

During a strike vote on August 16, 1995, the members of petitioner opted for a walkout. Private respondent then filed with the Department of Labor and Employment (DOLE) a petition for assumption of jurisdiction in accordance with Article 263 (g) of the Labor Code.

In an Order dated August 22, 1995, public respondent assumed jurisdiction "over the entire labor dispute at Caltex (Philippines) Inc.," with the following disposition:[6]

> "WHEREFORE, ABOVE PREMISES CONSIDERED, this Office hereby assumes jurisdiction over the entire labor dispute at Caltex (Philippines) Inc. pursuant to Article 263 (g) of the Labor Code, as amended.
>
> Accordingly, any strike or lockout, whether actual or intended, is hereby enjoined.
>
> The parties are further directed to cease and desist from committing any and all acts which might exacerbate the situation.
>
> To expedite the resolution of the instant dispute, the parties are further directed to submit their respective position papers and evidence within ten (10) days from receipt hereof."

In defiance of the above Order expressly restraining any strike or lockout, petitioner began a strike and set up a picket in the premises of private respondent on August 25, 1995. Thereafter, several company notices directing the striking employees to return to work were issued, but the members of petitioner defied them and continued their mass action.

In the course of the strike, DOLE Undersecretary Bienvenido Laguesma interceded and conducted several conciliation meetings between the contending parties. He was able to convince the members of the union to return to work and to enter into a memorandum of agreement with private respondent. On September

9, 1995, the picket lines were finally lifted. Thereafter, the contending parties filed their position papers pertaining to unresolved issues.[7]

Because of the strike, private respondent terminated the employment of some officers of petitioner union. The legality of these dismissals brought additional contentious issues.[8]

Again, the parties tried to resolve their differences through conciliation. Failing to come to any substantial agreement, the parties stopped further negotiation and, on September 13, 1995, decided to refer the problem to the secretary of labor and employment:[9]

> "It appearing that the possibility of an amicable settlement appears remote, the parties agreed to submit their respective position paper and evidence simultaneously on 27 September 1995 at the Office of the Secretary. The parties further agreed that there will be no extension of time for filing and no further pleading will be filed.
>
> The decision of the Secretary of Labor and Employment will be rendered on or before October 9, 1995.
>
> The proceedings concerning the legal issues involving the legality of strike and the termination of the Union officers will be commenced by the Office of the Secretary after the resolution of the CBA issues."

As already stated, public respondent issued as scheduled on October 9, 1995 the assailed Order resolving the deadlock, followed by two more assailed Orders on November 21, 1995 and January 16, 1996 disposing of the motions for reconsideration/clarification of both parties. Dissatisfied with these Orders issued by public respondent, petitioner sought remedy from this Court.

After realizing the urgency of the case and after meticulously reviewing the Petition dated February 23, 1996; Comment by the private respondent dated April 16, 1996 which was adopted as its own by the public respondent; Reply by the petitioner dated September 7, 1996; Rejoinder dated October 3, 1996 and Sur-Rejoinder dated

November 12, 1996, the Court resolved to give due course to the petition and to consider the case submitted for resolution without requiring memoranda from the parties.

The Issues

Petitioner does not specifically pinpoint the issues it wants the Court to rule upon. It appears, however, that petitioner questions public respondent's resolution of five issues in the CBA, specifically on wage increase, union security clause, retirement benefits or application of the new retirement plan, signing bonus and grievance and arbitration machineries.

Private respondent, on the other hand, submits this lone issue:[10]

> "Whether or not the Honorable Secretary of Labor and Employment committed grave abuse of discretion in resolving the instant labor dispute."

The Court's Ruling

The petition is partly meritorious.

Preliminary Matter: Certiorari in Labor Cases

At the outset, we must reiterate several settled rules in a petition for certiorari involving labor cases.

