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ADJUDICATION OF CASES

DESIGNATION OF JUSTICE FELIX V. MAKASIAR AS MEMBER OF THE FIRST DIVISION

SPECIAL ORDER NO. 240

Associate Justice Felix V. Makasiar is hereby designated as member of the First Division to deliberate and act on the pleadings filed in the following cases which were penned by him while he was still a member of the First Division: L-32630 (*Philippine National Railways v. Union de Maquinistas, Fogoneros y Motormen, Kapisanan ng mga Manggagawa sa Perokaril and the Court of Industrial Relations*): L-46068-69 (*The Director of Lands v. Court of Appeals, et al.*): L-46247-48 (*Emilio J. Guinoo v. Salvador Zartiaga, etc.*); L-46648 and L-47353 (*Municipality of Bansalan, Davao del Sur v. Court of Appeals, et al.*) and G.R. no. 55736 (*Kalilid Wood Industries Corporation, etc. v. Hon. Jose L. Leido, Jr., etc., et al.*); G.R. No. 57323 (*Democrito O. Plaza, et al. vs. Hon. Manuel V. Romillo, etc., et al.*) and G.R No. 57760 (*The Minister of Natural Resources v. Hon. Manuel V. Romillo, etc., et al.*)

Manila, Philippines, February 9, 1983.

Signed:

ENRIQUE M. FERNANDO

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FIRST DIVISION

[G.R. No. L-32630. April 30, 1979]

PHILIPPINE NATIONAL RAILWAYS, *petitioner, vs.* **UNION DE MAQUINISTAS, FOGONEROS Y MOTORMEN, KAPISANAN NG MGA MANGGAGAWA SA PEROKARIL, and THE COURT OF INDUSTRIAL RELATIONS,** *respondents.*

SYLLABUS

1. **LABOR AND SOCIAL LEGISLATION; LABOR STANDARDS; PRINCIPLE OF EQUAL PAY FOR EQUAL WORK SHOULD BE MAINTAINED.** — The principle of equal pay for equal work should be maintained in order that industrial peace within the company could be preserved.

2. **ID.; ID.; ID.; EXISTENCE OF INEQUITIES AND INCONSISTENCIES IN SALARY STRUCTURE OF PERSONNEL JUSTIFIES DEMAND FOR SALARY ADJUSTMENT.** — The management's own committee report showing the existence of inconsistencies and inequities in the salary structure of its employees is enough justification to grant the demands for salary adjustment of the unions. The unions' objections to an offered company-wide standardization plan which is obsolete are valid and just.

3. **ID.; LABOR RELATIONS; COLLECTIVE BARGAINING; SHOULD BE CONTINUED WITH UTMOST GOOD FAITH, TO INSURE HARMONIOUS LABOR-MANAGEMENT RELATIONS.** — It is a statutory duty of both labor and management that negotiations leading to a collective agreement should be continued with utmost good faith, to insure harmonious labor-management relations.

APPEARANCES OF COUNSEL

Mosqueda & Abellera, Office of the Gov't. Corp. Counsel for petitioner.

Jose C. Espinas for respondents.

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DECISION

MAKASIAR, *J.*:

This is a petition for *certiorari* to review the order (Exh. G, pp. 183-198, rec.) and resolution (Exh. 1, pp. 232-236, rec.), respectively dated March 30, 1970 and August 26, 1970 of respondent Court of Industrial Relations in CIR Case No. 50-IPA entitled "*Union de Maquinistas y Motormen, et al. versus Philippine National Railways.*"

On September 12, 1964, the respondent unions, Union de Maquinistas, Fogoneros *y* Motormen, hereinafter referred to as the Maquinistas, and the Kapisanan ng mga Manggagawa sa Perokaril, hereinafter referred to as the Kapisanan, declared a strike because of the inequities in the salaries of the members of the respondent unions compared to that of the Mechanical Department Labor Union, another union of employees in the petitioner's establishment.

In a decision dated September 21, 1964, respondent Court of Industrial Relations, finding that there were inequities in the wages of the workers, granted a staggered wage increase of 20% and 15% respectively to the members of the Maquinistas and Kapisanan for a period of four years until September, 1968. The respondent Court likewise commended the move of the general manager of the PNR to standardize the salaries of the employees and recommended the formation of a management-labor panel, where all the thirteen unions in the company will be properly represented, to study the matter of salary standardization of all employees of the company and establish the true foundation of standardized salaries for all, under the theory of equal pay for equal work.

However, on February 18, 1965, the management of the PNR extended the 20% salary increase to all the employees of the company, thereby reverting the situation to where it was before the 1964 strike. Respondent unions protested and petitioner PNR tried to placate the members. Hence, the following negotiations ensued:

Supreme Court E-Library

"January 12, 1968

"Col. NICANOR T. JIMENEZ
General Manager Philippine National Railways
Manila

Sir:

"I understand that the present management is very much interested in solving the remaining inequities with regards to the salaries of employees in the Philippine National Railways. The undersigned President of the Union de Maquinistas, Fogoneros *y* Motormen, believes that the salaries of its members are behind as compared to other group of employees, especially the employees under the Mechanical Department Labor Union, after the Job Evaluation was granted to them by the previous administration. While it is also true that to compare the risk, hazards, responsibility and human endurance is none comparable to other group of employees. We will therefore submit a scale salary standardization during our conference.

"In addition to the above demand, we are attaching our other demands as annex 'A' hereof. We are willing however that these demands be differed (sic) pending the consideration of the above cited demands.

"In this connection, we propose that the Union officers and management panel must have an early conference to thresh out means and ways to solve this sad plight of the Engine crews as what had been granted to others.

"Hoping that this request be given due course at the earliest possible time convenient to you.

Very Respectfully,

(SGD.) JOSE S. CAPISTRANO
President

[Annex 'A' p. 65, rec.]

"February 13, 1968

Mr. Jose Capistrano
President, UMFAM
Manila

Supreme Court E-Library

S i r :

Your letter of January 12th seeking justice to resolve the alleged existing inequities in pay of the employees covered by the collective bargaining unit of the Union de Maquinistas, Fogoneros y Motormen was initially taken up in our Panel meeting this morning, but was at a loss to deliberate on it further due to the absence of your Union proposal on the matter.

