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REPORT OF CASES

DETERMINED IN THE

SUPREME COURT OF THE PHILIPPINES

EN BANC

[G.R. No. L-26169. March 1, 1979]

NATIONAL POWER CORPORATION, *petitioner, vs.* **NATIONAL POWER CORPORATION EMPLOYEES AND WORKERS ASSOCIATION and COURT OF INDUSTRIAL RELATIONS,** *respondents.*

[G.R. No. L-26178. March 1, 1979]

NATIONAL POWER CORPORATION EMPLOYEES AND WORKERS ASSOCIATION, *petitioners, vs.* **NATIONAL POWER CORPORATION and COURT OF INDUSTRIAL RELATIONS,** *respondents.*

[G.R. No. L-31279. March 1, 1979]

NATIONAL POWER CORPORATION, *petitioner, vs.* **NATIONAL POWER CORPORATION EMPLOYEES AND WORKERS ASSOCIATION and COURT OF INDUSTRIAL RELATIONS,** *respondents.*

[G.R. No. L-33909. March 1, 1979]

NATIONAL POWER CORPORATION, *petitioner, vs.* **NATIONAL POWER CORPORATION EMPLOYEES AND WORKERS ASSOCIATION and COURT OF INDUSTRIAL RELATIONS,** *respondents.*

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SYLLABUS

1. **LABOR AND SOCIAL LEGISLATIONS; LABOR RELATIONS; UNFAIR LABOR PRACTICE; A CHARGE THEREOF MAY BE THE SUBJECT OF COMPROMISE BETWEEN THE PARTIES.**— One important issue posed in the cases at bar is the validity of the compromise agreement reached by the parties. Stated otherwise, may an unfair labor practice charge be the subject of a compromise or an amicable settlement between the parties? To resolve this issue, we need merely to advert to *Dionela vs. CIR* (8 SCRA, pages 832, 834 and 836). In that case the union and the corporation reached an agreement for the "amicable settlement of all differences, disputes and/or controversies between them." On the basis of this amicable settlement, a motion to withdraw the complaints was filed, and the court *a quo* dismissed the said complaints.

2. **ID.; ID.; ID.; ID.; BINDING ON THE MINORITY MEMBERS OF THE UNION; REASON THEREFOR.**— The lower court held otherwise, upon the ground that 'it is an accepted rule under our laws that the will of the majority should prevail over the minority,' and that the action taken by petitioners herein as minority members of the Union is contrary to the policy of the Magna Carta of Labor, which promotes the settlement of differences between management and labor by mutual agreement,' and that if said action were tolerated, 'no employer would ever enter into any compromise agreement for the minority members of the Union will always dishonor the terms of the agreement and demand for better terms.' The view thus taken by the lower court is correct. Indeed, otherwise, even collective bargaining agreements would cease to promote industrial peace and the purpose of Republic Act No. 875 would thus be defeated."

3. **ID.; ID.; ID.; ID.; MATTER OF ATTORNEY'S FEES IS SUBORDINATE TO THE PARAMOUNT INTEREST OF THE REAL PARTIES IN INTEREST IN ADJUSTING THEIR DIFFERENCES.**— The matter of attorney's fees is secondary and subordinate to the paramount interests of the real parties in interest in adjusting their differences. The Court notes, moreover, that when the said agreement was being negotiated and concluded, Balcos' authority to act as NPCEWA's counsel had already been revoked, And, although attorney's fees were

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awarded to him by the court below, the same were contingent and purely dependent upon the final outcome of the cases before the Court.

RESOLUTION

CASTRO, *C.J.*:

Before us are two separate oppositions filed by Simplicio S. Balcos and Enrique P. Barredo against the joint petition of the National Power Corporation (hereinafter referred to as "NPC") and the National Power Corporation Employees and Workers Association (hereinafter referred to as "NPCEWA") for the withdrawal of G.R. Nos. L-26169, L-31279 and L-33903 wherein NPC is the petitioner and NPCEWA the respondent, and L-26178 wherein NPCEWA is the petitioner and NPC the respondent.

It appears that on January 11, 1966, NPCEWA staged a strike against NPC for alleged refusal by the latter to honor its commitment in their collective bargaining contract that should NPC increase the salaries of its employees (it was claimed that some employees' salaries were increased) other than the adjustment allowed in the contract, the "Corporation agrees to the reopening by Association of negotiations for salary adjustments of NPC personnel."[1]

On January 13, 1966, the dispute was certified by the President of the Philippines to the Court of Industrial Relations, where it was docketed as Case No. 65-IPA, as one involving an industry indispensable to the national interest. In the Industrial Relations Court, the union pursued its demand for pay increases while NPC questioned the legality of the strike.

