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SUPREME COURT
SECOND DIVISION

UNIVERSITY OF PANGASINAN,
***Petitioner*,**

-versus-

G.R. No. 109977
September 5, 1997

HONORABLE MA. NIEVES R. CONFESOR, IN HER OFFICIAL CAPACITY AS THE SECRETARY OF DEPARTMENT OF LABOR AND EMPLOYMENT, AND UNIVERSITY OF PANGASINAN FACULTY UNION,
***Respondents*.**

x--x

D E C I S I O N

ROMERO, *J*.:

In this Petition for *Certiorari*, the Order of then Secretary of Labor Ruben Torres dated October 10, 1991 affirming the monetary claims awarded to herein private respondent faculty union, as well as the Resolutions dated February 17, 1992 and April 20, 1993, denying petitioner's Motions for Reconsideration for lack of merit thereof, are assailed for having been issued with grave abuse of discretion.

On August 7, 1986, the University of Pangasinan Faculty Union (Union) presented its demands and grievances to the University of Pangasinan (UPang), herein petitioner, with a notice that the Union will go on strike if said demands are not met within thirty days.

Conciliation and mediation proceedings proved futile in resolving their dispute.

On September 15, 1986, the Union went on strike. Two days later, UPang questioned the legality of the strike before the Ministry of Labor and Employment (now the Department of Labor and Employment or DOLE) and prayed that the dispute be certified to the National Labor Relations Commission (NLRC) and a Return-to-Work Order be issued. Accordingly, then Minister of Labor Augusto S. Sanchez issued the Return-to-Work Order on September 18, 1986.

After the Regional Office of the Department of Labor and Employment conducted hearings and received evidence for the parties, the Regional Director recommended that the Union's claims for salary differentials for school years (SYs) 1974-1981 be dismissed on the ground of prescription and that the salary differential claims for SY 1982-1983 to SY 1987-1988 in the total amount of P36,444,018.29 be chargeable against the 60% incremental proceeds of tuition fee increases.[1]

On October 5, 1989, the Secretary of Labor rendered a decision adopting the recommendations of the Regional Director as stated above ordering, however, a recomputation of the salary differentials due. The dispositive portion of this decision reads as follows:

> "WHEREFORE, except for the modifications stated above, the findings of facts and recommendations of the Regional Director below is (sic) hereby adopted as our own.
>
> The following claims are dismissed:
>
> 1. Non-satisfaction of the judgment of the Supreme Court in the case G.R. No. 63122 concerning claims for salary differential under P.D. 451 and ECOLA for SY 1981-1982; and

2. Claims for salary differential pursuant to P.D. 451 and alleged erroneous computation of 13th month pay for the SY 1974-1975 up to 1980-1981.

> The School is directed to restore the mode of computation of the salaries of faculty members to the usual monthly basis effective school year 1989-1990.
>
> The Regional Director below is directed to recompute and to submit the outcome thereof to this office within fifteen (15) days from receipt of this Decision, the claims for salary differential under P.D. 451 and the alleged erroneous computation of the 13th month pay for the periods beginning SY 1982-1983 up to 1987-1988 in the light of the decision of the Supreme Court that increases in wages and allowances either granted in compliance with law, collective bargaining agreement or unilaterally by the employer shall be considered compliance with P.D. 451 and chargeable to the 60% share of the employees of the incremental proceeds from any tuition fee increases.
>
> The School is directed to pay the complainants their COLAs during the semestral breaks of the school years 1982-1983; 1983-1984; and 1984-1985; chargeable against the 60% share of the employees in the incremental proceeds of the tuition pay increases.
>
> SO ORDERED."[2] (Emphasis supplied.)

On November 2 and 21, 1989, on account of the Order for recomputation, a team of Labor Employment Officers supervised the actual verification and examination of the records and found deficiencies in the amount of P1,485,915.80.

On September 28, 1990, the Regional Director submitted another recomputation in the aggregate amount of P4,705,819.34 ordering UPang to pay its 242 employees deficiencies due as salary differentials under P.D. 451 and 13th month pay beginning SY's 1982 up to 1988 and COLAs for semestral breaks for SY 1982 up to 1985.

The third and final recomputation totalling P6,840,700.15 was presented on June 25, 1991[3] based on the following assumptions:

1) The share of the employees in the 60% incremental proceeds in tuition fee increases have been integrated into their wages from SY 1974-'75, it being the mandate and effectivity of P.D. 451;

2) The unpaid ECOLA during semestral breaks from SY 1982-'83 up to 1985-'86 have been computed by multiplying the number of unpaid days with the applicable ECOLA per day;

3) That the monthly rates of the covered employees from SY 1974-'75 up to 1987-'88 have been determined per directive of the Secretary in his Order dated October 5, 1989 and subsequently used in the computation; and

4) That the total computed deficiencies due to the employees amount to Six Million Eight Hundred Forty Thousand Seven Hundred and 15/100 pesos (P6,840,700.15). The breakdown of the individual shares of the employees is hereto attached.