"In view of the unresolved position with which the Management Panel could present in meeting your Union Panel on the matter, we request to temporarily postpone our scheduled negotiation for this week until after your Union submits its proposal and the Management Panel has the opportunity to study the same.

Yours truly,

Original signed by:

PACIFICO M. CRUZ
Vice Chairman"

[Annex 'B', p. 66, rec.]

"February 14, 1968

"Mr. Pacifico M. Cruz
Vice Chairman
Management Panel
Philippine National Railways

S i r :

"I acknowledge receipt of your letter dated February 13, 1968 requesting the proposal of the Union with regards to my letter January 12, 1968 seeking justice to resolve the existing inequities in pay of the employees who are members of the Union de Maquinistas, Fogoneros y Motormen.

"In compliance therewith the following are the proposal of the Union:

Chief Engine Crew Dispatcher	–	₱600.00 a month
Asst. Engine Crew Dispatcher	–	575.00 "
Engine Crew Dispatcher and Dist. Engine CrewDispatcher	–	550.00 "
Asst. D. Eng. Crew Dispatcher	–	500.00 "
1st Class Maquinista	– – – –	500.00 "

Supreme Court E-Library

2nd Class Maquinista	480.00	a month
3rd Class Maquinista	460.00	"
1st Class Fogoneros	420.00	"
2nd Class Fogoneros	400.00	"
3rd Class Fogoneros	380.00	"

"I want to make it clear that the Chief Engine Crew Dispatcher, Asst, Engine Crew Dispatcher, Dist. Engine Crew Dispatcher and Asst. are not permanent because these are being selected or assign(ed) by means of election.

Yours truly,

(SGD.) JOSE S. CAPISTRANO
President
Union de Maquinistas, Fogoneros
y Motormen"

[Annex 'C', p. 67, rec.]

"May 10, 1968

"Mr. Jose S. Capistrano
President, Union de Maquinistas,
Fogoneros y Motormen
850 Arqueros St., Tondo
Manila

S i r :

"This is in connection with the negotiation this morning regarding your Union's request for salary adjustments of Engine Crew personnel to correct the alleged inequities resulting from the extension of the grant of 20% staggered increase under case No. 50-IPA to all other employees of the Company, particularly employees company covered by the Mechanical Department Labor Union. In counter proposal to your proposed salary rates the management panel submitted a salary plan which with a little modification was acceptable to your Union, to wit:

1st class Maquinistas	₱465.00
2nd class Maquinistas	420.00
3rd class Maquinistas	390.00
1st class Fogoneros	345.00
2nd class Fogoneros	325.00
3rd class Fogoneros	310.00

Supreme Court E-Library

"*I fully appreciate your position and believe in the justification for your request. I wish to let you know therefore that I have directed that the hereinabove salary rates be included in the final consolidation of the budget and plantilla of the Company for fiscal year 1968-1969.* Please be further advised that should there be any changes as a result of the final review of the Company's budget proposal we will consult with you before such changes are made.

"This advance information is finished so that you can report to your members the *progress* of the negotiations.

Very truly yours,

(SGD.) NICANOR T. JIMENEZ
General Manager"

[Annex 'D', p. 68, rec.].

From the above, it is clear that the general manager of petitioner PNR finally agreed to a standard salary scale for the members of the Maquinistas. These salaries represented a graduated increase in monthly salaries from ₱10.00 in the case of third class fogoneros to ₱27.00 in the case of first class maquinistas. However, the inclusion of the above salary rates in the final consolidation of the budget and plantilla of the Company for the fiscal year 1968-1969 failed to materialize for the matter was deferred by the Company board of directors.

On July 23, 1968, the Maquinistas filed a notice of strike (p. 35, rec.) against the petitioner for violation of the duty to bargain and to implement what has been bargained upon in good faith.

An urgent motion (pp. 36-41, rec.) dated July 24, 1968 was filed in court by petitioner praying that:

"(a) This Honorable Court immediately call the parties to a hearing/conference for the purpose of settling their disputes in order that industrial peace may be maintained in respondent Company.

"(b) Pending final settlement of said disputes, that this Court issue a writ of injunction enjoining the Union de Maquinistas, Fogoneros *y* Motormen, its officers, members or agents from striking against respondent Company, or if they have already done so, to immediately order them to return to work under the last terms and conditions existing prior thereto."

Supreme Court E-Library

In a subsequent conference called by the respondent Court, the Maquinistas submitted to the court's jurisdiction, and stated that they were litigating on the merits of their case and foregoing the planned strike (p. 5 of respondent Unions' Brief, p, 357, rec.).

On August 26, 1968, to placate the members of the other unions, petitioner PNR offered a company-wide salary standardization plan which was approved in principle by the PNR board of directors in 1965 (p. 83, rec.). The Kapisanan disagreed with this kind of plan because it was based on a ₱4.00 minimum wage which was obsolete since the minimum wage was already increased to ₱6.00 in April, 1965 and was to be increased further to ₱8.00.

Also on August 26, 1968, the PNR Supervisors Association filed a manifestation stating, among others, that it entered on August 11, 1967 with the Philippine National Railways into a Memorandum of Agreement, in which the parties agreed to a categorization and adjustment of salaries of supervisory personnel; that the said memorandum agreement has not been fully implemented although full implementation may be made in due time; that there is no standardization of salaries of supervisors in the Company but hoped and expected for one in due time; and that the 20% salary increases granted to supervisors when the decision of respondent CIR of September 21, 1964 was extended to them, be based on the agreed categorized or standardized salaries of supervisors (see allegation VI of petition, pp. 13-14, rec; p. 6 of petitioner's brief, p. 355, rec.; Exhibit "E", pp. 138-140; Annex "A" of Exh. "E", pp. 141-150, rec.; and p. 6 of respondent Unions' Brief, p. 357, rec.). However, this *manifestation* was withdrawn because the PNR board of directors decided to implement the salary increases of the supervisors by approving the memorandum of its general manager dated May 20, 1969 and by issuing resolution No. 375 (pp. 252-253, rec.; allegation 5 of respondent Unions' Answer, pp. 284-285), to wit:

Supreme Court E-Library

"Res. No. 375

"WHEREAS, the General Manager submitted his memorandum dated May 20, 1969, reading as follows:

'This has reference to the case of the remaining 60% of the categorized salaries of the supervisors of the Company which they have withdrawn from the Court of Industrial Relations. In connection therewith, I would like to recommend the following.