On January 18, 1966, the court *a quo* rendered a partial judgment granting NPC employees (except those already granted

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[1] NPC alleges that under their agreement, a grant of salary increase shall not be a cause for reopening of negotiations on salary increases if the same was granted "consistent with the principle of equal pay for equal work' or due to increased duties and responsibilities of the position x x x."

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wage increases) a 21% pay raise on their basic pay, staggered over a 3-year period from January 1, 1965 to January 1, 1968 at an 11:5:5 basis. Both parties appealed to this Court in L-26169 and L-26178.

In a decision promulgated on June 30, 1970, the Court remanded both cases to the court below because "the situation confronting the Court of Industrial Relations here was such that a determination of the validity of the strike is crucial to the proper disposition of the matter." On April 6, 1971, the industrial court declared that the strike of the union was legal; hence, NPC filed a petition to review the same in L-33909.

L-31279 is a dispute between the parties not connected with the strike on January 11,1966 and involves an appeal by NPC from an adverse decision of the Court of Industrial Relations in Case No. 2368-V on the issue of whether or not in computing overtime pay, the fringe benefits regularly received by NPC personnel, such as Christmas bonus, living allowance, mid-year bonus, incentive pay and hospitalization benefits, should be included in the basic pay.

On July 9, 1973, NPC and NPCEWA entered into a contract entitled "Supplemental Agreement" providing, among others, that upon approval by the President of the Philippines of the NPC Reorganization Plan and its corresponding salary scales, the same shall be implemented in accordance with the terms thereof and the corresponding appointments of employees shall be made. Thereafter, all pending cases between the parties shall be withdrawn. Some pertinent provisions of that agreement are as follows:

"WHEREAS, in order to achieve the goals and objectives of the New Society, the parties hereto recognize that a lasting industrial peace should be maintained in the corporation thru enlightened management and labor relationship;

"XXX XXX XXX

"WHEREAS, with respect to the reorganization the parties hereto have previously agreed on the following:

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"(1) NPC and the two (2) unions would meet to consider changes as may be deemed desirable or appropriate in the new organization.

"x x x x x x x x x

"(3) Personnel in the new organization will be designated or slotted by Management in consultation with both unions subject to the understanding that x x x.

"x x x x x x x x x

"(5) After the new pay scales have been agreed upon by the parties, same shall be implemented retroactive to the date personnel were designated or slotted to the positions in accordance with (a) above; provided that no employee shall suffer a reduction in salary or wage.

(6) No employee occupying an item in the present plantilla of personnel will be laid off or terminated as a result of the implementation of the new organization.

"WHEREAS, the CORPORATION had substantially complied with its commitments as indicated above, having approved new salary scales for rank-and-file and supervisory and executive positions in the National Power Corporation under Resolution No. 73-189 dated June 15, 1973;

"WHEREAS, after a careful review of the salary scales as approved by CORPORATION and to be implemented as part of this compromise, the UNIONS have noted that their members expect to receive rates of pay substantially higher than what they have been receiving and which will compare favorably with the rates in the private sector for similar positions in the industry, and that their overtime, insurance and retirement benefits are going to be correspondingly augmented;

"NOW, THEREFORE, [description of all cases between the parties pending in court and to be withdrawn follows]

"x x x x x x x x x

"CORPORATION and UNIONS agree to hold effective the provisions of existing collective bargaining agreements for a period of four (4) years from approval of this agreement: Provided, however, that in the event that the cost of living index in any given year shall exceed more than 6% per year, negotiation for the salary scales may be reopened earlier than provided;

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"CORPORATION agrees that there shall be no lay-off of employees occupying permanent items or positions x x x;

"With respect to any position in the re-organization plan, the evaluation and allocation of which is under question, there shall be created a job evaluation committee which shall be trained, guided and installed by an independent consultant x x x;

"CORPORATION agrees to allow the participation of the duly authorized representative of each of the UNIONS in the screening of employees and/or applicants for employment for purposes of filling up of positions or promotions. x x x."

