Supreme Court E-Library

FIRST DIVISION

(G.R. No. 76219. May 27, 1991)

GTE DIRECTORIES CORPORATION, *petitioner, vs.* HON. AUGUSTO S. SANCHEZ and GTE DIRECTORIES CORPORATION EMPLOYEES UNION, *respondents.*

SYLLABUS

1. **LABOR AND SOCIAL LEGISLATION; LABOR RELATIONS; COLLECTIVE BARGAINING; EMPLOYER'S PREROGATIVE TO REGULATE ALL ASPECTS OF EMPLOYMENT; CASE AT BAR.--** In the case of San Miguel Brewery Sales Force Union (PTGWO) *v.* Ople, G.R. No. 53515, 170 SCRA 25-28, this Court held that *"(e)xcept as limited by special laws, an employer is free to regulate, according to his own discretion and judgment, all aspects of employment*, including hiring, work assignments, working methods, time, place and manner of work, tools to be used, *processes to be followed*, supervision, of workers, working regulations, transfer of employees, work supervision, lay-off of workers and the discipline, dismissal and recall of work. . . . (NLU *vs.* Insular La Yebana Co., 2 SCRA 924; Republic Savings Bank *vs.* CIR, 21 SCRA 226, 235.)' (Perfecto V. Hernandez, Labor Relations Law, 1985 ed., p. 44.) In the case at bar, it must thus be conceded that its adoption of a new "Sales Evaluation and Production Policy" was within its management prerogative to regulate, according to its own discretion and judgment, all aspects of employment, including the manner, procedure and processes by which particular activities should be done.

2. **ID.; ID.; ID.; ID.; EMPLOYEES CANNOT DISREGARD OR DISOBEY RULES OF MANAGEMENT UNLESS THEY HAVE BEEN DECLARED ILLEGAL OR IMPROPER.--** To sanction disregard or disobedience by employees of a rule or order laid down by management, on the pleaded theory that the rule or order is unreasonable, illegal, or otherwise irregular for one reason or another, would be disastrous to the discipline and order that it is in the interest of both the

Supreme Court E-Library

employer and his employees to preserve and maintain in the working establishment and without which no meaningful operation and progress is possible. Deliberate disregard or disobedience of rules, defiance or management authority cannot be countenanced. This is not to say that the employees have no remedy against rules or orders they regard as unjust or illegal. They may object thereto, ask to negotiate thereon, bring proceedings for redress against the employer before the Ministry of Labor. But until and unless the rules or orders are declared to be illegal or improper by competent authority, the employees ignore or disobey them at their peril. It is impermissible to reverse the process: suspend enforcement of the orders or rules until their legality or propriety shall have been subject of negotiation, conciliation, or arbitration.

3. ID.; ID.; ID.; ID.; ID.; TERMINATION OF EMPLOYMENT ON GROUND OF CONTINUED DEFIANCE OF EMPLOYER'S AUTHORITY, PROPER.-- When the strike notice was filed by the union, the chain of events which culminated in the termination of the 14 salespersons' employment was already taking place, the series of defiant refusals by said sales representatives to comply with GTE's requirement to submit individual reports was already in progress. At the time, no less three (3) of the ultimate six (6) direct orders of the employer for the submission of the reports had already been disobeyed. The filing of the strike notice, and the commencement of conciliation activities by the Bureau of Labor Relations did not operate to make GTE's orders illegal or unenforceable so as to excuse continued non-compliance therewith. It does not follow that just because the employees or their union are unable to realize or appreciate the desirability of their employers' policies or rules, the latter were laid down to oppress the former and subvert legitimate union activities. Indeed, the overt, direct, deliberate and continued defiance and disregard by the employees of the authority of their employer left the latter with no alternative except to impose sanctions. The sanction of suspension having proved futile, termination of employment was the only option left to the employer.

4. ID.; NATIONAL LABOR RELATIONS COMMISSION; JURISDICTION; DISPUTE IN INSTANT CASE IS NOT ONE ADVERSELY AFFLICTING NATIONAL INTEREST.-- The production and publication of telephone

Supreme Court E-Library

directories, which is the principal activity of GTE, can scarcely be described as an industry affecting the national interest. GTE is a publishing firm chiefly dependent on the marketing and sale of advertising space for its not inconsiderable revenues. Its services, while of value, cannot be deemed to be in the same category of such essential activities as "the generation or distribution of energy" or those undertaken by "banks, hospitals, and export-oriented industries." It cannot be regarded as playing as vital a role in communication as other mass media. The small number of employees involved in the dispute, the employer's payment of "P10 million in income tax alone to the Philippine government," and the fact that the "top officers of the union were dismissed during the conciliation process," obviously do not suffice to make the dispute in the case at bar one "adversely affecting the national interest."

