SUPREME COURT
SECOND DIVISION

NATIONAL FEDERATION OF LABOR UNION (NAFLU) AND TERESITA LORENZO, ET AL.,
***Petitioners*,**

-versus-

G.R. No. L-68661
July 22, 1986

HON. MINISTER BLAS OPLE, as Minister of Labor and Employment; LAWMAN INDUSTRIAL/LIBRA GARMENTS/DOLPHIN ENTERPRISES,
***Respondents*.**
x----------x

D E C I S I O N

GUTIERREZ, JR., *J.*:

The only issue raised in this Petition is whether or not, on the basis of the findings of the public respondent that the respondent company was guilty of unfair labor practice, the petitioners should be reinstated to their former positions without loss of seniority rights and with full backwages.

The background facts which led to the filing of the instant petition are summarized in the assailed decision as follows:

"On September 8, 1982, the National Federation of Labor Union (NAFLU) filed a request for conciliation before the Bureau of Labor Relations requesting for the intervention in its dispute with management involving certain money claims, refusal to conclude a collective agreement after such has been negotiated and run-away shop undertaken by management in order to bust the union.

"Several conferences were conducted by the Bureau to settle the dispute amicably. In the course of the proceedings, however, management unilaterally declared a temporary shutdown on September 15, 1982.

"On September 23, 1982, the management of Lawman Industrial promised the union 'that it will start the normalization of operations at Lawman effective January, 1983.'

"On October 11, 1982, after all efforts to mediate the charges of unfair labor practice and non-payment of certain money claims have failed, the union filed its notice of strike.

"On November 9, 1982, the firm offered payment of P200,000. as complete settlement of all claims inclusive of the separation pay from the company. The union rejected the offer which it felt was tantamount to a proposal to eliminate the union and final separation of its members from the company.

"Efforts of conciliation proved futile. Until the last conference on January 6, 1983, the company had failed to resume operations alleging poor business conditions.

"Meanwhile, the union filed a complaint for unfair labor practice against the management of Lawman sometime December 1982 docketed as Case No. 11-695-82 (NAFLU vs. Lawman) pending before the Metro Manila Branch of the NLRC.

"Notwithstanding the commitment of management to resume operations in January, 1983 and even with the expiration on March 15, 1983 of the provisional shutdown, the period of shutdown was extended without notifying this Office of such extension. On March 17, 1983, this Office issued the Order now in question.

"On May 20, 1983, respondent filed a motion for reconsideration alleging that it had suffered losses as shown by its financial statements. In view thereof, it informed this Ministry of its decision to effect a shutdown on September 8, 1982 and to circularize a memorandum on November 2, 1982 announcing the cessation of operations.

"The company alleged further that it had no more plant and building because they were allegedly repossessed by the Pioneer Texturizing Corporation for the failure of respondent to pay rentals as evidenced by the letter of Mr. Eugenio Tan dated August 10, 1982 stating that respondent is given fifteen (15) days to settle its accounts, otherwise an action for repossession and ejectment would be instituted against it.

"Nonetheless, the company offered to pay every employee affected by the shutdown a separation pay of P328.95 each.

"On June 6, 1983, the National Federation of Labor Unions (NAFLU) submitted a position paper alleging that it was certified by the Bureau of Labor Relations as the sole and exclusive bargaining agent of all the rank and file employees of the said factory. Negotiations followed in October 1981 until January 1982. The management refused to grant substantial economic demands to the workers, hence, the union declared a strike in July 1982. Thru the efforts of the Bureau of Labor Relations, the strike was settled in July 1982. The management agreed as follows: Wage increase, P1.00 for the first year; P1.00 for the second year and P1.00 for the third year of the contract. Vacation and sick leaves were also granted and other fringe benefits. The collective bargaining agreement was supposed to be effective September 1982.