Simplicio S. Balcos, erstwhile counsel of NPCEWA, and some 18 members of the union spokesmanned by Enrique P. Barredo, opposed the withdrawal of the above cases. The bases of their stand may be summed up as follows: (1) the increase in basic pay which was the *quid pro quo* for the dismissal of the union cases against NPC is more apparent than real as the new minimum salary scale was merely the sum total of their old basic pay plus the fringe benefits already received regularly by NPC personnel; (2) the withdrawal of the union cases is a major policy which the general membership must decide; (3) the manner in which the parties agreed to withdraw these pending cases was illegal, immoral and against public policy; the negotiations that led to the conclusion of the Supplemental Agreement were made in utmost secrecy and haste, and nine (9) days after its execution, the union President was exonerated of the charge of falsifying his information sheet wherein he stated that he completed his fourth year commerce course at the Far Eastern University; (4) since August, 1972, NPCEWA's President has occupied a supervisory position, first as a section chief and later as a division head, which makes his union membership with NPCEWA null and void; (5) the meeting of the union's Executive Board at which its President was authorized to negotiate the Supplemental Agreement had no quorum; (6) Barredo's new appointment had a notation that says: "This appointment is issued in implementation of the reorganization ordered by the President of the Philippines in his memorandum of September 21, 1970," thus showing that NPC has no intention of implementing the Supplemental Agreement; and (7) the parties

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intended to defraud Balcos of his attorney's fees as he was not informed of the negotiations that led to the execution of the aforesaid agreement. It appears that in Case No. 65-IPA, he was awarded a fee equivalent to 20% of the salary increases granted by the court *a quo* in its partial decision, while in Case No. 2368-V, he was allowed 25% of the amounts to be paid to NPC personnel by virtue of the court *a quo*'s decision dated March 27, 1969.

Both NPC and NPCEWA traversed the validity of the foregoing accusations. It was stated that the negotiations which culminated in the execution of the Supplemental Agreement were open and made known to all employees; and if Balcos was not informed thereof, it was because he was no longer the retained counsel of the union. It was also shown that by virtue of the said agreement, NPC employees would be receiving substantially higher rates of pay than what they have been receiving; that except for about 500 employees whose qualifications for specific jobs were still being screened, the rest had already availed themselves of the benefits granted under the Supplemental Agreement; that the meeting of the union's 15-member Executive Board at which its President was authorized to negotiate with management had a quorum of nine (9) members. After the deliberations and during the voting on the question of authorizing the union President to conclude the proposed agreement, two (2) members of the Board walked out; that the union's local chapter presidents, at a special meeting held on June 27, 1973, voted to accept the terms of the proposed Supplemental Agreement; and that between March 25, 1968 and August 6, 1973, NPC remitted to Balcos the fairly substantial sum of ₱359,785.19 representing collections from its employees in payment for his legal services.

After a close and thorough study of the arguments and evidence adduced by the parties before the Court relative to the petition for the withdrawal of these cases and of the opposition lodged thereto, the Court is of the opinion that the said opposition cannot stand.

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1. While it may be true that without the Supplemental Agreement, the total pay of NPC employees consisted of their basic pay plus fringe benefits, it cannot be denied that because of the said agreement, those fringe benefits became part of their basic pay and, as NPC and NPCEWA claim without dispute on the part of the oppositors, some more in addition. To that extent, NPC employees have been substantially benefited by the said agreement which thus precluded the management from withdrawing or reducing certain items of fringe benefits which it may do so when adverse circumstances in operations occur. Trite to add, the increase in basic pay had also the effect of raising the amount of overtime, insurance and retirement benefits which each employee would enjoy.

Moreover, it does not appear that the increase in the employees' pay was the only consideration on the union's part for agreeing to the Supplemental Agreement. There are provisions therein — such as union participation in job placements and promotions, fixing of a 4-year term for the effectivity of subsisting collective bargaining agreements which may be shortened when the cost of living index rises above 6%, and rationalization of wage and position classification through an independent job evaluation study — which indubitably formed part of the reasons that motivated the union to execute the said agreement. But clearly on top of all these was the mutual desire of both parties to settle amicably whatever differences existed between them without the intervention of the courts in order that, by their own initiative, better industrial peace would dwell between labor and capital. The Court definitely will not discourage such recourse.

It should further be noted that the cases which the parties sought to terminate are still pending before the Court and while the union was successful in obtaining a favorable decision below, there is absolutely no assurance, particularly on the basic issue of the legality of the strike, that it will be able to obtain an affirmance from the Court.

2. The contention that the withdrawal of these cases is a major policy which only the general membership can decide

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under Section 17(c) of the Industrial Peace Act which grants union members the right to vote "upon any (other) question of major policy affecting the entire membership of the organization" is *inapropos*. The records show that the Supplemental Agreement was executed with the authority and approval of the union's Executive Board and was accepted by the local chapter presidents; and the benefits thereunder have been and are being availed of already by the members of NPCEWA and other employees of NPC who number around two thousand.