APPEARANCES OF COUNSEL

Siguion Reyna, Montecillo & Ongsiako for petitioner.
The Solicitor General for public respondent.
Ignacio P. Lacsina for private respondent Union.

DECISION

NARVASA, *J.*:*

GTE Directories Corporation (hereafter, simply GTE) is a foreign corporation engaged in the Philippines in the business of publishing the PLDT (Philippine Long Distance Telephone Company) telephone directories for Metro Manila and several provinces.

The record shows that initially, the practice was for its sales representatives to be given work assignments within specific territories by the so-called "draw method." These sales territories were so platted or mapped out as to have "an equal number of advertisers as well as . . . revenue . . ." Within these territories, the sales representatives therein assigned were given quotas; i.e., they had to "achieve a certain amount of revenue or advertisements sold, decreased, increased or cancelled within a given period of time."

* Chairman, First Division.

Supreme Court E-Library

A territory was not fully released to the salesperson for handling at one time, but assigned in increments or partial releases of account. Now, increments were given by the so-called "Grid System," grids (divisions or sections) within each territory usually numbering five (i.e., Grids I to V). Each grid was assigned a fixed closing date. At such closing date, a salesperson should have achieved a certain amount of the revenue target designated for his grid; otherwise, he loses the forthcoming grid or forfeits the remaining grids not yet received. The Grid System was installed for the following reasons: (1) to give all salespersons an opportunity to contact advertisers within a reasonable period; (2) to assure GTE that it will get its share of advertising budget from clients as early as possible, and (3) to ensure an even flow of work throughout the company.

This practice was observed from 1980 until sometime in June, 1984 when GTE realized that competition among media for a share of the advertising revenue had become so keen as to require quick reaction. GTE therefore launched an aggressive campaign to get what it considered to be its rightful share of the advertising budget of its clientele before it could be allocated to other media (newspaper, television, radio, etc.). It adopted a new strategy by which:

(1) all its sales representatives were required, as in the past, to achieve specified revenue targets (advertisements sold) within pre-determined periods;

(2) in cases of cancelled revenue accounts or advertisements, it required all its salespersons to re-establish contact and renew the same within a fixed period;

(3) if the cancelled revenue accounts were not renewed within the assigned period, said accounts were declared, for a set period, OPEN TERRITORY to all sales representatives including the one who reported the cancellation;

(4) if not renewed during said open territory period, said cancelled accounts were deemed no longer "open territory," and the same could be referred for handling to contractual salespersons and/or outside agencies.

A new "Sales Evaluation and Production Policy" was thereafter drawn up. GTE informed all its sales representatives of the new

Supreme Court E-Library

policy in a Memorandum dated October 12, 1984. The new policy was regarded as an improvement over the previous Sales Production Policy, which solely considered quota attainment and handling in the Sales Report for the purpose of evaluating performance.

It appears that the new policy did not sit well with the union. It demanded that it be given 15 days "to raise questions or objections to or to seek reconsideration of the sales and administrative practices issued by the Company on June 14, 1984." This, GTE granted, and by letter dated October 26, 1984, the union submitted its proposals for "revisions, corrections and deletions of some policies incorporated in the Sales Administrative Practices issued on June 14, 1984 including the new policies recently promulgated by Management."

GTE next formulated a new set of "Sales Administrative Practices," pursuant to which it issued on July 9, 1985, a memorandum requiring all Premise Sales Representatives (PSRs) to submit individual reports reflecting target revenues as of deadlines, set at August 2, 1985. This was superseded by another memorandum dated July 16, 1985, revising the previous schedules on the basis of "the consensus reached after several discussions with your DSMs, as well as, most of you," and pointing out that "the amount required on the 1st deadline (P30,000) . . . has been reduced further (to P20,000) having taken into consideration that most of your accounts you have already on hand are with your respective 'prep artists.'"

On August 5, 1985, GTE's Sales Manager sent another Memorandum to "all premise sales personnel." That memorandum observed that most of them had omitted to submit reports regarding "the target of P20,000.00 revenue handled on . . . (the) first Grid deadline of August 2, 1985" notwithstanding that "several consultations/discussions . . . (had) been held with your DSMs, as well as yourselves in different and separate occasions," and "these schedules/targets were drawn up by no less than you, collectively," and notwithstanding that "this has been a practice of several years." It closed with the expressed expectation that the sales reports would be submitted "no later than 2:00 P.M. reflecting P20,000.00 revenue handled, as per memo re: Grid Deadlines dated July 16, 1985."