> "But the actual partial shutdown began in August 1982. It appears moreover that at night, machines were dismantled, hauled out and then installed at No. 43 Engineering Road, Araneta University compound, Malabon, Metro Manila and the name of Lawman was changed to LIBRA GARMENTS. Under that name, new applicants for employment were called even as the company continued to manufacture the same products but under the name of LIBRA GARMENTS. When this was discovered by the workers, LIBRA GARMENTS was changed to DOLPHIN GARMENTS."

On March 17, 1983, the Minister of Labor and Employment issued an order, stating:

> "In view of the foregoing, this office hereby assumes jurisdiction over the dispute at Lawman Industrial Corporation pursuant to Art. 264 (g) of the Labor Code. All employees affected by the extended shutdown which is highly irregular, are ordered to return to work and management is directed to accept all returning workers under the same terms and conditions prevailing previous to the illegal shutdown. Management is further directed to pay severance compensation including all unpaid wages previous to the shutdown and after March 15, 1983 in the event that the company cannot resume operations. All pending cases including Case No. 11-695-82 (NAFLU vs. Lawman) are hereby ordered consolidated to this Office for resolution. Pending the determination of the charges on illegal lockout runaway-shop and the pending money claims against the company, Lawman Industrial is hereby enjoined from transferring ownership or otherwise effecting any encumbrance or any of its existing assets in favor of any third party without a prior clearance from this Office and timely notice to the union. The company is likewise prohibited from terminating the employment of any of its employees pending the outcome of this dispute.
>
> "This order automatically enjoins a strike or lockout."

On July 31, 1984, the public respondent modified its earlier order and directed the private respondent to pay all accrued wages and benefits

including a one month's pay for its failure to comply with the requirement of notice under Batas Pambansa Blg. 130, as amended and separation pay for all dismissed employees equivalent to one month's pay or one-half month's pay for every year of service whichever is higher computed up to January, 1983 when the company had declared its intention to actually close its operations. However, despite a finding that the private respondent company was guilty of unfair labor practice, the public respondent did not order the reinstatement of the employees concerned "because the company has declared that it had already ceased its operations completely." It is this order for non-reinstatement which is now before us.

The petition is impressed with merit.

We see no reason to disturb the findings of fact of the public respondent, supported as they are by substantial evidence in the light of the well established principle that findings of administrative agencies which have acquired expertise because their jurisdiction is confined to specific matters are generally accorded not only respect but at times even finality, and that judicial review by this Court on labor cases does not go so far as to evaluate the sufficiency of the evidence upon which the Deputy Minister and the Regional Director based their determinations but are limited to issues of jurisdiction or grave abuse of discretion (Special Events and Central Shipping Office Workers Union vs. San Miguel Corporation, 122 SCRA 557).

The findings of the Minister of Labor and Employment embodied in its July 31, 1984 decision are categorical:

> "It is clear from the records of this case that the company bargained in bad faith with the union when pending the negotiation of their collective agreement, the company declared a temporary cessation of its operations which in reality was an illegal lockout. Evidently, the company also maintained run-away shop when it started transferring its machine first to Libra and then to Dolphin Garments. Failure on the part of the company to comply with the requirements of notice and due process to the employees and the Labor Ministry one month before the intended 'closure' of the firm is clearly against the law.

> "There is also evidence on the record that even after the alleged 'shutdown the company was still operating in the name of Lawman Industrial although production was being carried out by another firm called Libra Garments (later Dolphin Garments). When the company declared in its position paper dated May 20, 1983 that all the machines of Lawman had been repossessed by the owner, Pioneer Texturizing Corporation, it admitted the fact that it has violated the 17 March Order of this Office enjoining any encumbrance or transfer of the properties of Lawman without prior clearance from this Office. The evident bad faith, fraud and deceit committed by the company to the prejudice of both the union and the employees who have existing wage claims, some of which are due for execution, leads us to affirm the union's position that the veil of corporate fiction should be pierced in order to safeguard the right to self-organization and certain vested rights which had accrued in favor of the union."