First, the factual findings of quasi-judicial agencies (such as the Department of Labor and Employment), when supported by substantial evidence, are binding on this Court and entitled to great respect, considering the expertise of these agencies in their respective fields.[11] It is well-established that findings of these administrative agencies are generally accorded not only respect but even finality.[12]

Second, substantial evidence in labor cases is such amount of relevant evidence which a reasonable mind will accept as adequate to justify a conclusion.[13]

Third, in Flores vs. National Labor Relations Commission[14] we explained the role and function of Rule 65 as an extraordinary remedy:

> "It should be noted, in the first place, that the instant petition is a special civil action for certiorari under Rule 65 of the Revised Rules of Court. An extraordinary remedy, its use is available only and restrictively in truly exceptional cases — those wherein the action of an inferior court, board or officer performing judicial or quasi-judicial acts is challenged for being wholly void on grounds of jurisdiction. The sole office of the writ of certiorari is the correction of errors of jurisdiction including the commission of grave abuse of discretion amounting to lack or excess of jurisdiction. It does not include correction of public respondent NLRC's evaluation of the evidence and factual findings based thereon, which are generally accorded not only great respect but even finality.
>
> No question of jurisdiction whatsoever is being raised and/or pleaded in the case at bench. Instead, what is being sought is a judicial re-evaluation of the adequacy or inadequacy of the evidence on record, which is certainly beyond the province of the extraordinary writ of certiorari. Such demand is impermissible for it would involve this Court in determining what evidence is entitled to belief and the weight to be assigned it. As we have reiterated countless times, judicial review by this Court in labor cases does not go so far as to evaluate the sufficiency of the evidence upon which the proper labor officer or office based his or its determination but is limited only to issues of jurisdiction or grave abuse of discretion amounting to lack of jurisdiction."

We shall thus use the foregoing time-tested standards in deciding this petition.

1. Wage Increase

The main assailed Order dated October 9, 1995 resolved the ticklish demand for wage increase as follows:[15]

> "With this in mind and taking into view similar factors as financial capacity, position in the industry, package of existing benefits, inflation rate, seniority, and maintenance of the wage differentiation between and among the various classes of employees within the entire Company, this Office hereby finds the following improved benefits fair, reasonable and equitable:
>
> 1. Wage increases
>
>   Effective August 1, 1995 — 14%
>   Effective August 1, 1996 — 14%
>   Effective August 1, 1997 — 13%
>
> 2. Meal subsidy — P15.00"

In denying the motions for reconsideration/clarification of the above award, public respondent ruled in the challenged Order dated November 21, 1995:[16]

> "First, on the matter of wages, we find no compelling reasons to alter or modify our award after having sufficiently passed upon the same arguments raised by both parties in our previous Order. The subsequent agreement on a package of wage increases at Shell Company, adverted to by the Union as the usual yardstick for purposes of developing its own package of improved wage increases, would not be sufficient basis to grant the same increases to the Union members herein considering that other factors, among which is employment size, were carefully taken into account. While it is true that inflation has direct impact on wage increases, it is not quite accurate to state that inflation 'as of September 1995' is already registered at 11.8%. The truth of the matter is that the average inflation for the first ten (10) months was only 7.496% and Central Bank projections indicate that it will take a 13.5% inflation for November and December to record an average inflation of 8.5% for the year. We, therefore, maintain the reasonableness of the package of wage increases that we awarded."

Petitioner belittles the awarded increases. It insists that the increase should be ruled on the basis of four factors: "(a) the economic needs

of the union's members; (b) the company's financial capacity; (c) the bargaining history between the union and the company; and (d) the traditional parity in wages between Caltex and Shell Refinery Employees."[17]

Petitioner contends that the "inflation rate rose to 11.8% in September 1995, rose further in October, and is still a double-digit figure at the time of this writing." Therefore, public respondent's so-called "improved benefits" are in reality "retrogressive."[18]

Petitioner tries to show private respondent's "immense financial capacity" by citing Caltex's "Banaba Housing Up-grading" which would cost "not less than P200,000,000.00"[19] Petitioner does "not begrudge" private respondent's "pampering of its refinery managers and supervisors," but asks that the rank and file employees be "not left too far behind."[20]

Petitioner maintains that the salaries of Shell Refinery employees be used as a "reference point" in upgrading the compensation of private respondent's employees because these two companies are in the "same industry and their refineries are both in Batangas." Thus, the wage increase of petitioner's members should be "15%/15%/15%."[21]

Private respondent counters with a "proposed 9% 7% 7% increase for the same period with automatic adjustment should the increase fall short of the inflation rate." Hence, the Secretary's award of "14% 14% 13%" increase really comes "closer to the Union's position."[22]