Supreme Court E-Library

But as before, the sales representatives did not submit the reports. Instead their union, GTE Directories Corporation Employees Union (hereafter, simply the union), sent a letter to the Sales Manager dated August 5, 1985.[1] The letter stated that in fact "only one out of nineteen sales representatives met the P20,000 revenue handled on our first grid deadline of August 2;" that the schedule was not "drawn (up) as a result of an agreement of all concerned" since GTE had failed to get "affirmative responses" from "clustered groups of SRs;" that the union could not "comprehend how cancelling non-cancelling accounts help production;" and that its members would fail "exceptions of canceling . . . non-cancelling accounts" since it "would result to further reduction of our pay which (they) believe is the purpose of your discriminate and whimsical memo."

The following day, on August 6, 1985, the union filed in behalf of the sales representatives, a notice of strike grounded on alleged unfair labor practices of GTE consisting of the following:

"1. Refusal to bargain on unjust sales policies particularly on the failure to meet the 75% of the average sales production for two consecutive years;

2. Open territory of accounts;

3. Illegal suspension of Brian Pineda, a union officer; and

4. Non-payment of eight days' suspension pay increase."

In due course, the Bureau of Labor Relations undertook to conciliate the dispute.

On the same day, August 6, 1985, GTE sent still another memorandum to sixteen (16) of its premise sales representatives, this time through its Director for Marketing & Sales, requiring submission of "individual reports reflecting target revenues as of grid deadlines . . . not later than 4:00 P.M. . . ."[2] No compliance was made. GTE thereupon suspended its sales representatives "without

---

[1] The original was attached as Annex B of the Compliance dated Sept. 10, 1990 submitted by GTE through counsel (*rollo*, pp. 270, 273).

[2] Copies were attached as Annexes C, C-1 to C-15 of the Compliance dated Sept. 10, 1990, *supra* (*rollo*, pp. 276-291).

Supreme Court E-Library

pay effective August 12, 1985 for five (5) working days'' and warned them that their failure to submit the requisite reports by August 19, 1985 would merit ''more drastic disciplinary actions.'' Still, no sales representative complied with the requirement to submit the reports (''list of accounts to be cancelled''). So, by memorandum of the Marketing Director dated August 19, 1985, all the sales representatives concerned were suspended anew ''effective August 20, 1985 until you submit the . . . (report).''

Finally, GTE gave its sales representatives an ultimatum. By memorandum dated August 23, 1985, individually addressed to its sales representatives, GTE required them, for the last time, to submit the required reports (''list of accounts to be cancelled'') within twenty-four (24) hours from receipt of the memorandum; otherwise, they would be terminated ''for cause.'' Again not one sales representative submitted a report. Instead, on August 29, 1985, the Union President sent an undated letter to GTE (addressed to its Director for Marketing & Sales) acknowledging receipt of the notice of their suspension on August 19, 1985 in view of their ''continued refusal to submit the list of accounts to be cancelled,'' professing surprise at being ''served with a contradictory notice, giving us this time 24 hours to submit the required list, without the suspension letter, which we consider as still in force, being first recalled or withdrawn,'' asking that they be informed which of the two directives should be followed, and reserving their ''right to take such action against you personally for your acts of harassment and intimidation which are clearly designed to discourage our legitimate union activities in protesting management's continious (sic) unfair labor practices.''

Consequently, by separate letters dated August 29, 1985 individually received, GTE terminated the employment of the recalcitrant sales representatives, numbering fourteen, with the undertaking to give them ''separation pay, upon proper clearance and submission of company documents, material etc., in . . . (their) possession.'' Among those dismissed were the union's president and third vice president, and several members of its board of directors. On September 2, 1985, the union declared a strike in which about 60 employees participated.

Supreme Court E-Library

During all this time, conciliation efforts were being exerted by the Bureau of Labor Relations, including attempts to prevent the imposition of sanctions by GTE on its employees, and the strike itself. When these proved futile, Acting Labor Minister Vicente Leogardo, Jr. issued an Order dated December 6, 1985 assuming jurisdiction over the dispute. The order made the following disposition, to wit:

"WHEREFORE, this Office hereby assumes jurisdiction over the labor dispute at G.T.E. Directories, pursuant to Article 264 (g) of the Labor Code of the Philippines, as amended. Accordingly, all striking workers including those who were dismissed during the conciliation proceedings, except those who have already resigned, are hereby directed to return to work and the management of G.T.E. Directories to accept all returning employees under the same terms and conditions prevailing previous to the strike notice and without prejudice to the determination of the obligation and rights of the parties or to the final outcome of this dispute. The Bureau of Labor Relations is hereby directed to hear the dispute and submit its recommendations within 15 days upon submission of the case for resolution.

All concerned including the military and police authorities are hereby requested to assist in the implementation of this Order."