Based on this last recomputed amount, former Labor Secretary Ruben D. Torres issued the disputed Order on October 10, 1991, the dispositive portion of which reads:

> "WHEREFORE, the petitioner University of Pangasinan is hereby ordered to pay the amount of SIX MILLION EIGHT HUNDRED FORTY THOUSAND SEVEN HUNDRED PESOS 15/100 (P6,840,700.15), chargeable against the 60% share of the employees from the tuition increases, to the 242 employees listed in pages 375 to 378 of the record of this case, within ten (10) days from receipt hereof. Let the entire records of this case be remanded to the Regional Office for immediate enforcement of this Decision.
>
> SO ORDERED."[4]

Petitioner's first and second Motion for Reconsideration were denied on February 17, 1992[5] and April 20, 1993,[6] respectively. Hence, the instant Petition for *Certiorari*.

Petitioner argues that the Secretary of Labor committed grave abuse of discretion in concurring with the recomputation made by the Regional Director because the same is grounded upon a misapprehension of the laws (Presidential Decree No. 451 and Batas Pambansa Blg. 232) involved. In particular, the entire 60% incremental proceeds of the tuition fee increases should not be distributed as salary increases alone. Further, it claims that even assuming arguendo that the 60% incremental proceeds were distributed as salary increases integrable into the basic salary of the employees, to grant the increases retroactively from SY 1974-1975 would violate the rule on prescription of money claims under the Labor Code.

The Union, on the other hand, asserts that under P.D. No. 451, allowances and fringe benefits should be taken from sources other than the 60% incremental proceeds of tuition fee increases which should be spent exclusively for salary increases.

We find merit in this petition.

The old rule with respect to the utilization of tuition fee increases for salary increases is established in Presidential Decree No. 451, the law authorizing the Secretary of Education and Culture to regulate the imposition of tuition and other school fees.[7] Rule V, Section 1 of the Implementing Rules and Regulations issued pursuant to his authority under P.D. No. 451 states that at least sixty percent of the total incremental proceeds from the increase in tuition fee and/or other school charges shall be applied toward an equitable increase in the emoluments and other benefits for members of the faculty, including the staff and administrative employees of the school concerned. In the 1982 case of University of the East vs. U .E . Faculty Association,[8] the Court explained:

> "(T)here are only two purposes to which the incremental proceeds from increase of tuition fees authorized by the Ministry of Education and Culture may be dedicated or devoted,

> namely: (1) 'increase in salaries or wages of the members of the faculty and all other employees of the school concerned' and (2) 'institutional development, student assistance and extensions of services, and return of investments;' provided the latter shall not exceed twelve (12%) per centum of the incremental proceeds."

The authority given to the Secretary of Education and Culture was interpreted by the Court to mean that the sixty (60%) percent incremental proceeds from the tuition increase are to be devoted entirely to wage or salary increases and not for allowances and benefits. To spend said incremental proceeds for these benefits would mean a reduction of the salary increase which is intended to help the teachers and staff workers support themselves and their families in these difficult economic times.[9]

On September 11, 1982, Batas Pambansa Blg. 232, or the Education Act of 1982, took effect. Section 42 thereof provides:

> "SEC. 42. Tuition and Other School Fees. — Each private school shall determine its rate of tuition and other school fees or charges. The rates and charges adopted by schools pursuant to this provision shall be collectible, and their application or use authorized, subject to rules and regulations promulgated by the Ministry of Education, Culture and Sports."[10] (Emphasis added.)

In the consolidated cases of Cebu Institute of Technology vs. Hon. Blas Ople, et al., Divine Word College of Legaspi vs. Hon. Deputy Minister Vicente Leogardo, Jr., et al., Far Eastern University Employees Labor Union vs. Far Eastern University, et al., Gregorio T . Fabros, et al. vs. Hon. Augusto Sanchez, et al., Ricardo Valmonte, et al. vs. Hon. Augusto Sanchez,[11] the Court ruled:

> "With the repeal of Pres. Decree No. 451 by B.P. Blg. 232, the allocation of the proceeds of any authorized tuition fee increase must be governed by specific rules and regulations issued by the Minister (now Secretary) of Education pursuant to his broadened rule making authority under Section 42 of the law.

x x x

> The guidelines and regulations on tuition and other school fees issued after enactment of BP Blg. 232 consistently permit the charging of allowances and other benefits against the 60% incremental proceeds. Such was the tenor in the MEC's Order No. 23, s. 1983; MEC's Order No. 15, s. 1984; MEC's Order No. 25, s. 1985; MEC's Order No. 22, s. 1986; and DEC's Order No. 37, s. 1987. The pertinent portion of the latest order reads thus:
>
> > 'In any case of increase at least sixty percent (60%) of the incremental proceeds should be allocated for increases in or provisions for salaries or wages, allowances and fringe benefits of Faculty and other staff, including accruals to cost of living allowance, 13th month pay, social security, Medicare and retirement contribution and increases as may be provided in mandated wage orders, collective bargaining agreements or voluntary employer practices.'" (Emphasis supplied.)