1. That the remaining 60% shall be implemented as follows:

Salary Difference Per Annum	*To be implemented*
₱200.00	Full amount
201.00 to ₱400.00	₱200.00 plus 60% of excess over ₱200.00
401.00 to 600.00	₱320.00 plus 50% of excess over ₱320.00
601.00 to 800.00	₱460.00 plus 40% of excess over ₱460.00
801.00 to 1,000.00	₱596.00 plus 30% of excess over ₱596.00
1,001.00	₱717.00 plus 20% of excess over ₱717.00

2. That the remaining portion, after the partial implementation of the 60% shall be incorporated in the Budget and Plantilla of the Company for fiscal year 1969-1970;

3. That the implementation of the partial payment of the 60% categorized salaries shall be effective July 1, 1968 but payment starts April 1969;

4. That the arrears since July 1968 to March 1969 shall be paid in accordance with the pattern that the remaining 5% of the 20% staggered salary increase shall be paid; and

5. That the amount of ₱112,667.64 be appropriated for the partial implementation of the 60% categorized salary.

'It will be noted that the original appropriation required for the full implementation of the remaining 60% amounts to ₱179,544.67 per annum. With the plan of partial implementation herein above described, the cash outlay required will be chopped down to ₱125,063.92.

'Noting that the list of officers and employees whose salaries were categorized includes some whose positions are non-supervisory, attention of the PNR Supervisors' Association was

Supreme Court E-Library

called upon. The association recognizes this observation and agrees to delete these positions from the list without prejudice to further study of the matter. Consequently, the amount required will further be reduced to ₱112,667.64.'

"WHEREAS, after perusal of the above memorandum this Board expressed accedence on the proposals contained therein; NOW, THEREFORE—

"RESOLVED, That the implementation of the remaining 60% of the categorized salaries of the Supervisors of the PNR as proposed above by the General Manager, be, and it hereby is, approved *in toto*."

The MARMEDENA, a union of physicians, dentists and nurses, also withdrew their intervention in the case after petitioner PNR granted their salary increases by virtue of resolution No. 417 which approved the memorandum of the general manager dated May 29, 1969 (pp. 249-251, rec.), to wit:

"Res. No. 417

"Whereas, in a letter to the Management dated May 23, 1969, the President of the MARMEDENA, wrote the following:

'Sir:

'Pursuant to our Collective Bargaining Agreement the Part-time physicians are entitled to the adjustment of their salaries. However, they are not given adjustment in the adjustment of salaries recently made.

'As these physicians are members of the MARMEDENA, I would like to request that they should also be given the 5% increase which is given to other employees of the Company. As of this date they are receiving 15% increase based on their basic pay.

'Hoping to hear from you.

Yours truly,'

"Whereas, in view thereof the following memorandum dated May 29, 1969, was submitted by the General Manager, to wit:

Supreme Court E-Library

'One of the cases in the Court of Industrial Relations under the Case No. 50-IPA involves the salary adjustments of higher category position within the bargaining unit of the MARMEDENA. This case was withdrawn from the Court for negotiations between MARMEDENA and the management. The following were agreed upon.

'1. That the following are the adjustments to be made:

Positions	*Number*	*Authorized Salary*	*Proposed Salary*	*Increase (P.A.)*
PHYSICIANS:				
II. Resident Physician	1	₱6,000.00	₱6,600.00	₱ 600.00
Resident Physician	6	6,003.00	6,600.00	3,592.00
Clinic Physician II (clinic Physician with 10 or more years service)	7	6,000.00	6,600.00	4,200.00
III. Supv. Clinic Physician	3	7,200.00	7,320.00	360.00
Sr. Resident Physician	1	6,900.00	7,320.00	420.00
Sr. Resident Physician	2	6,292.00	7,320.00	2,054.40
Chief of Section	*1*	*7,107.00*	*7,320.00*	*213.00*
IV. Medico Legal Officer	1	7,107.00	8,220.00	1,113.00
V. Chief of Clinics	1	8,735.40	9,360.00	624.60.
DENTISTS				
II. Dentist II	2	5,400.00	5,760.00	720.00
III. Supvg. Dentist I(Asst. Supvg. Dentist)	1	5,400.00	6,240.00	840.00
IV. Supvg. Dentist II	1	6,262.10	6,960.00	697.90
NURSES				
II. Sr. Nurse	4	4,200.00	4,500.00	1,200.00
Q.R. Nurse	*4*	*4,200.00*	*4,500.00*	*1,200.00*
III. Supvg. Nurse	5	4,200.00	4,860.00	3,300.00
Supvg. Nurse	1	4,374.60	4,860.00	485.00
Sr. Q.R. Nurse	1	4,200.00	4,860.00	660.00
Nurse Superintendent	1	4,492.80	4,860.00	367.00
IV. Q.R. Nurse Supervisor	1	4,993.60	5,340.00	344.40
V. Chief Nurse	1	5,740.80	6,000.00	259.00
			Total Increase Per Annum – – –	₱23,241.10

Supreme Court E-Library

'2. That the adjustments shall be made effective July 1, 1968; and the payment starts April and followed every month thereafter: and

'3. That the arrears from July 1968 to March 1969 shall be paid in the same pattern as the 5% of the 20% staggered salary increase will be paid.

'Approval of the foregoing is recommended together with the appropriation of ₱23,241.10.

'Together with this, the appropriation of ₱1,848.00 is likewise requested to provide for the payment of the remaining 5% of the 20% staggered salary increase to the part time physicians.'

"Whereas, this Board felt the propriety of the instant proposal; NOW, THEREFORE —

"Resolved, That the proposal of the General Manager is above recommended be, and it hereby is, approved."

Then on May 9, 1969, petitioner PNR filed a motion to withdraw (pp. 151-158, rec.) its alternative proposal to defer for another year the salary increase pursuant to the CIR decision of September 21, 1964 and to split the remaining 5% fifth installment due September 1, 1968 in the following manner: 2% to be paid on September 1, 1968 and 3% to be paid on September 1, 1969 contained in its August 28, 1968 manifestation. Consequently, only the other alternative proposal remained, that is, the approval and adoption of the Company-Wide Salary Standardization Plan of 1965 which however was opposed by all the unions for being obsolete (pp. 187-188, rec.).