The Acting Secretary opined that the dispute "adversely affects the national interest," because:

1) GTE, a "100% foreign owned" company, had, as publisher of "PLDT's Metro Manila and provincial directories . . . earned a total of P127,038,463 contributing close to P10 million in income tax alone to the Philippine government," and that "major contribution to the national economy . . . (was) being threatened because of the . . . strike;" and

2) "top officers of the union were dismissed during the conciliation process thereby compounding the dispute,"

Reconsideration of this Order was sought by GTE by motion filed on December 16, 1985, on the ground that --

1) "the basis for assumption of jurisdiction is belied by the facts and records of the case and hence, unwarranted;"

2) "national interest is not adversely affected to warrant assumption of jurisdiction by (the) Office of the Minister of Labor and Employment;" and

Supreme Court E-Library

3) "assumption of jurisdiction by the . . . Minister . . . without prior consultation with the parties violates the company's right to due process of law."

GTE however reiterated its previously declared "position that with or without the order now being questioned, it will accept all striking employees back to work except the fourteen (14) premise sales representatives who were dismissed for cause prior to strike."

By Resolution of then Labor Minister Blas Ople dated January 20, 1986, GTE's motion for reconsideration was denied. The order noted *inter alia* that GTE had "accepted back to work all the returning workers except fourteen (14) whom it previously dismissed insisting that they were legally dismissed for violation of company rules and, therefore, are not included and may not be reinstated on the basis of a return-to-work order," and that "they were dismissed for their alleged failure to comply with the reportorial requirement under the Sales and Administrative Practices in effect since 1981 but which for the present is the subject of negotiations between the parties." The Order then --

1) adverted to the "general rule (that) promulgations of company policies and regulations are basic management prerogatives although the principle of collective bargaining encompasses almost all relations between the employer and its employees which are best threshed out through negotiations, . . . (and that) it is recognized that company policies and regulations are, unless shown to be grossly oppressive or contrary to law, generally binding and valid on the parties until finally revised or amended unilaterally or preferably through negotiations or by competent authorities;"

2) affirmed the "recognized principle of law that company policies and regulations are, unless shown to be grossly oppressive or contrary to law, generally binding (and) valid on the parties and must be complied with until finally revised or amended unilaterally or preferably through negotiations or by competent authorities;" and

3) closed by pointing out that "as a basic principle, the matter of the acceptability of company policies and rules is a proper subject of collective negotiations between the parties or arbitration if necessary."

Supreme Court E-Library

In a clarificatory Order dated January 21, 1986, Minister Ople reiterated the proposition that "promulgations of company policies and regulations are basic management prerogatives," and that "unless shown to be grossly oppressive or contrary to law," they are "generally binding and valid on the parties and must be complied with until finally revised or amended unilaterally or preferably through negotiations or by competent authorities."

Adjudication of the dispute on the merits was made on March 31, 1968 by Order of Minister Ople's successor, Augusto Sanchez. The Order --

1) pointed out "that the issue central to the labor dispute . . . revolves around compliance with existing company policies, rules and regulations specifically the sales evaluation and production policy which was amended by the October 12, 1984 memorandum and the grid schedule;"

2) declared that because fourteen (14) sales representatives - who after reinstatement pursuant to the order of January 20, 1986 had been placed "on forced leave with pay - "were actually dismissed for failure to comply with the reporting requirements under the 'Sales Administration Practices' which was (sic) then the subject of negotiations between the parties at the Bureau of Labor Relations," it was only fair that they "be reinstated . . . with back wages since they were terminated from employment based on a policy . . . still being negotiated to avoid precisely a labor-management dispute from arising" therefrom;"

3) pronounced the union's action relative to the allegedly illegal dismissal of one Brian Pineda to be "barred by extinctive prescription" in accordance with the CBA then in force; and

4) on the foregoing premises adjudicated the dispute as follows:

"1. The union and management of G.T.E. Directories Corporation are directed to negotiate and effect a voluntary settlement on the questioned Grid schedule, the Sales Evaluation and Production Policy;

2. Management is ordered to reinstate the fourteen (14) employees with full back wages from the time they were

Supreme Court E-Library

dismissed up to the time that they were on forced leave with pay."

Both the Union and GTE moved for reconsideration of the Order.

The Union contended that:

1) GTE should have been adjudged guilty of unfair labor practice and other unlawful acts;

2) its strike should have been declared lawful;

3) GTE's so-called "bottom-third" policy, as well as all sales and administrative practices related thereto, should have been held illegal; and

4) GTE should have been commanded: (a) to pay all striking employees their usual salaries, allowances, commission and other emoluments corresponding to the period of their strike; (b) to release to its employees the 8-days pay increase unlawfully withheld from them; (c) to lift the suspension imposed on Brian Pineda and restore to him the pay withheld corresponding to the suspension period; (d) to pay the sales representatives all their lost income corresponding to the period of their suspensions, and dismissal, including commissions that they might have earned corresponding to their one-week forced leave.