It is very obvious from the above findings that the second corporation seeks the protective shield of a corporate fiction to achieve an illegal purpose. As enunciated in the case of Claparols vs. Court of Industrial Relations (65 SCRA 613) its veil in the present case should, therefore, be pierced as it was deliberately and maliciously designed to evade its financial obligations to its employees. It is an established principle that when the veil of corporate fiction is made as a shield to perpetrate a fraud or to confuse legitimate issues (here, the relation of employer-employee), the same should be pierced (A.D. Santos, Inc. vs. Vasquez, 22 SCRA 1156).

Thus, as Lawman Industrial Corporation was guilty of unfair labor practice, the public respondent's order for reinstatement should follow as a matter of right. In National Mines and Allied Workers Union vs. National Labor Relations Commission (118 SCRA 637), this Court held that it is an established rule that an employer who commits an unfair labor practice may be required to reinstate with full backwages the workers affected by such act (See also Compaña Maritima vs. United Seamen's Union, 104 Phil. 7; Talisay Silay Mining Co. vs. Court of Industrial Relations, 106 Phil. 1081; Velez vs. PAV Watchmen's Union, 107 Phil. 689; Phil, Sugar Institute vs. Court

of Industrial Relations, et al., 109 Phil. 452; Big Five Products Workers Union vs. Court of Industrial Relations, 8 SCRA 559; and MD Transit and Taxi Co. vs. De Guzman, 7 SCRA 726).

After finding that Lawman Industrial Corporation had transferred its business operations to Libra Garments Enterprises, which later changed its name to Dolphin Garments Enterprises, the public respondent cannot deny reinstatement to the petitioners simply because Lawman Industrial Corporation has ceased its operations.

As Libra/Dolphin Garments is but an alter-ego of the old employer, Lawman Industrial, the former must bear the consequences of the latter's unfair acts by reinstating the petitioners to their former positions without loss of seniority rights (See Phil. Land-Air-Sea Labor Union (PLASLU) vs. Sy Indong Co. Rice and Corn Mill, 11 SCRA 277).

To justify its closure, the respondent company argues that it can no longer continue its operations due to serious losses, and in support thereof, presented its financial statements for 1980-1981 and from January to June, 1986.

The alleged losses of the respondent company are more apparent than real. The argument of the private respondent are refuted by the petitioners:

> "As of December 1981, LAWMAN's Cost of Goods Manufactured and Sold was P2,065,822.26 while on June 30, 1982, it was P3,768,609.22. The alleged reason was the entry of Direct Labor under the 'Statement of Cost of Goods Manufactured and Sold' amounting to P1,703,768.27 for 1982. This could only mean that there was a sudden increase in production of LAWMAN necessitating an additional and huge labor cost. Comparing this with the past year (1981), the entry for Direct Labor was only P398,863.40. This tremendous increase in Direct Labor for the six months ending June 1982 was not sufficiently explained by LAWMAN in the proceedings below.
>
> "Even on the entry Administrative Salaries has been increased to justify losses. For June 30, 1982, LAWMAN spent a sizable

P213,752.85 whereas for December 30, 1981, it only spent P47,889.20 without any justifiable reason at all."

In addition, the Solicitor General submits the following observations:

x x x

"The net sales of LAWMAN for the year 1981 was P2,117,203.95 whereas for the shorter period of January to June 1982, its next sales was already P2,359,479.25, surpassing its entire 1981 sales. This clearly shows that the firm was experiencing a sales upswing at the time of its shutdown."

Following the precedent set in Lepanto Consolidated Mining Co. vs. Encarnacion, et al. (136 SCRA 256) and cases cited therein, the petitioner-workers should be reinstated but with backwages not exceeding three years.

WHEREFORE, the Petition for Review is **GRANTED**. The appealed Decision dated July 31, 1984 is hereby **SET ASIDE**. The private respondent is ordered to reinstate the petitioners to positions in LIBRA/DOLPHIN GARMENTS with backwages of not more than three (3) years each and without loss of seniority rights and benefits being enjoyed by them prior to the alleged closure of Lawman's Industrial Corporation.

SO ORDERED.

Feria, Fernan, Alampay and Paras, *JJ.*, concur.