Petitioner's arguments fail to impress us. First, the matter of inflation rate was clearly addressed in public respondent's Order dated November 21, 1995. Contrary to petitioner's undocumented claim of 11.8% inflation in September of 1995, the "truth of the matter is that the average inflation for the first ten (10) months was only 7.496%, and Central Bank projections indicate that it will take a 13.5% inflation for November and December to record an average inflation of 8.5% for the year."[23] Second, private respondent's financial capacity has been insufficiently explained in its Comment dated April 16, 1996 in which it stated that the Banaba "upgrading" should not be construed as a yardstick of its financial standing:[24]

> "It is equally amazing how the Union (petitioner) desperately justifies their demands by comparing the 'upgrading cost' of the Company's (private respondent) Banaba Housing Facilities, a matter totally unrelated to the case, to the cost of their demands. The Union not only errs in its choice of yardstick of the Company's capacity to pay, it likewise displays its ignorance of the Banaba Housing Program.
>
> The Banaba Housing Facility is not a benefit. It is an integral part of an indispensable requirement for smooth Plant operations and assurance of an emergency response crew in times of calamities and accidents. Employees who are required to stay in the housing facility are members of the Refinery's emergency response organization. It is also not a case of 'upgrading.' The Banaba Housing Facility was built in 1954. A significant number of its structure are dilapidated and in dire need of rehabilitation and preservation. Finally, Banaba is not a yardstick of the Company's capacity to pay, but rather, an eloquent demonstration of the Company's will to survive and remain globally competitive."

The above reasoning convinces us that such upgrading should not be equated with private respondent's financial capacity to pay the proposed wage increase, but should be evaluated as a business judgment "to survive and remain globally competitive." We believe that the standard proof of a company's financial standing is its financial statements duly audited by independent and credible external auditors."[25] Third, the traditional parity in wages used by petitioner to justify its proposal is flimsy and trivial. Aside from its bare allegation of "similarity" in salaries and locations, petitioner did not proffer any substantial reason to impute grave abuse of discretion on the part of the public respondent. On the other hand, we find private respondent's discussion of this matter reasonable, as the following shows:[26]

> "It is further amazing that the Union continues to use an outmoded concept of the 'Shell yardstick' and 'relative parities in wages' to justify an imperative need for them to keep their traditional edge in pay over their industry counterparts. It is not just a matter of being above the rest. Sound compensation

> principle of higher productivity equals higher pay, as well as, recent developments in the industry have negated this argument. Both Shell and Petron continue to benefit from increasing manpower productivity. Shell, for instance, produces 155,000 barrels per day on a 120 manpower complement of operatives and rank and file; while the Company only produces 65,000 barrels per day with its 221 manpower complement. In addition, the counterpart union at Shell incurs an average overtime rate of 37%, as a percentage of base pay; the Union's overtime rate is 102%.
>
> Thus, the issue is productivity, not sales, and so far, the Company's Refinery is not as productive as Shell's or Petron's. To ask for relative parity in the face of this reality is not only unreasonable, it is likewise illogical.
>
> As it is, the wage increase of 14%, 14% and 13% will result in an average basic salary of P23,510.00 at the end of the three-year cycle. The resulting pay is excessive and disproportionately high compared with the value of the jobs within the bargaining unit. Stated differently, this average salary will be unreasonably high for the skills and qualifications needed for the job.
>
> Even now, with an average monthly salary (prior to the DOLE awarded CBA increases) of P16,010 plus overtime, holiday and other premiums way above those mandated by law, the Union members are already the highest paid in the Philippines, in terms of gross income."

The alleged "similarity" in the situation of Caltex and Shell cannot be considered a valid ground for a demand of wage increase, in the absence of a showing that the two companies are also similar in "substantial aspects," as discussed above. Private respondent is merely asking that an employee should be paid on the basis of work done. If such employee is absent on a certain day, he should not, as a rule, be paid wages for that day. And if the employee has worked only for a portion of a day, he is not entitled to the pay corresponding to a full day. A contrary precept would ultimately result in the financial ruin of the employer. The age-old general rule governing relations between labor and capital, or management and employee, is "a fair

day's wage for a fair day's work." If no work is performed by the employee, there can be no wage or pay unless, of course, the laborer was ready, willing and able to work but was locked out, dismissed, suspended or otherwise illegally prevented from working.[27] True, union members have the right to demand wage increases through their collective force; but it is equally cogent that they should also be able to justify an appreciable increase in wages. We observe that private respondent's detailed allegations on productivity are unrebutted. It is noteworthy that petitioner ignored this argument of private respondent and based its demand for wage increase not on the ground that they were as productive as the Shell employees. Thus, we cannot attribute grave abuse of discretion to public respondent.