GTE, for its part, argued that the termination of the employment of its fourteen (14) premise sales representatives prior to the strike should have been upheld. It also filed an opposition to the union's motion for reconsideration.

The motions were resolved in a "Decision" handed down by Minister Sanchez on June 6, 1986. The Minister stated that he saw no need to change his ruling as regards Pineda's suspension, the question on GTE's sales and administrative policies, and the matter of back wages. However, as regards "the other issues raised by the union," the Minister agreed "with the company that these were not adequately threshed out in the earlier proceedings . . . (for) (w)hile it is true that the union had already presented evidence to support its contention, the company should be given the opportunity to present its own evidence." Accordingly, he directed the Bureau of Labor Relations to hear said "other issues raised by the union

Supreme Court E-Library

and to submit its findings and recommendations thereon within 20 days from submission of the case for decision."

Again GTE moved for reconsideration; again it was rebuffed. The Labor Minister denied its motion by Order dated October 1, 1986. In that order, the Minister, among other things --

1) invoked Section 6, Rule XIII of the Rules and Regulations Implementing the Labor Code, pertinently reading as follows:

"During the proceedings, the parties shall not do any act which may disrupt or impede the early settlement of the dispute. They are obliged, as part of their duty to bargain collectively in good faith, to participate fully and promptly in the conciliation proceedings called by the Bureau or the Regional Office."

and pointed out that "in dismissing 14 salesmen . . . for alleged violations of the reportorial requirements of its sales policies which was then the subject of conciliation proceedings between them, (GTE) acted evidently in bad faith; hence the *status quo* prior to their dismissal must be restored . . . (and) their reinstatement with backwages is in order up to the time they were on forced leave. . .;"

2) declared that because he had "ordered the parties to negotiate and effect a voluntary settlement of the questioned Grid Schedule, the Sales Evaluation and Productions Policy, it would be unripe and premature for us to rule on the legality or illegality on the company's sales policies at this instance;"

3) opted, however, to himself resolve "the so-called 'other issues'" which he had earlier directed the Bureau of Labor Relations to first hear and resolve (in the Decision of June 6, 1986, *supra*), i.e., GTE's liability for unfair labor practice, the legality of the strike and the strikers' right to be paid their wages while on strike, his ruling thereon being as follows:

"While the company, in merely implementing its challenged sales policies did not *ipso facto* commit an unfair labor practice, it did so when it in *mala fide* dismissed the fourteen salesmen, all union members, while conciliation proceedings were being conducted on disputes on its very same policies, especially at that time when a strike notice was filed on the complaint of the union alleging that said sales policies are being used

Supreme Court E-Library

to bust the union; thus precipitating a lawful strike on the part of the latter. A strike is legal if it was provoked by the employer's failure to abide by the terms and conditions of its collective bargaining agreement with the union, by the discrimination employed by it with regard to the hire and tenure of employment, and the dismissal of employees due to union activities as well as the company's refusal to bargain collectively in good faith (Cromwell Commercial Co., Inc. *vs.* Cromwell Employees and Laborers Union, 19 SCRA 398). The same rule applies if employer was guilty of bad faith delay in reinstating them to their positions (RCPI *vs.* Phil. Communications Electronics & Electricity Workers Federation, 58 SCRA 762).

"While as a rule strikers are not entitled to backpay for the strike period (J.P. Heilbronn Co. *vs.* NLU, 92 Phil. 575) strikers may be properly awarded backwages where the strike was precipitated by union busting activities of the employer (Davao Free Workers, Front, et al. *vs.* CIR, 60 SCRA 408), as in the case at bar. . . ."

The Minister accordingly annulled and set aside his order for the Bureau of Labor Relations to conduct hearings on said issues since he had already resolved them, and affirmed his Order of March 31, 1986 - "directing Union and Management to negotiate a voluntary settlement on the company sales policies and reinstating the fourteen employees with full backwages from the time they were dismissed up to the time they were on forced leave with pay" - "but with the modification that management . . . (was) directed to give the striking workers strike duration pay for the whole period of the strike less earnings."

GTE thereupon instituted the special civil action of *certiorari* at bar praying for invalidation, because rendered with grave abuse of discretion, of the Labor Minister's orders --

1) commanding "reinstatement of the fourteen dismissed employees, and

2) "finding . . . (it) guilty of unfair labor practice and directing . . . (it) to pay strike duration pay to all striking workers."