3. The alleged secret and suspicious circumstances surrounding the execution of the Supplemental Agreement are not sustained by the records which, on the contrary, disclose that acceptance of the terms of the said agreement was first referred to the union's board and its local chapter presidents.

4. The point raised that since August, 1972, the union's President has been occupying a supervisory position is beside the point. It does not appear that NPCEWA ever disqualified him from further union membership despite this easily well-known fact. Moreover, the acceptance of the terms and conditions of the Supplemental Agreement was authorized by the union's Executive Board and its local chapter presidents. In short, the Supplemental Agreement is not a contract which was concluded without proper authority.

5. The alleged lack of quorum at the questioned meeting of the NPCEWA's Executive Board is not substantiated. It has been demonstrated to the satisfaction of the Court that during the meeting of the union's 15-member board, nine (9) were present and actively participated in the deliberations. Two (2) members walked out only when the voting on the questioned authority was already taking place. Under the circumstances, it cannot be truly said that the said meeting lacked a quorum.

6. The alleged notation, *supra*, on Barredo's new appointment papers is, in our opinion, a matter that does not affect the validity of the agreement entered into between NPC and NPCEWA. It is a question which is properly addressed to the implementation thereof in good faith by the parties concerned.

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7. One important issue posed in the cases at bar is the validity of the compromise agreement reached by the parties. Stated otherwise, may an unfair labor practice charge be the subject of a compromise or an amicable settlement between the parties? To resolve this issue, we need merely to advert to *Dionela vs. CIR* (8 SCRA, pages 832, 834 and 836). In that case the union and the corporation reached an agreement for the "amicable settlement of all differences, disputes and/or controversies between them." On the basis of this amicable settlement, a motion to withdraw the complaints was filed, and the court *a quo* dismissed the said complaints.

Resolving the issue, on appeal, this Court stated as follows:

"This main question for determination in this case is whether the compromise agreement pursuant to which the complaint in Case No. 598-ULP had, *inter alia*, been withdrawn and then dismissed is binding upon petitioners herein. The latter maintain that it is not, but the lower court held otherwise, upon the ground that 'it is an accepted rule under our laws that the will of the majority should prevail over the minority,' citing *Betting Ushers Union (PLUM) vs. Jai-Alai*, L-9330, June 29, 1957, and *Jesalva, et al. vs. Bautista*, L-11928 to L-11930, March 24, 1959 — and that the action taken by petitioners herein as minority members of the Union is contrary to the policy of the Magna Carta of Labor, which promotes the settlement of differences between management and labor by mutual agreement,' and that if said action were tolerated, 'no employer would ever enter into any compromise agreement for the minority members of the Union will always dishonor the terms of the agreement and demand for better terms.' The view thus taken by the lower court is correct. Indeed, otherwise, even collective bargaining agreements would cease to promote industrial peace and the purpose of Republic Act No. 875 would thus be defeated."

8. The charge that NPC and NPCEWA intended to defraud Balcos of his fees is likewise without merit. The matter of attorney's fees is secondary and subordinate to the paramount interests of the real parties in interest in adjusting their differences. The Court notes, moreover, that when the said agreement was being negotiated and concluded, Balcos' authority to act as NPCEWA's counsel had already been revoked. And, although

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attorney's fees were awarded to him by the court below, the same were contingent and purely dependent upon the final outcome of the cases before the Court.

Nonetheless, Balcos may not, by the withdrawal of these cases, be completely deprived of any legitimate compensation for his professional services. Lawyers are officers of the court and their fees are subject to the court's sound discretion. In our opinion, the court below, under the circumstances obtaining in the cases at bar and it appearing that Balcos' services to the union went far beyond the handling of these cases, was better situated than the Court to determine the reasonable compensation that he should receive from NPCEWA. In its appraisal thereof, the court *a quo* (now supplanted by the Secretary of Labor under the new Labor Code) should take into consideration whatever sums have already been paid to him by the union employees.

ACCORDINGLY, the "Joint Motion to Withdraw" the above-entitled cases is granted. Consequently, the said cases are hereby considered withdrawn. The Secretary of Labor, however, is directed to receive evidence for the purpose of fixing the reasonable attorney's fee due to Atty. Simplicio S. Balcos from NPCEWA. No costs.

Teehankee, Makasiar, Antonio, Aquino, Concepcion Jr., Santos, Fernandez, Guerrero, Abad Santos, De Castro, and *Melencio-Herrera, JJ.,* concur.

Fernando, J., in the result.

Barredo, J., took no part in the voting.