SUPREME COURT
FIRST DIVISION

MARCOPPER MINING CORPORATION,
***Petitioner*,**

-versus-

G.R. No. 103525
March 29, 1996

NATIONAL LABOR RELATIONS COMMISSION and NATIONAL MINES AND ALLIED WORKERS' UNION (NAMAWU-MIF),
***Respondents*.**
x----------x

D E C I S I O N

KAPUNAN, *J.*:

Social justice and full protection to labor guaranteed by the fundamental law of this land is not some romantic notion, high in rhetoric but low in substance. The case at bench provides yet another example of harmonizing and balancing the "right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth."[1]

In this Petition for *Certiorari* and Prohibition under Rule 65 of the Revised Rules of Court, Marcopper Mining Corporation impugns the decision rendered by the National Labor Relations Commission

(NLRC) on 18 November 1991 in RAB-IV-12-2588-8 dismissing petitioner's appeal, and the resolution issued by the said tribunal dated 20 December 1991 denying petitioner's motion for reconsideration.

There is no disagreement as to the following facts:

On 23 August 1984, Marcopper Mining Corporation, a corporation duly organized and existing under the laws of the Philippines, engaged in the business of mineral prospecting, exploration and extraction, and private respondent NAMAWU-MIF, a labor federation duly organized and registered with the Department of Labor and Employment (DOLE), to which the Marcopper Employees Union (the exclusive bargaining agent of all rank-and-file workers of petitioner) is affiliated, entered into a Collective Bargaining Agreement (CBA) effective from 1 May 1984 until 30 April 1987.

Sec. 1, Art. V of the said Collective Bargaining Agreement provides:

> Section 1. The COMPANY agrees to grant general wage increase to all employees within the bargaining unit as follows:
>
> | **Effectivity** | **Increase per day on the Basic Wage** |
> |---|---|
> | May 1, 1985 | 5% |
> | May 1, 1986 | 5% |
>
> It is expressly understood that this wage increase shall be exclusive of any increase in the minimum wage and for mandatory living allowance that may be promulgated during the life of this Agreement.[2]

Prior to the expiration of the aforestated Agreement, on 25 July 1986, petitioner and private respondent executed a Memorandum of Agreement (MOA) wherein the terms of the CBA, specifically on matters of wage increase and facilities allowance, were modified as follows:

1. The COMPANY hereby grants a wage increase of 10% of the basic rate to all employees and workers within the bargaining units (sic) as follows:

    (a) 5% effective May 1,1986.

        This will mean that the members of the bargaining unit will get an effective increase of 10% from May 1, 1986.

    (b) 5% effective May 1,1987

2. The COMPANY hereby grants an increase of the facilities allowance from P50.00 to P100.00 per month effective May 1, 1986.[3]

In compliance with the amended CBA, petitioner implemented the initial 5% wage increase due on 1 May 1986.[4]

On 1 June 1987, Executive Order (E.O.) No. 178 was promulgated mandating the integration of the cost of living allowance under Wage Orders Nos. 1, 2, 3, 5 and 6 into the basic wage of workers, its effectivity retroactive to 1 May 1987.[5] Consequently, effective on 1 May 1987, the basic wage rate of petitioner's laborers categorized as non-agricultural workers was increased by P9.00 per day.[6]

Petitioner implemented the second five percent (5%) wage increase due on 1 May 1987 and thereafter added the integrated COLA.[7]

Private respondent, however, assailed the manner in which the second wage increase was effected. It argued that the COLA should first be integrated into the basic wage before the 5% wage increase is computed.[8]

Consequently, on 15 December 1988, the union filed a complaint for underpayment of wages before the Regional Arbitration Branch IV, Quezon City.

On 24 July 1989, the Labor Arbiter promulgated a decision in favor of the union. The dispositive part reads, thus:

> WHEREFORE consistent with the tenor hereof, judgment is rendered directing respondent company to pay the wage differentials due its rank-and-file workers retroactive to 1 May 1987.
>
> SO ORDERED.[9]

The Labor Arbiter ruled in this wise:

> First and foremost, the written instrument and the intention of the parties must be brought to the fore. And talking of intention, we conjure to sharp focus the provision embossed in Section 1, Article V of the collective agreement, viz:
>
> x x x
>
> > It is expressly understood that this wage increase shall be exclusive of increase in the minimum wage and/or mandatory living allowance that may be promulgated during the life of this Agreement. (Emphasis ours.)

