ChanRobles Publishing Company

SUPREME COURT
THIRD DIVISION

UNIVERSAL TEXTILE MILLS, INC. AND PATRICIO LIM,

Petitioners,

-versus-

G. R. No. 87245
April 6, 1990

NATIONAL LABOR RELATIONS COMMISSION, ASSOCIATED LABOR UNIONS — TUCP AND UNIVERSAL TEXTILE MILLS WORKERS UNION-ALU,

Respondents.

x--x

D E C I S I O N

FELICIANO, *J.*:

In this Petition for *Certiorari*, petitioners Universal Textile Mills, Inc. ("Utex") and Patricio Lim seek to annul and set aside the decision of the National Labor Relations Commission ("NLRC") in NLRC-NCR Case No. 7-2038-85 dated 25 January 1988 which reversed a decision of Labor Arbiter Ceferina J. Diosana and directed petitioners to pay Utex's workers an additional basic wage increase of P1.50 starting from 13 March 1982 and continuing indefinitely.

The record shows that on 24 March 1983, petitioner Utex and private respondents Associated Labor Unions — TUCP and Universal Textile Mills Workers Union ("ALU") entered into a Collective Bargaining Agreement ("CBA") which was to be in effect for a period of three (3) years from the said date. The CBA included the following provisions:

"Article V
Wage Increase

"Section 1. — The company hereby grants the following wage increases to all covered employees:

(a) wage increase of P1.50 per day from March 13, 1982 to March 12, 1983 to those with at least one (1) year of service as of March 13, 1982. Any backwages shall be computed exclusively on days actually worked not including overtime, rest day premium, holiday premium, night differential pay, vacation and sick leave; provided, however, that only those still in the payroll as of the date of the signing this is Agreement shall be entitled to any such backwages;

(b) an increase of P1.50 per day effective March 13, 1983 to employees with at least two (2) years of service on such date;

(c) on the second and third years, if conditions so warrant, the Union may seek negotiation for wage adjustments;

x x x
(Italics supplied)

Two years later, between the months of February and July 1985, respondent unions filed several complaints against petitioner Utex, namely:

1. NLRC Case No. 2-480-85 filed on 11 February 1985 for unfair labor practice by reason of the management's alleged

refusal to negotiate concerning wage adjustments for the second and third years of the life of the CBA;

2. NLRC Case No. 7-2038-85 filed on 2 July 1985 for the petitioner's alleged failure and refusal to implement the wage increases provided in Sections 1 (a) and (b) Article V of the CBA;

3. NLRC Case No. 7-2339-85 filed on 25 July 1985 for alleged "deadlock in wage reopening negotiation," due to management's alleged refusal to reopen negotiations for wage adjustments for the second and third years of the CBA.

All the aforementioned cases were subsequently consolidated in the sala of Labor Arbiter Diosana. On 10 July 1986, the parties executed a Memorandum Agreement in which they agreed to dismiss with prejudice all the cases pending before Labor Arbiter Diosana, except NLRC Case No. 7-2038-85.

In due time, in a decision dated 3 November 1986, the Labor Arbiter dismissed NLRC Case No. 7-2038-85 for lack of merit. The Labor Arbiter held that respondent unions had failed to prove their charges against petitioners and that the latter had complied with management's obligations under the CBA.

On appeal by private respondent unions, the NLRC set aside the decision of the Labor Arbiter and directed petitioners to pay the workers a basic wage increase of P1.50 per day which, the NLRC held, was provided under Section 1, paragraph (a), Article V of the CBA, starting from 13 March 1983 and continuing indefinitely. The NLRC held that the P1.50 increase per day from 13 March 1982 to 12 March 1983 embodied in Section 1 (a), Article V of the CBA was a wage increase and not backwages, since said Article V itself refers to "Wage Increase." The NLRC also stated that Section 2 of the same article which provides that "(All) the foregoing increases shall be deemed in compliance with Presidential Decrees/Letters of Instructions and or Wage Orders promulgated as of the date of signing of this Agreement," would be bereft of meaning if the increase granted under Section 1, paragraph (a) were to be considered as mere backwages. On

16 February 1989, the NLRC denied petitioners' Motion for Reconsideration.

Petitioners are now before us assailing the above ruling of the NLRC and submitting that the NLRC cannot order petitioners to continue to pay the covered employees the P1.50/day provided in Section 1 (a) of Article V of the CBA beyond 12 March 1983 since the said amount was granted for a definite period only, i.e. from 13 March 1982 to 12 March 1983; that the same was not a wage increase but some sort of a "backwage."

