SUPREME COURT
FIRST DIVISION

UNIVERSITY of IMMACULATE, CONCEPCION, INC.,
***Petitioner*,**

-versus-

G.R. No. 151379
January 14, 2005

THE HONORABLE SECRETARY OF LABOR, THE UIC TEACHING and NON-TEACHING PERSONNEL AND EMPLOYEES UNION, LELIAN CONCON, MARY ANN DE RAMOS, JOVITA MAMBURAM, ANGELINA ABADILLA, MELANIE DE LA ROSA, ZENAIDA CANOY, ALMA VILLACARLOS, JOSIE BOSTON, PAULINA PALMA GIL, GEMMA GALOPE, LEAH CRUZA, DELFA DIAPUEZ,
***Respondent*.**
x----------x

D E C I S I O N

AZCUNA, *J.*:

This is a Petition for Review of a Decision of the Court of Appeals and the resolution denying reconsideration thereof. The principal issue to be resolved in this recourse is whether or not the Secretary of Labor, after assuming jurisdiction over a labor dispute involving an employer and the certified bargaining agent of a group of employees in the workplace, may legally order said employer to reinstate employees terminated by the employer even if those terminated employees are not part of the bargaining unit.

This case stemmed from the collective bargaining negotiations between petitioner University of Immaculate Concepcion, Inc. (UNIVERSITY) and respondent The UIC Teaching and Non-Teaching Personnel and Employees Union (UNION). The UNION, as the certified bargaining agent of all rank and file employees of the UNIVERSITY, submitted its collective bargaining proposals to the latter on February 16, 1994. However, one item was left unresolved and this was the inclusion or exclusion of the following positions in the scope of the bargaining unit:

a. Secretaries

b. Registrars

c. Accounting Personnel

d. Guidance Counselors[1]

This matter was submitted for voluntary arbitration. On November 8, 1994, the panel of voluntary arbitrators rendered a decision, the dispositive portion of which states:

> WHEREFORE, premises considered, the Panel hereby resolves to exclude the above-mentioned secretaries, registrars, chief of the accounting department, cashiers and guidance counselors from the coverage of the bargaining unit. The accounting clerks and the accounting staff member are hereby ordered included in the bargaining unit.[2]

The UNION moved for the reconsideration of the above decision. Pending, however, the resolution of its motion, on December 9, 1994,

it filed a notice of strike with the National Conciliation and Mediation Board (NCMB) of Davao City, on the grounds of bargaining deadlock and unfair labor practice. During the thirty (30) day cooling-off period, two union members were dismissed by petitioner. Consequently, the UNION went on strike on January 20, 1995.

On January 23, 1995, the then Secretary of Labor, Ma. Nieves R. Confessor, issued an Order assuming jurisdiction over the labor dispute. The dispositive portion of the said Order states:

> WHEREFORE, ABOVE PREMISES CONSIDERED, and pursuant to Article 263 (g) of the Labor Code, as amended, this Office hereby assumes jurisdiction over the entire labor dispute at the University of the Immaculate Concepcion College.
>
> Accordingly, all workers are directed to return to work within twenty-four (24) hours upon receipt of this Order and for Management to accept them back under the same terms and conditions prevailing prior to the strike.
>
> Parties are further directed to cease and desist from committing any or all acts that might exacerbate the situation.
>
> Finally, the parties are hereby directed to submit their respective position papers within ten (10) days from receipt hereof.
>
> SO ORDERED.[3]

On February 8, 1995, the panel of voluntary arbitrators denied the motion for reconsideration filed by the UNION. The UNIVERSITY then furnished copies of the panel's denial of the motion for reconsideration and the Decision dated November 8, 1995 to the individual respondents herein:

1. Lelian Concon – Grade School Guidance Counselor

2. Mary Ann de Ramos – High School Guidance Counselor

3. Jovita Mamburam – Secretary to [the] Vice President for Academic Affairs/ Dean of College

4. Angelina Abadilla – Secretary to [the] Vice President for Academic Affairs/ Dean of College

5. Melanie de la Rosa – Secretary to [the] Dean of [the] College of Pharmacy/ Academic Affairs/ Dean of College

6. Zenaida Canoy – Secretary to [the] Vice President for Academic Affairs/ Dean of College

7. Alma Villacarlos – Guidance Counselor (College)

8. Josie Boston – Grade School Psychometrician

9. Paulina Palma Gil – Cashier

10. Gemma Galope – High School Registrar

11. Leah Cruza – Guidance Counselor (College)

12. Delfa Diapuez – High School Psychometrician[14]

Thereafter, the UNIVERSITY gave the abovementioned individual respondents two choices: to resign from the UNION and remain employed as confidential employees or resign from their confidential positions and remain members of the UNION. The UNIVERSITY relayed to these employees that they could not remain as confidential employees and at the same time as members or officers of the Union. However, the individual respondents remained steadfast in their claim that they could still retain their confidential positions while being members or officers of the Union. Hence, on February 21, 1995, the UNIVERSITY sent notices of termination to the individual respondents.

On March 10, 1995, the UNION filed another notice of strike, this time citing as a reason the UNIVERSITY's termination of the individual respondents. The UNION alleged that the UNIVERSITY's

act of terminating the individual respondents is in violation of the Order of the Secretary of Labor dated January 23, 1995.

On March 28, 1995, the Secretary of Labor issued another Order reiterating the directives contained in the January 23, 1995 Order. The Secretary also stated therein that the effects of the termination from employment of these individual respondents be suspended pending the determination of the legality thereof. Hence, the UNIVERSITY was directed to reinstate the individual respondents under the same terms and conditions prevailing prior to the labor dispute.

The UNIVERSITY, thereafter, moved to reconsider the aforesaid Order on March 28, 1995. It argued that the Secretary's Order directing the reinstatement of the individual respondents would render nugatory the decision of the panel of voluntary arbitrators to exclude them from the collective bargaining unit. The UNIVERSITY's motion was denied by the Secretary in an Order dated June 16, 1995, wherein the Secretary declared that the decision of the panel of voluntary arbitrators to exclude the individual respondents from the collective bargaining unit did not authorize the UNIVERSITY to terminate their employment. The UNIVERSITY filed a second motion for reconsideration, which was again denied in an Order dated July 19, 1995. Undeterred, the UNIVERSITY filed a third motion for reconsideration. In the Order dated August 18, 1995, then Acting Secretary Jose S. Brilliantes denied the third motion for reconsideration, but modified the two previous Orders by adding:

x x x

> Anent the Union's Motion, we find that superseding circumstances would not warrant the physical reinstatement of the twelve (12) terminated employees. Hence, they are hereby ordered placed under payroll reinstatement until the validity of their termination is finally resolved.[5]

x x x

> Still unsatisfied with the Order of the Secretary of Labor, the UNIVERSITY filed a petition for certiorari with this Court on

> September 15, 1995. However, its petition was referred to the Court of Appeals, following the ruling in St. Martin Funeral Homes vs. Court of Appeals.[6]

On October 8, 2001, the Court of Appeals promulgated its Decision, affirming the questioned Orders of the Secretary of Labor. The dispositive portion of the Decision states:

> WHEREFORE, the instant petition is DISMISSED for lack of merit.[7]

The UNIVERSITY then moved for the reconsideration of the abovementioned Decision,[8] but on January 10, 2002, the Court of Appeals denied the motion on the ground that no new matters were raised therein that would warrant a reconsideration.[9]

Hence, this petition.

The UNIVERSITY assigns the following error:

> THE COURT OF APPEALS COMMITTED REVERSIBLE ERROR IN AFFIRMING THE ORDERS OF THE SECRETARY OF LABOR THAT SUSPENDED THE EFFECTS OF THE TERMINATION OF TWELVE EMPLOYEES WHO WERE NOT PART OF THE BARGAINING UNIT INVOLVED IN A LABOR DISPUTE OVER WHICH THE SECRETARY OF LABOR ASSUMED JURISDICTION.[10]

The Court of Appeals relied upon the doctrine in St. Scholastica's College vs. Torres.[11] In the case therein, this Court, citing International Pharmaceuticals Incorporated vs. the Secretary of Labor,[12] declared that:

> The Secretary was explicitly granted by Article 263(g) of the Labor Code the authority to assume jurisdiction over a labor dispute causing or likely to cause a strike or lockout in an industry indispensable to the national interest, and decide the same accordingly. Necessarily, the authority to assume jurisdiction over the said labor dispute must include and extend

> to all questions and controversies arising therefrom, including cases over which the Labor Arbiter has exclusive jurisdiction.
>
> The UNIVERSITY contends that the Secretary cannot take cognizance of an issue involving employees who are not part of the bargaining unit. It insists that since the individual respondents had already been excluded from the bargaining unit by a final and executory order by the panel of voluntary arbitrators, then they cannot be covered by the Secretary's assumption order.

This Court finds no merit in the UNIVERSITY's contention. In Metrolab Industries, Inc. vs. Roldan-Confessor,[13] this Court declared that it recognizes the exercise of management prerogatives and it often declines to interfere with the legitimate business decisions of the employer. This is in keeping with the general principle embodied in Article XIII, Section 3 of the Constitution,[14] which is further echoed in Article 211 of the Labor Code.[15] However, as expressed in PAL vs. National Labor Relations Commission,[16] this privilege is not absolute, but subject to exceptions. One of these exceptions is when the Secretary of Labor assumes jurisdiction over labor disputes involving industries indispensable to the national interest under Article 263(g) of the Labor Code. This provision states:

> (g) When, in his opinion, there exists a labor dispute causing or likely to cause a strike or lockout in an industry indispensable to the national interest, the Secretary of Labor and Employment may assume jurisdiction over the dispute and decide it or certify the same to the Commission for compulsory arbitration. Such assumption or certification shall have the effect of automatically enjoining the intended or impending strike or lockout as specified in the assumption or certification order. If one has already taken place at the time of assumption or certification, all striking or locked out employees shall immediately return to work and the employer shall immediately resume operations and readmit all workers under the same terms and conditions prevailing before the strike or lockout. x x x

When the Secretary of Labor ordered the UNIVERSITY to suspend the effect of the termination of the individual respondents, the

Secretary did not exceed her jurisdiction, nor did the Secretary gravely abuse the same. It must be pointed out that one of the substantive evils which Article 263(g) of the Labor Code seeks to curb is the exacerbation of a labor dispute to the further detriment of the national interest. In her Order dated March 28, 1995, the Secretary of Labor rightly held:

> It is well to remind both parties herein that the main reason or rationale for the exercise of the Secretary of Labor and Employment's power under Article 263(g) of the Labor Code, as amended, is the maintenance and upholding of the status quo while the dispute is being adjudicated. Hence, the directive to the parties to refrain from performing acts that will exacerbate the situation is intended to ensure that the dispute does not get out of hand, thereby negating the direct intervention of this office.
>
> The University's act of suspending and terminating union members and the Union's act of filing another Notice of Strike after this Office has assumed jurisdiction are certainly in conflict with the status quo ante. By any standards[,] these acts will not in any way help in the early resolution of the labor dispute. It is clear that the actions of both parties merely served to complicate and aggravate the already strained labor-management relations.[17]

Indeed, it is clear that the act of the UNIVERSITY of dismissing the individual respondents from their employment became the impetus for the UNION to declare a second notice of strike. It is not a question anymore of whether or not the terminated employees, the individual respondents herein, are part of the bargaining unit. Any act committed during the pendency of the dispute that tends to give rise to further contentious issues or increase the tensions between the parties should be considered an act of exacerbation and should not be allowed.

With respect to the Secretary's Order allowing payroll reinstatement instead of actual reinstatement for the individual respondents herein, an amendment to the previous Orders issued by her office, the same is usually not allowed. Article 263(g) of the Labor Code

aforementioned states that all workers must immediately return to work and all employers must readmit all of them under the same terms and conditions prevailing before the strike or lockout. The phrase "under the same terms and conditions" makes it clear that the norm is actual reinstatement. This is consistent with the idea that any work stoppage or slowdown in that particular industry can be detrimental to the national interest.