Presiding Judge Arsenio I. Martinez of CIR issued an order dated March 30, 1970, which We quote in full:

"*O R D E R*

"This concerns the demands of two unions at the Philippine National Railways for salary standardization for their respective members, to wit: the Union de Maquinistas, Fogoneros *y* Motormen, hereinafter referred to as petitioner, and the Kapisanan ng mga Manggagawa sa Perokaril, referred to hereafter as the Kapisanan.

Supreme Court E-Library

"Petitioner seeks to implement the agreement between labor and management panels regarding salaries of Engine Crew Personnel as contained in the letter of May 10, 1968, Exhibit '2'. The SalaryRates sought to be implemented are as follows:

1st Class Maquinistas	₱465.00
2nd Class Maquinistas	420.00
3rd Class Maquinistas	390.00
1st Class Fogoneros	345.00
2nd Class Fogoneros	325.00
3rd Class Fogoneros	310.00

"On the other hand the Kapisanan proposes a new salary standardization scale for its members as shown in Annex 'A' of its pleading entitled 'Reply and Manifestation' filed on August 20, 1968. The position classification under the proposed plan is based on the Revised Salary Standardization Plan of 1962.

"Both demands for salary standardization by the two unions are based on the alleged inequities of the salary of PNR employees especially so after the extension of the 20% staggered salary increase to the Mechanical Department Labor Union.

"It will be recalled that on September 12 and 13, 1964, the petitioner and the Kapisanan staged a strike for alleged inequity or disparity in pay between members of striking unions and that of the Mechanical Department Labor Union. On September 21, 1964, the Court issued a Decision granting the petitioner union a 20% salary increase and the Kapisanan a 15% salary increase, both increases staggered for a period of four (4) years, starting September 1, 1964. In effect, this Court sustained the claim that there were inequities in the salary of the workers of the company thus the petition for salary increase was granted.

"In 1965, the company extended the 20% staggered salary increase to all the unions in the Company including the Mechanical Department Labor Union. The 15% increase originally granted by the Court in favor of the Kapisanan members was increased by the Company to 20%. As a consequence of the extension of 20% increase to all other unions, the petitioner union filed on March 26, 1966 a 'Petition to Extend Another 20% salary increase to the members of the Maquinistas.' The Kapisanan on the other hand filed a motion seeking *a reopening of the case. Both are still pending, as the parties went* slow in pursuing their respective demands in Court. Instead, the unions and the Company went through negotiations outside of Court.

Supreme Court E-Library

"With respect to the Union de Maquinistas, demand for the implementation of their salary increase, records show that on February 13, 1968, the Management agreed to negotiate with the petitioner union on its demand for a salary standardization of its members. Management asked the union to submit its proposal for management panel to study. The following day, the union submitted its proposal. Finally, on May 10, 1968, the General Manager wrote the President of the petitioner union as follows:

'PHILIPPINE NATIONAL RAILWAYS
Manila, Philippines

May 10, 1968

'Mr. Jose S. Capistrano
President, Union de Maquinistas,
Fogoneros *y* Motormen
850 Arqueres St., Tondo
Manila

'S i r :

This is in connection with the negotiation this morning regarding your Unions request for salary adjustments of Engine Crew Personnel to correct the alleged inequities resulting from the extension of the grant of 20% staggered increase under case no. 50-IPA to all other employees of the Company, particularly employees Company covered by the Mechanical Department Labor Union. In counter proposal to your proposed salary rates the management panel submitted a salary plan which with a little modification was acceptable to your Union, to wit:

'1st Class Maquinistas – –	₱465.00
2nd Class Maquinistas – –	420.00
3rd Class Maquinistas – –	390.00
1st Class Fogoneros – –	345.00
2nd Class Fogoneros – –	325.00
3rd Class Fogoneros – –	310.00

'I fully appreciate your position and believe in the justification for your request. I wish to let you know therefore that I have directed that the hereinabove salary rates be included in the final consolidation of the budget and plantilla of the Company for fiscal year 1968-1969. Please be further advised that should there be any changes as a result of the final review of the Company's budget proposal we will consult with you before such changes are made.

Supreme Court E-Library

'This advance information is furnished so that you can report to your members the progress of the negotiations.

Very truly yours,

(SGD.) NICANOR T. JIMENEZ
General Manager'

"The inaction of the Board of Directors of the PNR on the above-quoted letter of agreement caused the petitioner union to file on July 23, 1968, a Notice of Strike before the Department of Labor. The following day, the Company filed with this Court an Urgent Motion praying among others, that the petitioner union be enjoined from declaring the strike. Immediately, the Court called the parties to a conference instructing all the unions to submit their respective positions on the matter. At the conference the petitioner union agreed to ventilate the issue before the Court and not to go on strike. It stressed that the implementation of the May 10, 1968 agreement will solve the enequities occasioned by the extension of the Court's grant of 20% to all employees. It emphasized further that its members occupy *draft position*s in the Mechanical Department of the Company and which positions have not been standardized for a long time.

"The respondent on its part maintained that the PNR Board of Directors deferred action on the agreement for salary standardization for Engine Crew Personnel as embodied in the letter of May 10, 1968, on the following grounds: a) that the poor financial condition of the Company does not warrant the grant of salary increases to its employees and workers; b) that other unions in the company have indicated their intention to file separate claims for salary increases; and c) that there is pending for consideration in this Court a demand by the Union de Maquinistas for another 20% salary increase for its members.

"The Company in its manifestation filed on August 28, 1968 offered two alternative propositions regarding the demand for salary standardization of all its employees including the petitioner and Kapisanan member: One, the approval and adoption of the Company-Wide Salary Standardization Pay Plan of 1965 Exhibit '13-C' and; two, defer for another year the salary increase contained in the decision of September 21, 1964 and to split the remaining 5% installments due September 1, 1968 in the following manner: 2% to be paid on September 1, 1968 and 3% to be paid on September 1, 1969.