It seems to the Court that upon the undisputed facts on record, GTE had cause to dismiss the fourteen (14) premise sales representatives who had repeatedly and deliberately, not to say defiantly, refused to comply with its directive for submission of

Supreme Court E-Library

individual reports on specified matters. The record shows that GTE addressed no less than six (6) written official communications to said premise sales representatives embodying this requirement, to wit:

1) Memorandum of July 9, 1985 pursuant to GTE's "Sales Administrative Practices" - superseded by a memorandum dated July 16, 1985 - requiring submission of individual reports by August 2, 1985;

2) Memorandum of August 5, 1985, requiring submission of the reports by 2:00 P.M.;

3) Memorandum of August 6, 1985, for submission of requisite reports not later than 4:00 P.M. of that day, with a warning of "appropriate disciplinary action;"

4) Letter of August 9, 1985 imposing suspension without pay for five (5) working days and extending the period for submission of reports to August 19, 1985;

5) Letter of August 19, 1985 suspending the sales representatives until their submission of the required reports;

6) Letter dated August 28, 1985 giving the sales representatives "a last chance to comply with . . . (the) directive within 24 hours from receipt . . .;" with warning that failure to comply would result in termination of employment.

The only response of the sales representatives to these formal directives were:

1) a letter by their Union to GTE's Sales Manager dated August 5, 1985 in which the requirement was criticized as not being the "result of an agreement of all concerned," and as incomprehensible, "discriminate and whimsical;"

2) a strike notice filed with the Ministry of Labor on August 6, 1985; and

3) an undated letter sent to GTE's Director for Marketing & Sales on August 29, 1985, drawing attention to what it deemed contradictory directives, and reserving the right to take action against the manager for "acts of harassment and intimidation . . . clearly designed to discourage our legitimate union activities in protesting management's continuous unfair labor practices."

Supreme Court E-Library

The basic question then is whether or not the effectivity of an employer's regulations and policies is dependent upon the acceptance and consent of the employees thereby sought to be bound; or otherwise stated, whether or not the union's objections to, or request for reconsideration of those regulations or policies automatically suspend enforcement thereof and excuse the employees' refusal to comply with the same.

This Court has already had occasion to rule upon a similar issue. The issue was raised in a 1989 case, G.R. No. 53515, *San Miguel Brewery Sales Force Union (PTGWO) v. Ople*.[3] In that case, the facts were briefly as follows:

"In September 1979, the company introduced a marketing scheme known as the 'Complementary distribution system' (CDS) whereby its beer products were offered for sale directly to wholesalers through San Miguel's sales offices.

The Labor union (herein petitioner) filed a complaint for unfair labor practice in the Ministry of Labor, with a notice of strike on the ground that the CDS was contrary to the existing marketing scheme whereby the Route Salesmen were assigned specific territories within which to sell their stocks of beer, and wholesalers had to buy beer products from them, not from the company. It was alleged that the new marketing scheme violates . . . (a provision) of the collective bargaining agreement because the introduction of the CDA would reduce the take-home pay of the salesmen and their truck helpers for the company would be unfairly competing with them."

The Labor Minister found nothing to suggest that the employer's unilateral action of inaugurating a new sales scheme "was designed to discourage union organization or diminish its influence;" that on the contrary, it was "part of its overall plan to improve efficiency and economy and at the same time gain profit to the highest;" that the union's "conjecture that the new plan will sow dissatisfaction from its ranks is already a prejudgment of the plan's viability and effectiveness, . . . like saying that the plan will not work out to the workers' (benefit) and therefore management must adopt a new system of marketing." The Minister accordingly dismissed the strike

[3] 170 SCRA 25-28

Supreme Court E-Library

notice, although he ordered a slight revision of the CDS, which the employer evidently found acceptable.

This Court approved of the Minister's findings, and declared correct his holding that the CDS was "a valid exercise of management prerogatives,"[4] *viz.:*

"*Except as limited by special laws, an employer is free to regulate, according to his own discretion and judgment, all aspects of employment,* including hiring, work assignments, working methods, time, place and manner of work, tools to be used, *processes to be followed,* supervision, of workers, working regulations, transfer of employees, work supervision, lay-off of workers and the discipline, dismissal and recall of work. . . . (NLU *vs.* Insular La Yebana Co., 2 SCRA 924; Republic Savings Bank *vs.* CIR, 21 SCRA 226, 235.)' (Perfecto V. Hernandez, Labor Relations Law, 1985 ed., p. 44.) (Italics ours.)"

The Court then closed its decision with the following pronouncements:[5]

"Every business enterprise endeavors to increase its profits. In the process, it may adopt or devise means designed towards that goal. In Abbott Laboratories *vs.* NLRC, 154 SCRA 713, We ruled:

> '. . . Even as the law is solicitous of the welfare of the employees, it must also protect the right of an employer to exercise what are clearly management prerogatives. The free will of management to conduct its own business affairs to achieve its purpose cannot be denied.'