In ordering payroll reinstatement in lieu of actual reinstatement, then Acting Secretary of Labor Jose S. Brillantes said:

> Anent the Union's Motion, we find that superseding circumstances would not warrant the physical reinstatement of the twelve (12) terminated employees. Hence, they are hereby ordered placed under payroll reinstatement until the validity of their termination is finally resolved.[18]

As an exception to the rule, payroll reinstatement must rest on special circumstances that render actual reinstatement impracticable or otherwise not conducive to attaining the purposes of the law.[19]

The "superseding circumstances" mentioned by the Acting Secretary of Labor no doubt refer to the final decision of the panel of arbitrators as to the confidential nature of the positions of the twelve private respondents, thereby rendering their actual and physical reinstatement impracticable and more likely to exacerbate the situation. The payroll reinstatement in lieu of actual reinstatement ordered in these cases, therefore, appears justified as an exception to the rule until the validity of their termination is finally resolved. This Court sees no grave abuse of discretion on the part of the Acting Secretary of Labor in ordering the same. Furthermore, the issue has not been raised by any party in this case.

WHEREFORE, the Decision of the Court of Appeals dated October 8, 2001 and its Resolution dated January 10, 2002 in CA-G.R. SP No. 61693 are **AFFIRMED**.

No costs.

SO ORDERED.

Davide, Jr., *C.J.*, *(Chairman)*, Quisumbing, Ynares-Santiago, and Carpio, *JJ.*, concur.

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[1] Decision of the Office of the Panel of Voluntary Arbitrators, p. 1; Rollo, p. 65.
[2] Rollo, p. 71.
[3] Order of the Secretary of Labor dated January 23, 1995, p. 2; Rollo, p. 103.
[4] Petition, pp. 5-6; Rollo, pp. 16-17.
[5] Rollo, p. 63.
[6] 295 SCRA 494 (1998).
[7] Decision of the Court of Appeals, p. 9; Rollo, p. 40.
[8] Rollo, pp. 42-46.
[9] Rollo, p. 49.
[10] Petition, p. 10; Rollo, p. 21 (Emphasis supplied)
[11] 210 SCRA 565,570 (1992).
[12] 205 SCRA 59, 65-66 (1992).
[13] 254 SCRA 182, 188-189 (1996).
[14] Article XIII, Section 3 of the Constitution

Sec. 3. -- The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.

It shall guarantee the rights of all workers to self-organization, collective bargaining and negotiations, and peaceful concerted activities, including the right to strike in accordance with law. They shall be entitled to security of tenure, humane conditions of work, and a living wage. They shall also participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

The State shall promote the principle of shared responsibility between workers and employers and the preferential use of voluntary modes in settling disputes, including conciliation, and shall enforce their mutual compliance therewith to foster industrial peace.

The State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth. (Underscoring ours)

[15] Art. 211. Declaration of Policy. –

A. It is the policy of the State:

(a) To promote and emphasize the primacy of free collective bargaining and negotiations, including voluntary arbitration, mediation and conciliation, as modes of settling labor or industrial disputes;

(b) To promote free trade unionism as an instrument for the enhancement of democracy and the promotion of social justice and development;

(c) To foster the free and voluntary organization of a strong and united labor movement;

(d) To promote the enlightenment of workers concerning their rights and obligations as union members and as employees;
(e) To provide an adequate administrative machinery for the expeditious settlement of labor or industrial disputes;
(f) To ennsure a stable but dynamic and just industrial peace; and
(g) To ensure the participation of workers in decision and policy-making processes affecting their rights, duties and welfare.
B. To encourage a truly democratic method of regulating the relations between the employers and employees by means of agreements freely entered into through collective bargaining, no court or administrative agency or official shall have the power to set or fix wages, rates of pay, hours of work or other terms and conditions of employment, except as otherwise provided under this Code. (Underscoring ours)

[16] 225 SCRA 301, 308 (1993).
[17] Order of the Secretary of Labor dated March 28, 1995, p. 2; Rollo, p. 52.
[18] Rollo, p. 63 (Emphasis ours).
[19] Manila Diamond Hotel Employees Union vs. CA, et al., G.R. No. 140518 (Dec. 16, 2004); UST vs. NLRC, 190 SCRA 758 (1990).