Supreme Court E-Library

"These two alternative propositions of management met vehement objections from all the labor unions. Hearings therefore followed, where parties presented their respective evidences in support of their stand. Subsequently, Management withdrew its alternative proposal to defer and split the last 5% installment of the 20% staggered increase. This 5% installment was at last fully paid by the Company. The other alternative proposal remained, that is, the approval and adoption of *Company-Wide Salary Standardization Plan of 1965.*

"From the records of the case, it appears clear that labor and management are agreed on at least *two propositions; that there exist inequities in pay* among the employees and workers of the Company, and *that the Company is in a very poor financial state.*

"Actually therefore the company is not against the salary standardization of its workers. The company, as earlier stated, offers to implement the company-wide salary standardization of 1965 Exh. '13-C' which all the unions opposed. The Court, finds support to the unions' objection to the offer of the Company. While it is true that the Court is for a salary standardization plan for all the company employees, it finds the Company plan, Exhibit '13-Co' obsolete. The plan as will be seen was prepared and completed when the Minimum Wage for industrial workers was only ₱4.00 a day. In April 1965 the minimum wage was increased to ₱6.00 per day, and the minimum wage is now being increased again as the government is aware of the spiralling of prices of commodities. The buying power of the peso has gone down so low lately. A comparative study of the present and actual salaries of company employees based on the PNR Budget and Plantilla for Fiscal Year 1969-1970, and the Company-Wide Salary Standardization Plan, shows that many employees are already receiving more than Step 'A', which the Company offers to implement.

"The Federation of Labor Union in the PNR is for a salary standardization for all through bargaining with management for an *Omnibus Bargaining Agreement.* As a matter of fact negotiation is in progress. The federation prefers bargaining out of Court. The Mechanical Department Labor Union is for the Company to continue negotiation with the labor groups on its proposed company-wide salary standardization plan and to respect and implement all previously secured Job Evaluation and Classification obtained through negotiation and/or collective bargaining.

"On May 9, 1969, the Company filed a pleading stating among others: that respondent Company has found another source of income,

Supreme Court E-Library

not previously considered, which will enable respondent company to pay now the remaining 5% of the 20% staggered increase. Thereafter payment of the same was made. On the same date, May 9, 1969, the PNR Supervisors Association and the MRRCo Medical, Dental and Nurses Association (MARMEDENA), through their respective Presidents and assisted by their counsel filed a 'Motion to Withdraw' their petition for full implementation of the categorization of salaries and adjustment of salaries as they have already agreed to the full implementation of the same, whereby the salary adjustment are to be included in the payroll of April 1, 1969 and the salary differentials are to be paid in three equal installment.

"*With these implementation of salary adjustments extended to the two unions, namely, the Supervisors Union and the MARMEDENA, the Court sees no reason why the Agreement for salary adjustment of herein petitioner and management as contained in the letter of May 10, 1968, should not be approved and implemented. We also consider the fact that the company has already fully paid the 20% staggered increases, and the fact that actually the increase would not entail so much funds.* It has to be emphasized that based in the Budget and Plantilla of Fiscal Year 1969-1970, *the increase would only be as follows* —

"(1) 1st Class Maquinistas — From ₱438 to ₱465 or an increase of ₱27 a month.

"(2) 2nd Class Maquinistas — From ₱402 to ₱420, or an increase of ₱18.00 per month.

"(3) 3rd Class Maquinistas — From ₱378 to ₱390 a month or an increase of ₱12.00 only.

"(4) 1st Class Fogoneros — From ₱330 to ₱345 or an increase of ₱15.00 a month.

"(5) 2nd Class Fogoneros — From ₱312 to ₱325 or an increase of ₱12.50 and

"(6) 3rd Class Fogoneros — From ₱300 to ₱310 a month or an increase of ₱10.00 only.

"*And considering the poor finances of the Company, the increase shall only be effective on Sept. 1, 1969 instead of July 1, 1968. To give the Company time for adjustment, the Company is allowed to include these increases in the payroll of June 1, 1970, and the salary differentials for the period of Sept. 1, 1969 to May 31, 1970 shall*

Supreme Court E-Library

be subject to negotiations for deferred payments. It shall be understood that the 20% increase earlier demanded by the petitioner shall be considered abandoned and/or waived by the petitioner.

On the *claim of the Kapisanan Ng Mga Manggagawa*, it is claimed that *inequities exist in the company salary structure.* It therefore *proposes a New Salary Standardization Scale of its own*, prepared and submitted by its Standardization Committee, contained in its Annex 'A' of the Reply and Manifestation dated August 12, 1968. The Kapisanan classified its member-employees into the following position-groupings with their respective pay scale, to wit:

"Grade I	₱250/month
Grade II	265/month
Grade III	300/month
Grade IV-A	330/month
Grade IV-B	350/month
Grade IV-C	375/month
Grade V-A	400/month
Grade V-B	450/month
Grade V-C	500/month
Grade VI-A	650/month
Grade VI-B	750/month
Grade VI-C	850/month

And for special classification of salaries for conductors and drivers, the Kapisanan proposes the following:

First Class Conductor . . .	₱350/month
Second Class Conductor .	325/month
Third Class Conductor . .	300/month
First Class Driver	375/month
Second Class Driver	350/month
Third Class Driver	325/month

This job classification is based on the Revised Salary Standardization Plan of 1962. The *proposed salary rates* under the new plan unlike the 1962 Plan, *do(es) not provide for a minimum, medium and maximum rate. It only provides for one rate for all positions under a specified grade.*

"It is *very significant to note that the Company's own Committee Report on Salary Standardization contained the following*:

Supreme Court E-Library

'*PAY CLASSIFICATION*

'*A comprehensive and comparative study of the salary structure* in the Philippine National Railways embracing most collective Bargaining Agreements as typified by samples shown below, *reveals many inconsistencies and inequities*, that have resulted in dissatisfaction and demoralization among the officials and employees. We find that several positions are rated unequally under different collective bargaining agreements. Some supervisors receive lower salaries than their subordinates. Other receive a very much higher compensation when they perform work less quantitatively on which they do hardly carry any responsibility. Also, it becomes obvious that there is no standard pattern nor uniformity in the increments of salaries when medium and maximum salary scales are provided for.