2. Union Security Clause

In the impugned Order dated October 9, 1995, public respondent's contested resolution on the "union [security] clause" reads:[28]

> "The relevant provisions found in Article III of the CBA, which hereby read, thus:
>
> > 'Section 1. Employees of the COMPANY who at the signing of this Agreement are members of the UNION and those who subsequently become members thereof shall maintain their membership with the UNION for the duration of this Agreement as a condition of employment.
> >
> > 'Section 2. Members of the UNION who cease to be members of the UNION in good standing by reason of resignation or expulsion shall not be retained in the employment of the COMPANY.
>
> x x x
>
> are sought to be amended by the Union, to read as follows:
>
> > 'Section 1. Employees of the Company who at the signing of this Agreement are members of the Union and those who subsequently become members thereof shall maintain their membership in GOOD STANDING with

> > the Union for the duration of this Agreement as a condition of CONTINUOUS employment.
> >
> > Section 2. PURSUANT TO THE FOREGOING, ANY UNION MEMBER WHO CEASES TO BE SUCH MEMBER ON GROUNDS PROVIDED IN ITS CONSTITUTION AND BY-LAWS SHALL, UPON PRIOR WRITTEN NOTICE BY THE UNION TO THE COMPANY, BUT SUBJECT TO THE OBSERVANCE OF DUE PROCESS AND THE EXPRESS RATIFICATION OF THE MAJORITY OF THE UNION MEMBERSHIP, BE DISMISSED FROM EMPLOYMENT BY THE COMPANY; PROVIDED, HOWEVER, THAT THE UNION SHALL HOLD THE COMPANY FREE AND BLAMELESS FROM ANY LIABILITY IN THE EVENT THAT THE EMPLOYEE IN ANY MANNER QUESTIONS HIS DISMISSAL.'
>
> The proposed amendment of the Union gives the same substantial effect as the existing provision. Rather, the same tackles more on procedure which, to our belief, is already sufficiently provided under its constitution and by-laws. Insofar as Union security is concerned, this is sufficiently addressed by the present provisions in the CBA. Hence, we find we are not competent to arbitrarily incorporate any modification thereof. We are convinced that any amendment on this matter should be a product of mutual concern and agreement."[29]

Petitioner contends that the foregoing disposition leaving to the parties the decision on the union security clause issue is "contrary to the whole idea of assumption of jurisdiction." Petitioner argues that in spite of the provisions on the "union security clause," it may expel a member only on any of three grounds: non-payment of dues, subversion, or conviction for a crime involving moral turpitude. If the employee's act does not constitute any of these three grounds, the member would continue to be employed by private respondent.

Thus, the disagreement between petitioner and private respondent on this issue is not only "procedural" but also "substantial."[30]

On the other hand, private respondent argues that nothing prevents petitioner from expelling its members; however, termination of employment should be based only on these three grounds agreed upon in the existing CBA. Further, private respondent explains that petitioner's citation of Article 249 (a)[31] of the Labor Code is out of context. It adds that the cited section provides only for the right of a union to prescribe its own rules with respect to the acquisition and retention of membership, and that upholding the arguments of petitioner would make the private respondent a policeman of the union.[32]

We agree with petitioner. The disagreement between petitioner and private respondent on the union security clause should have been definitively resolved by public respondent. The labor secretary should take cognizance of an issue which is not merely incidental to but essentially involved in the labor dispute itself, or which is otherwise submitted to him for resolution.[33] In this case, the parties have submitted the issue of the union security clause for public respondent's disposition. But the secretary of labor has given no valid reason for avoiding the said issue; he merely points out that this issue is a procedural matter. Such vacillation clearly sidesteps the nature of the union security clause as one intended to strengthen the contracting union and to protect it from the fickleness or perfidy of its own members. Without such safeguard, group solidarity becomes uncertain; the union becomes gradually weakened and increasingly vulnerable to company machinations. In this security clause lies the strength of the union during the enforcement of the collective bargaining agreement. It is this clause that provides labor with substantial power in collective bargaining. The secretary of labor assumed jurisdiction over this labor dispute in an industry indispensable to national interest, precisely to settle once and for all the disputes over which he has jurisdiction at his level. In not performing his duty, the secretary of labor committed a grave abuse of discretion.