1. The task before us is to ascertain and give effect to the intent projected by the parties to the CBA when they agreed upon Section 1 (a) of Article V thereof. That intent is, of course, to be determined in the first instance by examining the words used by the parties in setting forth their agreement.[1] Those words are simply that a "wage increase of P1.50 per day" was being granted by Utex "from March 13, 1982 to March 12, 1983" to employees "with at least one (1) year of service as of March 13, 1982." Giving these quite ordinary words used by the parties their ordinary signification, the parties may be seen to have intended to make that wage increase of P1.50 per day to be effective for a defined and limited duration only, that is from March 13, 1982 to March 12, 1983. In marked contrast, Section 1 (b) of Article V of the CBA provided for an increase of "P1.50 per day effective March 13, 1983," without setting a terminal date for the effectivity of that increase and hence, by clear implication, stipulated for the continued effectivity of that increase for the indefinite future. Reading, as we must, Sections 1 (a) and 1 (b) of Article V together, it will be seen that the parties agreed upon a wage increase of P1.50 per day starting from March 13, 1982 to March 12, 1983, and from March 13, 1983 indefinitely into the future.

2. The NLRC misread Sections 1 (a) and 1 (b) of Article V of the CBA. The NLRC construed Article V as providing for two (2) cumulative wage increases: a) the first increase, of P1.50 per day, under Section 1 (a), starting March 13, 1982 and continuing indefinitely; b) the second increase, also of P1.50

per day, under Section 1 (b), starting March 13, 1983 and also continuing indefinitely. Thus, under the NLRC's reading, starting March 13, 1983, a total wage increase of P3.00 per day was provided for. The principal difficulty with the NLRC's reading is that it disregards the ordinary meaning of the words used by the parties in Section 1 (a) of Article V. In effect, the NLRC read Section 1 (a) ("wage increase of P1.50 per day from March 13, 1982 to March 12, 1983 to those with at least one [1] year of service as of March 13, 1982") as if it provided for a "wage increase of P1.50 per day from March 13, 1982 to those with at least one (1) year of service as of March 13, 1982." The NLRC, however, cannot remake a contract by eviscerating it, by deleting from it words placed there by the parties. No court, no interpreter and applier of a contract, has such a prerogative.

3. The NLRC sought to justify its surgical interpretation by pointing to the words "wage increase" used in Section 1 (a) of Article V, as if a wage increase per se were to continue indefinitely into the future, without regard to the actual words used by the parties. Such a view is simply without basis in law or common parties. In this instance, words limiting the effectivity of that wage increase to an identified and limited period of time were used: "from March 13, 1982 to March 12, 1983," and those words must be given effect. Actually, the parties used in Section 1 (a) not only the phrase "wage increase" but also the terms "backwages." "Backwages" may seem a somewhat clumsy term but the interpreter of this CBA must bear in mind that the CBA took effect as of March 13, 1983 (the commencement date of the P1.50 per day increase stipulated in Section 1 [b] of Article V) and that, consequently, the net effect of Sections 1 (a) and 1 (b) was to provide for a P1.50 per day increase retroactively starting one (1) year before the effective date of the CBA. In this light, Section 1 (a) had indeed provided for "backwages;" added remuneration for work done in the preceding year.

   It seems useful to note that Section 1 (a) of Article V of the 1983 CBA was designed to bridge the one-year gap which existed between the expiration date of the 1979 CBA and

effectivity date of the 1983 CBA. The 1983 CBA was naturally prospective in operation; thus the wage increase stipulated in Section 1 (b) of Article V was effective from March 13, 1983 and onwards. Upon the other hand, Section 1 (a) of Article V in effect made Section 1 (b) retroactive to March 13, 1982, to cover the period during which the parties were negotiating what was to become the 1983 CBA.

It also seems useful to note further that both 1) the preceding CBA between the parties, i.e., the CBA which took effect on 31 January 1979, and 2) the succeeding CBA between the same parties, i.e., the CBA effective 25 June 1987, have provisions quite parallel to Sections 1 (a) and 1 (b) of Article V of the (1983) CBA here before us. Section 1 (a) of Article V of the 1979 CBA provided as follows:

> "Section 1. The COMPANY shall grant the following wage increases:
>
> (a) Seven (7%) percent wage increase but not less than P1.00 on November 9, 1977 to January 31, 1979 rounded to nearest P0.05 to those with at least one (1) year of service on November 9, 1977. Any backwages shall be computed exclusively on days actually worked, not including overtime, rest day premium, holiday premium, might differential pay, vacation and sick leave. In addition, said workers shall receive the amount of eighty (P80.00) pesos each; only those still in the payroll as date of signing are entitled to backwages and eighty (P80.00) pesos.
>
> (b) Effective February 1, 1979, an amount equivalent to 10% of their respective daily wages, rounded to the nearest P0.05, to employees with at least two (2) years of service on such date.