'A. *VARIATION IN SALARIES FOR SIMILAR POSITIONS WITH UNION CONTRACT:*

	Salary/mo. (Minimum	Medium	Maximum)
'1. *Laborer*			
Kapisanan ng mga Manggagawa	₱125.00	₱140.00	₱155.00
Mechanical Department Labor Union	180.00	190.00	205.00
'2. *Messenger*			
Kapisanan ng mga Manggagawa	155.00	160.00	165.00
Mechanical Dept. Labor Union	215.00	225.00	235.00
'3. *Personnel Clerk*			
Kapisanan ng mga Manggagawa (Division)	190.00	205.00	220.00
Kapisanan ng mga Manggagawa (Department)	230.00	240.00	250.00
Kapisanan ng mga Manggagawa (GSD)	255.00	265.00	275.00
Mechanical Dept. Labor Union	265.00	275.00	285.00

Supreme Court E-Library

'4.	*Property Clerk*			
	Kapisanan ng mga Manggawa (Division)	190.00	205.00	220.00
	Kapisanan ng mga Manggagawa (Department)	230.00	240.00	250.00
	Mechanical Dept. Labor Union	265.00	275.00	285.00
'5.	*Auto or Diesel Mechanic (Sr.)*			
	Kapisanan ng mga Manggagawa	255.00	265.00	275.00
	Mechanical Dept. Labor Union	285.00	295.00	305.00

'EXAMPLES OF SUPERVISORS RECEIVING SALARIES LOWER THAN OR THE SAME AS THEIR SUBORDINATES

SUPERVISORS	*Salary/mo.*	*SUBORDINATE*	*Salary/mo.*
Shed Foreman	₱336.00	Chargeman	₱385.00
Principal Clerk	290.00	Chief of Section	355.00
Foreman Boilermaker	295.00	Chargeman	385.00
Divison Engineer	485.00	Asst. Div. Eng.	495.00
Master Electrician	270.00	Sr. Electrician	270.00
Chief of Division (Accounting)	565.00	Asst. Div. Chief (Accounting)	565.00'

"*Certainly this report is the best argument in support of the demand of the Kapisanan for a salary standardization of its own.* There can be *no valid justification to deny the demand — not even the claim of the Company on its poor financial condition.* The *inconsistencies and inequities* on the salary structure of the PNR employees should be amended and/or corrected. *The principle of equal pay for equal work should be maintained.* For instance a laborer, a messenger or a clerk of the Kapisanan should receive the same rate of pay as the laborer, a messenger or a clerk belonging to another union. And certainly, a supervisor should not be receiving less or the same salary as his subordinates as reflected on page 86 of the Committee report.

"Of course management proposes to implement its Salary Standardization Plan of 1965 by giving step 'A' or the minimum salary provided for under said plan to all the workers and employees of the Company. *This was opposed by all the unions, understandably,*

Supreme Court E-Library

because with the incorporation of the 20% increase to their salary, most of them are now receiving more than the Step 'A' now being offered to them. As a matter of fact, actual and present salaries of the Company employees and workers, based on the budget and plantilla for Fiscal Year 1969-70, are almost close to the maximum rate or the Step 'E' of the Company-Wide Standardization Plan of 1965. Among the lower income bracket, there are even those whose salaries are already above the maximum or Step 'E'. For instance, the maximum pay for workers under Pay Class I - is ₱198; for Pay Class 2, is ₱203.50; and for Pay Class 3, is ₱211.00 per month. Under the current budget these people are already receiving a monthly salary of ₱216.

"As earlier stated, the *Company-Wide Salary Standardization Plan was prepared and completed in the year 1964-65, during which period the minimum wage* for industrial workers *was still ₱4.00.* In *April 1965*, the minimum wage was *increased to ₱6.00* and *now* it is being increase again to *₱8.00 per day. With these developments, there can be no doubt that said company-wide salary standardization plan of 1965 may not be considered.*

"It has to be pointed out that said plan was submitted by the committee on May 31, 1965. If said plan was implemented starting July 1, 1965 and the step increase, Step A to E, was granted yearly thereafter, the company employees should have started receiving the maximum or Step 'E' of the plan since July 1, 1969, and by now a new salary standardization plan is due.

"At this point, it has to be mentioned and emphasized that actually there is not much difference between the union proposal and the Step 'E' of the Company. A comparative study of both proposals shows that the difference if there is any, involves only a few pesos *per month.*

"IN VIEW OF ALL THE FOREGOING, the Court hereby grants the demand of the Kapisanan ng mga Manggagawa for a new standardization rates of pay for its members, to wit: —

"Grade I	₱250.00	per month
Grade II	265.00	" "
Grade III	300.00	" "
Grade IV-A	330.00	" "
Grade IV-B	350.00	" "
Grade V-A	400.00	" "
Grade V-B	450.00	" "

Supreme Court E-Library

Grade V-C	500.00	per month
Grade VI-A	650.00	" "
Grade VI-B	750.00	" "
Grade VI-C	850.00	" "

And for conductors and drivers of the Luzon Bus Lines, the new rates shall be as follows:

"1st Class Driver	₱375.00	per month
2nd Class Driver	350.00	" "
3rd Class Driver	325.00	" "
1st Class Conductors . . .	350.00	" "
2nd Class Conductors . . .	325.00	" "
3rd Class Conductors . . .	300.00	" "

"These new rates shall be effective on Sept. 1, 1969 only, since after all, the last 5% fifth installment of the 20% staggered increase was due Sept. 1, 1968, though payment was delayed for a year. As in the case of the Maquinistas, and for the same reason, the new rates shall be incorporated in the payroll of June 1, 1970, and the salary differential for the period of Sept. 1, 1969 to May 31, 1970, shall be subject to negotiation between the union and management for a possible deferred payment.

"WHEREFORE, judgment is hereby entered in this case in accordance with the disposition contained in the body of this order. Parties are hereby enjoined to comply with this order in full honesty and good faith" [Pp. 183-198, rec.]

A motion for reconsideration of the above-quoted order (pp. 199-210, rec.) was filed by petitioner PNR on the ground that said order is contrary to facts and the law.

On September 30, 1970, PNR received the copy of the resolution of the CIR *en banc* dated August 26, 1970, denying petitioner's motion for reconsideration. Said resolution of August 26, 1970 reads:

"This concerns two (2) Motions for Reconsideration to wit: one filed on April 4, 1970 by the Union de Maquinistas seeking partial reconsideration of the Order of this Court dated March 30, 1970; and the other filed by the Philippine National Railways on April 6, 1970 *seeking reconsideration of the same Order which granted salary*

Supreme Court E-Library

adjustment to the Union de Maquinistas and the Kapisanan ng mga Manggagawa.