So long as a company's management prerogatives are exercised in good faith for the advancement of the employer's interest and not for the purpose of defeating or circumventing the rights of the employees under special laws or under valid agreements, this Court will uphold them (LVN Pictures Workers *vs.* LVN, 35 SCRA 147; Phil. American Embroideries *vs.* Embroidery and Garment Workers, 26 SCRA 634; Phil. Refining Co. *vs.* Garcia, 18 SCRA 110). . . ."

In the case at bar, it must thus be conceded that its adoption of a new "Sales Evaluation and Production Policy" was within its management prerogative to regulate, according to its own discretion and judgment, all aspects of employment, including the manner,

---

[4] At pp. 27-28.
[5] At p. 28.

Supreme Court E-Library

procedure and processes by which particular work activities should be done. There were, to be sure, objections presented by the union, i.e., that the schedule had not been "drawn (up) as a result of an agreement of all concerned," that the new policy was incomprehensible, discriminatory and whimsical, and "would result to further reduction" of the sales representatives' compensation. There was, too, the union's accusation that GTE had committed unfair labor practices, such as --

"1. Refusal to bargain on unjust sales policies particularly on the failure to meet the 75% of the average sales production for two consecutive years;

2. Open territory of accounts;

3. Illegal suspension of Brian Pineda, a union officer; an

4. Non-payment of eight days' suspension pay increase."

This Court fails to see, however, how these objections and accusations justify the deliberate and obdurate refusal of the sales representatives to obey the management's simple requirement for submission by all Premise Sales Representatives (PSRs) of individual reports or memoranda requiring reflecting target revenues - which is all that GTE basically required - and which it addressed to the employees concerned no less than six (6) times. The Court fails to see how the existence of objections made by the union justify the studied disregard, or willful disobedience by the sales representatives of direct orders of their superior officers to submit reports. Surely, compliance with their superiors' directives could not have foreclosed their demands for the revocation or revision of the new sales policies or rules; there was nothing to prevent them from submitting the requisite reports with the reservation to seek such revocation or revision.

To sanction disregard or disobedience by employees of a rule or order laid down by management, on the pleaded theory that the rule or order is unreasonable, illegal, or otherwise irregular for one reason or another, would be disastrous to the discipline and order that it is in the interest of both the employer and his employees to preserve and maintain in the working establishment and without which no meaningful operation and progress is possible. Deliberate disregard

Supreme Court E-Library

or disobedience of rules, defiance or management authority cannot be countenanced. This is not to say that the employees have no remedy against rules or orders they regard as unjust or illegal. They may object thereto, ask to negotiate thereon, bring proceedings for redress against the employer before the Ministry of Labor. But until and unless the rules or orders are declared to be illegal or improper by competent authority, the employees ignore or disobey them at their peril. It is impermissible to reverse the process: suspend enforcement of the orders or rules until their legality or propriety shall have been subject of negotiation, conciliation, or arbitration.

These propositions were in fact adverted to in relation to the dispute in question by then Minister Blas Ople in his Order dated January 21, 1986, to the effect among others, that "promulgations of company policies and regulations are basic management prerogatives" and that it is a "recognized principle of law that company policies and regulations are, unless shown to be grossly oppressive or contrary to law, generally binding (and) valid on the parties and must be complied with until finally revised or amended unilaterally or preferably through negotiations or by competent authorities."

Minister Sanchez however found GTE to have "acted evidently in bad faith" in firing its 14 salespersons "for alleged violations of the reportorial requirements of its sales policies which was then the subject of conciliation proceedings between them;"[6] and that "(w)hile the company, in merely implementing its challenged sales policies did not *ipso facto* commit an unfair labor practice, it did so when it in *mala fide* dismissed the fourteen salesmen, all union members, while conciliation proceedings were being conducted on disputes on its very same policies, especially at that time when a strike notice was filed on the complaint of the union alleging that said sales policies are being used to bust the union; thus precipitating a lawful strike on the part of the latter." No other facts appear on record relevant to the issue of GTE's dismissal of the 14 sales representatives. There is no proof on record to demonstrate any underhanded motive on the part of GTE in formulating and imposing

---

[6] SEE page 7, *supra*.

Supreme Court E-Library

the sales policies in question, or requiring the submission of reports in line therewith. What, in fine, appears to be the Minister's thesis is that an employer has the prerogative to lay down basic policies and rules applicable to its employees, but may not exact compliance therewith, much less impose sanctions on employees shown to have violated them, the moment the propriety or feasibility of those policies and rules, or their motivation, is challenged by the employees and the latter file a strike notice with the Labor Department - which is the situation in the case at bar.