(c) Effective February 1, 1980, an amount equivalent to 5% of their respective daily wages, rounded to the nearest P0.05 to employees with at least three (3) years of service on such date.

(d) Effective February 1, 1981, an amount equivalent to 5% of their respective daily wages rounded to the nearest P0.05, to employees with four (4) years of service or more, on such date."[2] (Italics supplied.)

Section 1 of Article V of the 1987 CBA reads thus —

> "Section 1. The COMPANY hereby grants the following wage increases to all covered employees:
>
> (a) A backpay of P3.00 per day from June 11, 1986 to June 25, 1987 to those with at least one (1) year of service of June 25, 1987. Any backpay shall be computed exclusive on days actually worked, not including overtime, rest day premium, holiday premium, night differential pay, vacation and sick leave; PROVIDED, however, that only those still in the payroll as of the date of the signing of this Agreement shall be entitled to any such backpay.
>
> (b) An increase of P3.00 per day effective June 25, 1987 to those workers with at least one (1) year of service on such date, including those who will complete one (1) year of service after said date.
>
> (c) An increase of P4.00 per day effective June 25, 1988 to those workers with at least two (2) years of service on that date, including those who will complete two (2) years of service after said date.
>
> (d) An increase of P5.00 per day effective June 25, 1989 to those workers with at least three (3)

years on that date, including those who will complete three (3) years of service after such date. PROVIDED, that those will complete one (1) year, two years and three years of service as mentioned in par. b, c and d, respectively, must have been completed in the duration of the CBA and or up to June 25, 1990."[3]

The Court notes that Section 1 (a) of Article V of all three (3) CBAs (1979, 1983 and 1987) provide for a wage increase expressed to be retroactively effective for a particular and limited period of time immediately preceding the effective date of each CBA, while Section 1 (b) et seq. of Article V established wage increases effective prospectively. The relevant points are that respondent unions had never (before the case at bar) suggested that the retroactive increases or backpay provided for in Section 1 (a) were to be continued forward prospectively in addition to or on top of the wage increases stipulated in Section 1 (b) et seq. and that Utex certainly had not so treated such "backpay" as continuing prospectively and cumulatively with the wage increases agreed upon in Section 1 (b) et seq. in each CBA. It is well settled that the contemporaneous and subsequent conduct of the parties may be taken into account by a court which must interpret and apply a contract entered into by them.[4]

4. We must also take note of Section 1 of Article XIV of the CBA before us, in obedience to the rule that a stipulations of a contract must be read together with its other provisions and not in isolation from each other:[5]

"Section 1. Except the wage increases herein set forth in Article V (a) [should be V (1) (a)], this agreement and the provisions thereof shall be effective from the date of signing hereof, and shall remain in full force and effect, without change, for a period of three years, and shall inure to the benefit of, and bind each, and every worker, including the present or future officers and/or directors of the UNION, or may hereafter be in the employ of the

Company for the duration of this Agreement." (Emphasis and brackets supplied)

Thus Section 1 of Article XIV comports precisely with our reading of Section 1 (a) of Article V as effective only in respect of a specific, limited period in the past, and without application to the unfolding future.

The palpable error committed by the NLRC in this case amounts to the imposition upon one of the parties to a contract of an obligation which it had never assumed. In doing so, the NLRC acted without or in excess of its jurisdiction.[6]

WHEREFORE, the Court Resolved to **GRANT** the Petition for Certiorari. The Decision of the NLRC in NLRC-NCR Case No. 7-2038-85 dated 25 January 1988 is hereby **SET ASIDE** and **NULLIFIED**. The Decision of the Labor Arbiter 3 November 1986 is hereby **REINSTATED**. No pronouncement as to costs.

SO ORDERED.

Fernan, *C.J.*, Gutierrez, Jr., Bidin and Cortes, *JJ.*, concur.

---

[1] Fernandez vs. Hon. Court of Appeals, et al., 166 SCRA 577 (1988).
[2] Annex "B" of Annex "J" of the Petition, Rollo, p. 112.
[3] Annex "B" of Annex "K" of the Petition, Rollo, p. 124.
[4] Article 1371, Civil Code. See e.g., Sy vs. Court of Appeals, 131 SCRA 116 (1989).
[5] Article 1374, Civil Code.
[6] Millare vs. Hernando, 151 SCRA 484 (1987).

Philippine Copyright © 2005
ChanRobles Publishing Company
www.chanrobles.com