3. New Retirement Plan

Public respondent's contested resolution on "retirement benefits (application of the new retirement plan)" in the Order dated November 21, 1995 reads:[34]

> "Third, the matter of retirement benefits deserves a second look considering that the concerned employees were already previously granted the option to choose between the old and the new plan at the time the latter was initiated and they chose to be covered under the Old Plan. To accede to the Union's demand to cover them under the new plan entails a different arrangement under a new scheme and likewise requires the approval of a Board of Trustees. It is, therefore, understood that the new Retirement Plan does not apply to the more or less 40 employees being sought by the Union to be covered under the New Plan."

Petitioner contends that "40 of its members who are still covered by the Old Retirement Plan because they were not able to exercise the option to shift to the New Retirement Plan, for one reason or another, when such option was given in the past" are included in the New Retirement Plan. Petitioner argues that the exclusion of forty employees from the New Plan constitutes grave abuse of discretion for three reasons. First, "it is a case of the left hand taking away, so to speak, what the right hand had given." Second, the change "was done for a very shallow reason." The new scheme was no longer new, "as the New Retirement Plan had been in place for at least two years." Third, in not applying the New Retirement Plan to the 40 employees, public respondent was perpetrating his department's discriminatory practice.[35]

Private respondent counters that "these 40 or so employees have opted to remain covered by the old plan despite opportunities given them in 1985 to shift to the New Plan."[36]

We hold that public respondent did not commit grave abuse of discretion in respecting the free and voluntary decision of the employees in regard to the Provident Plan and the irrevocable one-time option provided for in the New Retirement Plan. Although the union has every right to represent its members in the negotiation regarding the terms and conditions of their employment, it cannot negate their wishes on matters which are purely personal and individual to them. In this case, the forty employees freely opted to be covered by the Old Plan; their decision should be respected. The

company gave them every opportunity to choose, and they voluntarily exercised their choice. The union cannot pretend to know better; it cannot impose its will on them.

4. Grievance Machinery and Arbitration

The public respondent's contested resolution on "grievance and arbitration machineries" in the Order dated November 21, 1995 reads:[37]

> "Seventh, we are constrained to take a closer look at the existing procedure concerning grievance in relation to the modifications being proposed by the Union. In this regard, we affirm our resolution to shorten the periods to process/resolve grievances based on existing practice from (45) days to (30) days at the first step and (10) days to seven (7) days at the second step which is the level of the VP for Manufacturing. We further reviewed the steps through which a grievance may be processed and in line with the principle to expedite the early resolution of grievances, we find that the establishment of a joint Council as an additional step in the grievance procedure, may only serve to protract the proceeding and, therefore, no longer necessary. Instead, the unresolved grievance, if, not settled within (7) days at the level of the VP for Manufacturing, shall automatically be referred by both parties to voluntary arbitration in accordance with R.A. 6715. As to the number of Arbitrators for which the Union proposes to employ only one instead of a panel of three Arbitrators, we find it best to leave the matter to the agreement of both parties. Finally, we hereby advise the parties that the list of accredited voluntary arbitrators is now being maintained and disseminated by the National Conciliation and Mediation Board and no longer by the Bureau of Labor Relations."

Petitioner contends that public respondent "derailed the grievance and arbitration scheme proposed by the Union."[38] Petitioner argues that the proposed "Grievance Settlement Council" is intended to "supplement the effort of the Vice President for Manufacturing in reviewing the grievance elevated to him, so that instead of acting alone he will be obliged to convoke a conference of the Council to afford the grievant a thorough hearing." Petitioner's recommendation

for a “single arbitrator is based on the proposition that if voluntary arbitration should be resorted to at all this recourse should entail the least possible expense.”[39]

Private respondent counters that the disposition on the grievance machinery is likewise “fair and reasonable under the circumstances and in fact was merely a reiteration of the (u)nion’s position during the conciliation meetings conducted by Undersecretary Bienvenido Laguesma.”[40]