Petitioner union only seeks to change the effectivity date of the award for salary adjustment and/or increase from September 1, 1969 to July 1, 1968. After a careful consideration of the arguments of both parties, and their respective evidences, the Court *en banc* finds good, valid and justifiable ground in sustaining the change from September 1, 1969 to July 1, 1968, for it is shown that petitioner is similarly situated as the Supervisors Association and the Medical and Dental Association of the Company whose agreements for salary adjustment were both implemented by Management effective July 1, 1968. The Court sees no valid reason in limiting the effectivity date of the agreement or in providing for a different date of effectivity as those of the Supervisors and Medical Association. On the Motion for Reconsideration of the Company pertaining to the award in favor of the Kapisanan ng mga Manggagawa, the Court after a thorough study of the allegations and issues raised therein decides to dismiss the same for lack of merit. The Company for instance alleges that the Court under the order sought to be reconsidered granted salary increases as follows:

"Grade I	—	₱250.00 per month or an increase of ₱70.00 per month from the former rate of ₱180.00;
"Grade II	—	₱265.00 per month or an increase of ₱67.00 per month from the former rate of ₱198.00;
"Grade III	—	₱300.00 per month or an increase of ₱94.00 per month from the former rate of ₱216.00 per month;
"Grade IV-A	—	₱330.00 per month or an increase of ₱66.00 per month from the former rate of ₱264.00 per month; and so on

This allegation is undoubtedly untenable as borne by the PNR, Budget and Plantilla for FY-1969-1970, as will be shown hereunder;

(a) A Bus Cleaner who falls under Grade I receives a monthly compensation of ₱216.00 per month. So, the increase granted him by the Court is from ₱216.00 to ₱250.00 or an increase of ₱34.00 only and not ₱70.00 per month [Page 4, Luzon Bus Lines, PNR];

(b) A Gate Crossing Keeper classified under Grade II is actually receiving a monthly compensation of ₱234.00 which is proposed to

Supreme Court E-Library

a monthly compensation of ₱265.00 with an increase therefore of ₱31.00 only and not ₱67.00 as contended by the Company [Page 19, Engineering Dept. PNR];

(c) A Checker under the Yard and Signal Division falling under the classification of Grade III is actually receiving ₱246.00 per month is proposed to a monthly salary of ₱300.00 or an increase of ₱54.00, not ₱94.00 as pointed out by the Company [Page 11, Transportation Dept.]; and

"(d) A Telephone Operator falling under the classification of Grade IV-A actually receives ₱300.00 per month and is proposed for ₱330.00 a month with an increase therefore of ₱30.00 only and not ₱66.00 as pointed out by the Company in its Motion for Reconsideration [Page 5, Transportation Dept.]. On the whole, the allegation by the Company that the Court granted unprecedented high salary increase does not jibe with the records. Necessarily, the allegation that the award in favor of the Kapisanan would amount to a total of ₱2,300,000.00 (Annex 'A' Motion), is, likewise without factual basis. In addition, it has to be emphasized, that even the proposed salaries for Grades I and II, are just a bit over the new minimum wage of ₱8.00 per day of ₱240.00 per month.

"Respondent also alleges that the Company suffered a total loss from operation in the amount of ₱24,711,334.00 from 1964-1968. As of June 30, 1969, the company again suffered a loss of ₱444,567.00 (Annex 'B'). While it is admitted that the company continuously incurred losses from operation from 1964 to 1969, it has to be pointed out, however, that based on the Annex 'B', the Railway Proper realized a Net Profit of ₱24,700.00, ₱140,538.00, and ₱1,470,860 for the years 1967, 1968 and 1969 respectively. The overall losses by the Philippine National Railways for the same years, are due to the losses incurred by its subsidiaries like the Luzon Bus Lines, Benguet Auto Lines and the PNR Hospital. For instance the PNR Hospital incurred the following losses: ₱594,453 for 1967; ₱782,517 for 1968 and ₱741,791 for 1969. But it has again to be pointed out that the respondent granted salary adjustment and/or increase to the doctors, dentist, nurses and medical staff of the hospital, effective July 1968. It certainly is hard to justify the act of management in granting the salary increases to employees of the losing subidiary company and the denial of salary increases to the employees of supporting principal corporation.

"WHEREFORE, the motion of the Union de Maquinistas is hereby granted, and the award for salary adjustment in its favor is hereby

Supreme Court E-Library

modified insofar as the effectivity date is concerned from September 1, 1969 to July 1, 1968. Insofar as the motion for reconsideration filed by the Philippine National Railways, the same is hereby denied for lack of merit" (pp. 232-236, rec.).

On October 8, 1970, petitioner filed a notice of appeal from the order of March 30, 1970 and the resolution *en banc* of respondent CIR dated August 26, 1970 [p. 23, rec.]. Also on the same date, October 8, 1970, petitioner filed its petition for extension of time to file petition for review by writ of *certiorari*.

And on October 23, 1970, it filed its petition for review by writ of *certiorari*, with the following assignment of errors:

"(A) Respondent CIR committed a grave abuse of discretion, tantamount to lack of jurisdiction, when it granted salary increases to employees represented by respondents MAQUINISTAS and KAPISANAN despite evidence that the Company cannot afford to pay the same;

"(B) Respondent CIR committed a grave abuse of discretion, tantamount to lack of jurisdiction, when it awarded salary increases to employees represented by respondents MAQUINISTAS and KAPISANAN merely because the Railways proper realized net profits for the years 1967, 1968 and 1969 although the entire operations of the Company show it sustained losses for the same period.

"(C) Respondent CIR erred in awarding salary increases to employees represented by respondent KAPISANAN even if no evidence was presented by it in support of its demand" (p. 18, rec.).

Petitioner PNR questions the order and resolution of respondent CIR allowing the salary adjustments of the members of the two unions, namely, the MAQUINISTAS and the KAPISANAN after finding that there existed salary inequities among the employees of petitioner.

The issues to be resolved are:

I. Whether or not salary adjustment should be made, and

Supreme Court E-Library

II. Whether or not enough evidence was presented to justify salary adjustment.

I

In the case at bar, the demands of both unions to standardize the salaries of their members are based on the alleged inequities of the salaries of PNR employees.