From the foregoing, it is clear that the rule has since been changed as to allow the benefits and allowances named above to be charged to the sixty percent incremental proceeds of the tuition fee increases. Thus, petitioner's proposition that the 60% incremental proceeds of tuition fee increases should not be used for salary increases alone but should also be spent for benefits and allowances granted to its teaching and administrative staff, finds adequate legal basis and should be upheld. In failing to consider this new rule concerning the application of the sixty percent incremental proceeds of fee increases, herein respondent Secretary of Labor committed grave abuse of discretion.

As regards the second issue that the claims for salary differentials for SYs 1974-1975 to 1980-1981 had already prescribed, we rule in favor of petitioner.

The claim for said salary differentials were made in September 1986 and, therefore, beyond the three-year period allowed by law. Article 291 of the Labor Code, as amended, provides that all money claims arising from employer-employee relations accruing during the

effectivity of this Code shall be filed within three (3) years from the time the cause of action accrued; otherwise they shall be forever barred. A case in point is Cebu Institute of Technology vs. Ople,[12] where the Court held:

> "There is no doubt that the three-year period within which to file actions involving money claims arising out of an employer-employee relationship fixed by Article 292 (now Art. 291) of Pres. Dec. No. 442 (Labor Code), as amended, equally applies to claims for the incremental proceeds arising from tuition fee increases under Pres. Dec. No. 451. The claims which gave rise to all these cases are clearly money claims arising from an employer-employee relationship and thus falls under the coverage of Article 292 of the Labor Code." (Emphasis supplied).

Consequently, the Secretary of Labor acted with grave abuse of discretion in adopting the recommended computation of the Regional Director which we find erroneous for incorporating the period from SY's 1974-1975 to 1980-1981.

WHEREFORE, in view of the foregoing, the instant Petition is hereby **GRANTED. ACCORDINGLY**, the Decision of the Secretary of Labor is hereby **MODIFIED** by excluding the claims covering SY's 1974 to 1981 on the ground of prescription. Whatever benefits and allowances may be found legally and justly due to the respondents shall be charged to the sixty percent incremental proceeds of the tuition fee increases. For this purpose, the case is hereby remanded to the Regional Director for immediate recomputation of said claims in accordance with the foregoing modifications.

SO ORDERED.

Regalado, Puno, Mendoza and Torres, Jr., *JJ.*, concur.

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[1] Report of Filomeno B. Balbin dated April 25, 1989 cited in the Decision of Secretary Franklin M. Drilon. Rollo, pp. 27-35.

[2] Penned by then Secretary Franklin M. Drilon. Rollo, pp. 26-40.

[3] Letter of Teresita R. Manzala, Director IV. Rollo, p. 49.

[4] IRD Case No. 14-86-SN. Rollo, pp. 51-55.
[5] By Acting Secretary of Labor Ma. Nieves Roldan-Confesor. Rollo, pp. 61-63.
[6] By Secretary Ma. Nieves R. Confesor. Rollo, pp. 73-74.
[7] Sections 3 and 4 of P.D. No. 451:

"SEC. 3. Limitations. — The increase in tuition or other school fees or other charges as well as the new fees or charges authorized under the next preceding section shall be subject to the following conditions:

(a) That no increase in tuition or other school fees or charges shall be approved unless sixty (60%) per centum of the proceeds is allocated for increase in salaries or wages of the members of the faculty and all other employees of the school concerned, and the balance for institutional development, student assistance and extension services, and return to investments: Provided, That in no case shall the return to investments exceed twelve (12%) per centum of the incremental proceeds; and

(b) That any such increase shall in no case exceed fifteen (15%) per centum of the rates charged during the preceding school year.

SEC. 4. Rules and Regulations. — The Secretary of Education and Culture is hereby authorized, empowered and directed to issue the requisite rules and regulations for the effective implementation of this Decree. He may, in addition to the requirements and limitations provided for under Sections 2 and 3 hereof, impose other requirements and limitations as he may deem proper and reasonable."

[8] 117 SCRA 554 (1982).
[9] Saint Louis Faculty Club vs. NLRC, 132 SCRA 380 (1984) and University of Pangasinan Faculty Union vs. University of Pangasinan, 127 SCRA 691 (1984).
[10] Rollo, pp. 170-172.
[11] 156 SCRA 629 (1987).
[12] 160 SCRA 503 (1988).

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