No particular setup for a grievance machinery is mandated by law. Rather, Article 260 of the Labor Code, as incorporated by RA 6715, provides for only a single grievance machinery in the company to settle problems arising from “interpretation or implementation of their collective bargaining agreement and those arising from the interpretation or enforcement of company personnel policies.” Article 260, as amended, reads:

> Article 260. Grievance Machinery and Voluntary Arbitration. The parties to a Collective Bargaining Agreement shall include therein provisions that will ensure the mutual observance of its terms and conditions. They shall establish a machinery for the adjustment and resolution of grievances arising from the interpretation or implementation of their Collective Bargaining Agreement and those arising from the interpretation or enforcement of company personnel policies.

All grievances submitted to the grievance machinery which are not settled within seven (7) calendar days from the date of its submission shall automatically be referred to voluntary arbitration prescribed in the Collective Bargaining Agreement.

For this purpose, parties to a Collective Bargaining Agreement shall name and designate in advance a Voluntary Arbitrator or panel of Voluntary Arbitrators, or include in the agreement a procedure for the selection of such Voluntary Arbitrator or panel of Voluntary Arbitrators, preferably from the listing of qualified Voluntary Arbitrators duly accredited by the Board. In case the parties fail to select a Voluntary Arbitrator or panel of Voluntary Arbitrators, the Board shall designate the Voluntary Arbitrator or panel of Voluntary

Arbitrators, as may be necessary, pursuant to the selection procedure agreed upon in the Collective Bargaining Agreement, which shall act with same force and effect as if the Arbitrator or panel of Arbitrators has been selected by the parties as described above."

We believe that the procedure described by public respondent sufficiently complies with the minimum requirement of the law. Public respondent even provided for two steps in hearing grievances prior to their referral to arbitration. The parties will decide on the number of arbitrators who may hear a dispute only when the need for it arises. Even the law itself does not specify the number of arbitrators. Their alternatives — whether to have one or three arbitrators — have their respective advantages and disadvantages. In this matter, cost is not the only consideration; full deliberation on the issues is another, and it is best accomplished in a hearing conducted by three arbitrators. In effect, the parties are afforded the latitude to decide for themselves the composition of the grievance machinery as they find appropriate to a particular situation. At bottom, we cannot really impute grave abuse of discretion to public respondent on this issue.

5. Signing Bonus

The public respondent's contested resolution on the "signing bonus" in the Order dated November 21, 1995 reads:[41]

> "Fifth, specifically on the issue of whether the signing bonus is covered under the 'maintenance of existing benefits' clause, we find that a clarification is indeed imperative. Despite the expressed provision for a signing bonus in the previous CBA, we uphold the principle that the award for a signing bonus should partake the nature of an incentive and premium for peaceful negotiations and amicable resolution of disputes which apparently are not present in the instant case. Thus, we are constrained to rule that the award of signing bonus is not covered by the 'maintenance of existing benefits' clause."

Petitioner asseverates that the "signing bonus is an existing benefit embodied in the old CBA."[42] It explains that public respondent erred in removing the award of a signing bonus which is "given not only as

an incentive for peaceful negotiations and amicable settlement of disputes but also as an extra award to the workers following the settlement of a CBA dispute by whatever means."[43]

Private respondent disagrees, contending that a signing bonus is not awarded when CBA negotiations "result in a strike." There are two reasons therefor: First, "the grant of a signing bonus is a matter of discretion and cannot be demanded as a matter of right;" and second, the signing bonus is meant as an incentive for a peaceful negotiation. Once these negotiations result in a strike, an illegal one at that, the basis or rationale for such an award is lost."[44]

Although proposed by petitioner,[45] the signing bonus was not accepted by private respondent.[46] Besides, a signing bonus is not a benefit which may be demanded under the law. Rather, it is now claimed by petitioner under the principle of "maintenance of existing benefits" of the old CBA. However, as clearly explained by private respondent, a signing bonus may not be demanded as a matter of right. If it is not agreed upon by the parties or unilaterally offered as an additional incentive by private respondent, the condition for awarding it must be duly satisfied. In the present case, the condition sine qua non for its grant — a non-strike — was not complied with. In fact, private respondent categorically stated in its counter-proposal — to the exclusion of those agreed upon before — that the new collective bargaining agreement would constitute the only agreement between the parties, as follows:

> "SEC. 4. Scope of Agreement. — The terms and conditions of employment of the employees within the appropriate bargaining unit are embodied in this Agreement. On the other hand, all such benefits which are not expressly provided for in this Agreement, but which are now being accorded, may in the future be accorded, or might have been previously accorded to employees, by the COMPANY shall be deemed as purely discretionary or pure acts of grace and magnanimity on the part of the COMPANY in each particular case, and the continuance or repetition thereof now or in the future, no matter how long or how often, shall not be construed as establishing a right for the employee and/or obligation on the part of the COMPANY."[47]

This provision on the scope of the agreement is further buttressed by the clause on waiver:[48]

> "The parties acknowledge that during the negotiations which resulted in the execution of this Agreement, each of them had the unlimited opportunity to make demands and proposals with respect to any and all subjects and matters proper for collective bargaining and not prohibited by law; and the parties further acknowledge that the understandings and agreements arrived at by them after the exercise of that right and unlimited opportunity are fully set forth in this Agreement. Therefore, the COMPANY and the UNION during the life of this Agreement, each voluntarily and unqualifiedly waives the 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 subject 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."

Epilogue

We have carefully reviewed the assailed Orders. Other than his failure to rule on the issue of union security, the secretary of labor cannot be indicted for grave abuse of discretion amounting to want or excess of jurisdiction.

> "Basically, there is grave abuse of discretion amounting to lack of jurisdiction where the respondent board, tribunal or officer exercising judicial functions exercised its judgment in a capricious, whimsical, arbitrary or despotic manner. However, it has also been said that grave abuse is committed when "the lower court acted capriciously, and whimsically or the petitioner's contention appears to be clearly tenable or the broader interest of justice or public policy [so] require." Also, grave abuse of discretion is committed when the board, tribunal or officer exercising judicial function fails to consider evidence adduced by the parties."[49]

In Saballa vs. National Labor Relations Commission,[50] we ruled on how a decision of an administrative body must be drawn:

> "The Court has previously held that judges and arbiters should draw up their decisions and resolutions with due care, and make certain that they truly and accurately reflect their conclusions and their final dispositions. The same thing goes for the findings of fact made by the NLRC, as it is a settled rule that such findings are entitled to great respect and even finality when supported by substantial evidence; otherwise, they shall be struck down for being whimsical and capricious and arrived at with grave abuse of discretion. It is a requirement of due process and fair play that the parties to a litigation be informed of how it was decided, with an explanation of the factual and legal reasons that led to the conclusions of the court. A decision that does not clearly and distinctly state the facts and the law of which it is based leaves the parties in the dark as to how it was reached and is especially prejudicial to the losing party, who is unable to pinpoint the possible errors of the court for review by a higher tribunal."

In the present case, the foregoing requirement has been sufficiently met. Petitioner's claim of grave abuse of discretion is anchored on the simple fact that public respondent adopted largely the proposals of private respondent. It should be understood that bargaining is not equivalent to an adversarial litigation where rights and obligations are delineated and remedies applied. It is simply a process of finding a reasonable solution to a conflict and harmonizing opposite positions into a fair and reasonable compromise. When parties agree to submit unresolved issues to the secretary of labor for his resolution, they should not expect their positions to be adopted in toto. It is understood that they defer to his wisdom and objectivity in insuring industrial peace. And unless they can clearly demonstrate bias, arbitrariness, capriciousness or personal hostility on the part of such public officer, the Court will not interfere or substitute the said officer's judgment with its own. In this case, it is possible that this Court, or some its members at least, may even agree with the wisdom of petitioner's claims. But unless grave abuse of discretion is cogently shown, this Court will refrain from using its extraordinary power of

certiorari to strike down decisions and orders of quasi-judicial officers specially tasked by law to settle administrative questions and disputes. This is particularly true in the resolution of controversies in collective bargaining agreements where the question is rarely one of legal right or wrong — nay, of black and white — but one of wisdom, cogency and compromise as to what is possible, fair and reasonable under the circumstances.