When the strike notice was filed by the union, the chain of events which culminated in the termination of the 14 salespersons' employment was already taking place, the series of defiant refusals by said sales representatives to comply with GTE's requirement to submit individual reports was already in progress. At the time, no less than three (3) of the ultimate six (6) direct orders of the employer for the submission of the reports had already been disobeyed. The filing of the strike notice, and the commencement of conciliation activities by the Bureau of Labor Relations did not operate to make GTE's orders illegal or unenforceable so as to excuse continued non-compliance therewith. It does not follow that just because the employees or their union are unable to realize or appreciate the desirability of their employers' policies or rules, the latter were laid down to oppress the former and subvert legitimate union activities. Indeed, the overt, direct, deliberate and continued defiance and disregard by the employees of the authority of their employer left the latter with no alternative except to impose sanctions. The sanction of suspension having proved futile, termination of employment was the only option left to the employer.

To repeat, it would be dangerous doctrine indeed to allow employees to refuse to comply with rules and regulations, policies and procedures laid down by their employer by the simple expedient of formally challenging their reasonableness or the motives which inspired them, or filing a strike notice with the Department of Labor & Employment, or, what amounts to the same thing, to give to employees the power to suspend compliance with company rules or policies by requesting that they be first subject of collective bargaining. It would be well nigh impossible under these

Supreme Court E-Library

circumstances for any employer to maintain discipline in its establishment. This is, of course, intolerable. For common sense teaches, as Mr. Justice Gregorio Perfecto once had occasion to stress,[7] that:

"Success of industries and public services is the foundation upon which just wages may be paid. There cannot be success without efficiency. There cannot be efficiency without discipline. Consequently, when employees and laborers violate the rules of discipline they jeopardize not only the interest of the employer but also their own. In violating the rules of discipline they aim at killing the hen that lays the golden eggs. Laborers who trample down the rules set for an efficient service are, in effect, parties to a conspiracy, not only against capital but also against labor. The high interest of society and of the individuals demand that we should require everybody to do his duty. That demand is addressed not only to employer but also to employees."

Minister Sanchez decided the dispute in the exercise of the jurisdiction assumed by his predecessor in accordance with Article 263 (g) of the Labor Code,[8] providing in part as follows:

"(g) When in his opinion there exists a labor dispute causing or likely to cause strikes or lockouts adversely affecting the national interest, such as may occur in but not limited to public utilities, companies engaged in the generation or distribution of energy, banks, hospitals, and export-oriented industries, including those within export processing zones, the Minister of Labor and Employment shall assume jurisdiction over the dispute and decide it or certify the same to the Commission for compulsory arbitration. . . ."

Even that assumption of jurisdiction is open to question.

The production and publication of telephone directories, which is the principal activity of GTE, can scarcely be described as an industry affecting the national interest. GTE is a publishing firm chiefly dependent on the marketing and sale of advertising space for its not inconsiderable revenues. Its services, while of value, cannot be deemed to be in the same category of such essential activities as "the generation or distribution of energy" or those

---

[7] Batangas Transportation Co. *v.* Bagong Pagkakaisa of the Employees and Laborers of the Batangas Trans. Co., 7 Phil. 108, 112 (1949).

[8] Order dated Dec. 6, 1985 by Acting Labor Minister Vicente Leogardo, Jr.: SEE p. 4, *supra*.

Supreme Court E-Library

undertaken by "banks, hospitals, and export-oriented industries." It cannot be regarded as playing as vital a role in communication as other mass media. The small number of employees involved in the dispute, the employer's payment of "P10 million in income tax alone to the Philippine government," and the fact that the "top officers of the union were dismissed during the conciliation process," obviously do not suffice to make the dispute in the case at bar one "adversely affecting the national interest."

WHEREFORE, the petition is GRANTED, and as prayed for, the Order dated October 1, 1986 of the public respondent is NULLIFIED and SET ASIDE.

SO ORDERED.

Gancayco, Griño-Aquino and *Medialdea, JJ.*, concur.
Cruz, J., no part. Related to one of the counsel.

THIRD DIVISION

(G.R. No. 77205. May 27, 1991)

VALENTINO TORILLO, *petitioner, vs.* VICENTE LEOGARDO, JR., in his official capacity as Deputy Minister of Labor; the HONORABLE MINISTER OF LABOR AND EMPLOYMENT; and ABERDEEN COURT, INC., *respondents.*

SYLLABUS

1. **LABOR LAW; REINSTATEMENT AND BACKWAGES; PROPER IN CASE EMPLOYEE IS ILLEGALLY DISMISSED; REASON THEREFOR.--** Article 280 (now Article 279) of the Labor Code provides that "an employee who is unjustly dismissed from work shall be entitled to reinstatement without loss of seniority rights and other privileges and to his full backwages . . ." Backwages in general are granted on grounds of equity for earnings which a worker or employee has lost due