The ruling of the Court of Industrial Relations that there existed inequities disparities in the salaries of employees of petitioner PNR is well taken. It is clear from the petitioner's own committee report that such inequities exist, to wit:

"A. VARIATION IN SALARIES FOR SIMILAR POSITIONS WITH UNION CONTRACT:

		(Minimum – Medium – Maximum)		
"1.	LABORER			
	Kapisanan ng mga Manggagawa	₱125.00	₱125.00	₱155.00
	Mechanical Dept. Labor Union - - - - - - - - - -	180.00	190.00	205.00
2.	MESSENGER			
	Kapisanan ng mga Manggagawa - - - - - - - - - -	₱155.60	160.00	165.00
	Mechanical Dept. Labor Union - - - - - - - - - -	215.00	225.00	235.00
3.	PERSONNEL CLERK			
	Kapisanan ng mga Manggagawa (Division) - - -	190.00	205.00	220.00
	Kapisanan ng mga Manggagawa (Department) -	230.00	240.00	250.00
	Kapisanan ng mga Manggagawa (CSD) - - - - -	255.00	265.00	275.00
	Mechanical Dept. Labor Union - - - - - - - - - - - - -	265.00	275.00	285.00
4.	PROPERTY CLERK			
	Kapisanan ng mga Manggagawa (Division) - - -	190.00	205.00	220.00
	Kapisanan ng mga Manggagawa (Department)-	230.00	240.00	250.00

Supreme Court E-Library

	Mechanical Dept. Labor Union - - - - - - - - - - - - - -	265.00	275.00	285.00
5.	AUTO OR DIESEL MECHANIC (SR.) Kapisanan ng mga Manggagawa	255.00	265.00	275.00
	Mechanical Dept. Labor Union	285.00	295.00	305.00"

[pp. 11-12, Respondent's Brief].

From the above, WE can see the inconsistencies and inequities in the salary structure of the employees of the PNR, and this situation must be remedied. As the respondent CIR held, the principle of equal pay for equal work should be maintained in order that industrial peace within the company could be preserved. The above report of petitioner's own committee is enough justification to grant the demands for salary adjustment of the unions.

It is true that the PNR offered to implement the company-wide standardization plan of 1965 but was opposed by the unions since it was based on a ₱4.00 minimum wage which is obsolete since the minimum wage was already increased to ₱6.00 in April, 1965 and was increased further to ₱8.00. Furthermore, based on the PNR budget and plantilla for the fiscal year 1969-1970, it is shown that many PNR employees were already receiving almost the same amount as, if not more than, what the company was offering to implement. Therefore, the objections of the unions are based on valid and just grounds.

II

WE reiterate that from the records of the case, We find

(1) that on May 9, 1969, PNR filed a pleading stating among others that PNR has found another source of income which was *not previously considered* and thus will enable it to pay the remaining 5% of the 20% staggered increase (pp. 151-157, rec.) and payment was made thereafter;

(2) that the PNR board of directors decided to increase the salaries of the members of the PNR Supervisors Association by virtue

Supreme Court E-Library

of resolution No. 375 which approved the memorandum of the general manager dated May 20, 1969 (pp. 252-253, rec.);

(3) that the PNR granted the salary increases of the members of the MARMEDENA by virtue of resolution No. 417 which approved the memorandum of the general manager dated May 29, 1969 (pp. 249-251, rec.);

(4) that the salary increases granted to physicians, dentists, nurses and pharmacists of the PNR hospital by virtue of resolution No. 417 were *not* made as an implementation of R.A. 4657, approved June 17, 1966, which provided for a statutory annual minimum compensation of ₱6,000 for physicians, ₱5,400 for dentists, ₱4,200 for nurses and ₱3,600 for pharmacists because from the said resolution alone (p. 250, rec.), it is patent that the physicians, dentists, nurses and pharmacists *were already receiving the minimum wage.* The PNR did not implement R.A. 4657 as it has repeatedly alleged, but it increased the salaries of said employees despite its pretended financial losses; and

(5) that the PNR board of directors bypassed the memorandum of PNR General Manager Jimenez which directed the increase of salaries of the members of the respondent unions, by taking no action whatsoever to remedy the situation, thereby evading its duty to bargain collectively.

It is a statutory duty of both labor and management that negotiations leading to a collective agreement should be continued with utmost good faith. The Industrial Peace Act specifically provides:

"Duty to Bargain Collectively — In the absence of an agreement or other voluntary arrangement providing for a more expeditious manner of collective bargaining, it shall be the duty of an employer and the representative of his employees to bargain collectively in accordance with the provisions of this Act. Such duty to bargain collectively means the performance of the mutual obligation to meet and confer promptly and expeditiously and in good faith, for the purpose of negotiating an agreement with respect to wages, hours, and/or other terms and conditions of employment, and of executing a written contract incorporating such agreement if requested by either party, or for the purpose of adjusting any grievances or question arising under such agreement, but such duty does not compel any party to agree to a proposal or to make concession" (Sec. 13, Vol. III, p. 449, Phil. Permanent Statutes).

Supreme Court E-Library

Petitioner failed to comply with its duty to resolve whatever differences there were between it and the unions. It is unmistakable that there was a valid cause for respondent unions to complain against the conduct of the PNR, which indicated a disregard to live up to what is enjoined by the Industrial Peace Act — to bargain collectively in good faith, to insure harmonious labor-management relations.

WHEREFORE, THE PETITION IS HEREBY DENIED, WITH COSTS AGAINST PETITIONER.

Teehankee (Chairman), Guerrero, De Castro, and *Melencio-Herrera, JJ.,* concur.

Fernandez, J., took no part.

FIRST DIVISION

[G.R. No. L-32772. April 30, 1979]

GOVERNMENT SERVICE INSURANCE SYSTEM, *petitioner, vs.* **GSIS SUPERVISORS UNION and THE COURT OF INDUSTRIAL RELATIONS,** *respondents.*

SYLLABUS

REMEDIAL LAW; COURT OF INDUSTRIAL RELATIONS; JUDGMENTS; STAY OF EXECUTION PENDING APPEAL; EFFECT WHERE APPELLANT HIMSELF IMPLEMENTS APPEALED ORDER. — Petitioner cannot invoke Section 3 of Republic Act No. 5540 which provides that the filing of a petition for a Writ of Certiorari to review the judgment of the Court of Industrial Relations stays the execution of the appealed judgment, where petitioner itself had partially implemented the order sought to be reviewed without awaiting the resolution of the Supreme Court. Hence, it cannot refuse to deduct the