WHEREFORE, premises considered, the petition is partly **GRANTED**. The assailed Orders are **AFFIRMED** with the modification that the issue on the union security clause be **REMANDED** to the Department of Labor and Employment for definite resolution within one month from the finality of this Decision. No costs.

SO ORDERED.

Narvasa, *C.J.*, Romero, Melo and Francisco, *JJ.*, concur.

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[1] With National Conciliation and Mediation Board case number NCMB-RBIV-NS-07-088-95.
[2] Rollo, pp. 164-178.
[3] Ibid., p. 178.
[4] Ibid., p. 204.
[5] Ibid., p. 242.
[6] Ibid., pp. 47-48.
[7] Ibid., p 285.
[8] Ibid., p. 165.
[9] Ibid., p 166.
[10] Ibid., p. 288; original text in upper case.
[11] Association of Marine Officers and Seamen of Reyes and Lim Co. vs. Laguesma, 239 SCRA 460, 465, December 27, 1994, citing Loadstar Shipping Co., Inc. vs. Gallo, G.R. No. 102845, February 4, 1994; PAL Employees' Association vs. Ferrer-Calleja, 162 SCRA 426.
[12] Villanueva, Sr. vs. Leogardo, Jr. 215 SCRA 835, 838, November 20, 1992, citing Special Events & Central Shipping Office Workers Union vs. San Miguel Corp., 122 SCRA 557.
[13] Madlos vs. National Labor Relations Commission, 254 SCRA 248, 257, March 4, 1996, citing Section 5, Rule 133, Rules of Court. See Rase vs. NLRC, 237 SCRA 523 (1994).
[14] 253 SCRA 494, 497, February 9, 1996, per Panganiban, J., citing Sajonas vs. NLRC, 183 SCRA 182, March 15, 1990; Special Events & Central Shipping

Office Workers Union vs. San Miguel Corporation, supra, and Yap vs. Inciong, 186 SCRA 664, June 21, 1990.

[15] Ibid., p. 172.

[16] Ibid., p. 202.

[17] Ibid., p. 12.

[18] Ibid., p. 14.

[19] Ibid., pp. 15-16.

[20] Ibid., p. 16.

[21] Ibid., pp. 18-20.

[22] Ibid., p. 290.

[23] Ibid., p. 202.

[24] Ibid., pp. 291-292; Comment, pp. 11-12.

[25] Saballa vs. National Labor Relations Commission, 260 SCRA 697, 709, August 22, 1996 per Panganiban, J. citing Lopez Sugar Corporation vs. Federation of Free Workers, 189 SCRA 179, 190, August 30, 1990.

[26] Comment, pp. 12-13; Rollo, pp. 292-293.

[27] Social Security System vs. SSS Supervisors' Union, 117 SCRA 746, 749, October 23, 1982, citing J.P. Heilbronn Co. vs. National Labor Union, 92 Phil. 577 (1953).

[28] Rollo, p. 20.

[29] Ibid., pp. 175-176.

[30] Ibid., p. 25.

[31] Article 249. Unfair labor practices of labor organizations. — It shall be unfair labor practice for a labor organization, its officers, agents or representatives:

(a) To restrain or coerce employees in the exercise of their rights to self-organization. However, a labor organization shall have the right to prescribe its own rules with respect to the acquisition or retention of membership.

x x x"

[32] Comment, pp. 13-15; Rollo, pp. 293-295.

[33] St. Scholastica's College vs. Torres, 210 SCRA 565, 571, June 29, 1992.

[34] Rollo, p. 202.

[35] Ibid., pp. 26-29.

[36] Ibid., p. 295.

[37] Ibid., pp. 203-204.

[38] Ibid., p. 36.

[39] Ibid., pp. 36-38.

[40] Ibid., p. 297.

[41] Ibid., p. 203.

[42] Ibid., p. 30; underscoring omitted.

[43] Ibid., pp. 32-33.

[44] Ibid., pp. 297-298.

[45] Ibid., p. 121.

[46] Ibid., p. 136.

[47] Counter-Proposal of Caltex, p. 3; Rollo, p. 130.

[48] Ibid., p. 10; Rollo, p. 137.

[49] Philippine Airlines, Inc. vs. Confessor, 231 SCRA 41-42, March 10, 1994, per Nocon, J.
[50] G.R. No. 102472-84, August 22, 1996, per Panganiban, J.

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