The foregoing phrase albeit innocuously framed offers the cue. This ushers us to the inner sanctum of what really was the intention of the parties to the contract. Treading along its lines, it becomes readily discernible that this portion of the contract is the "stop-lock" gate or known in its technical term as the "non-chargeability" clause. There can be no quibbling that on the strength of this provision, the wage/allowance granted under this accord cannot be credited to similar form of benefit that may be thereafter ordained by the government through legislation. That the parties therefore were consciously aware at the time of the conclusion of the agreement of the never-ending rise in the cost of living is a logical corollary. And while this upward trend may not be a welcome phenomenon, there was the intention to yield and comply in the event of an imposition. Of course, there cannot likewise be any rivalry that if the Executive Order were to retroact to 2 May 1987 or a day after the last contractual increase, this question will not arise. It is in this sense of fairness that we cannot allow this "one (1) day" to be an insulating

medium to deny the workers the benediction endowed by Executive Order No. 178.[10]

Petitioner appealed the Labor Arbiter's decision and on 18 November 1991 the NLRC rendered its decision sustaining the Labor Arbiter's ruling. The dispositive portion states:

> WHEREFORE, in view of the foregoing, the Decision of the Labor Arbiter is hereby AFFIRMED and the appeal filed is hereby DISMISSED for lack of merit.
>
> SO ORDERED."[11]

The NLRC declared:

> Increments to the laborers' financial gratification, be they in the form of salary increases or changes in the salary scale are aimed at one thing — improvement of the economic predicament of the laborers. As such, they should be viewed in the light of the State's avowed policy to protect labor. Thus, having entered into an agreement with its employees, an employer may not be allowed to renege on its obligation under a collective bargaining agreement should, at the same time, the law grants the employees the same or better terms and conditions of employment. Employee benefits derived from law are exclusive of benefits arrived at through negotiation and agreement unless otherwise provided by the agreement itself or by law. (Meycauayan College vs. Hon. Franklin N. Drilon, 185 SCRA 50)[12]

Petitioner's motion for reconsideration was denied by the NLRC in its resolution dated 20 December 1991.

In the present petition, Marcopper challenges the NLRC decision on the following grounds:

> I
>
> PUBLIC RESPONDENT NLRC ACTED WITH GRAVE ABUSE OF DISCRETION IN AFFIRMING THE DECISION OF LABOR

ARBITER JOAQUIN TANODRA DIRECTING MARCOPPER TO PAY WAGE DIFFERENTIALS DUE ITS RANK-AND-FILE EMPLOYEES RETROACTIVE TO 1 MAY 1987 CONSIDERING THAT SANS EO 178, THE FUNDAMENTAL MEANING OF THE BASIC WAGE IS CLEARLY DIFFERENT FROM, AND DOES NOT INCLUDE THE COLA AT THE TIME THE CBA WAS ENTERED INTO. THUS, PUBLIC RESPONDENTS READING OF THE CBA, AS AMENDED BY THE MEMORANDUM OF AGREEMENT DATED 25 JULY 1986, ULTIMATELY DISREGARDED THE ORDINARY MEANING OF THE PHRASE 'BASIC WAGE', OTHERWISE INTENDED BY THE PARTIES DURING THE TIME THE CBA WAS EXECUTED.

II

THE LABOR ARBITER AND PUBLIC RESPONDENT NLRC'S RELIANCE ON THE LAST PARAGRAPH OF SECTION 1, ARTICLE V OF THE CBA WHICH STATES: 'IT IS EXPRESSLY UNDERSTOOD THAT THIS WAGE INCREASE SHALL BE EXCLUSIVE OF ANY INCREASE IN THE MINIMUM WAGE AND/OR MANDATORY LIVING ALLOWANCE THAT MAY BE PROMULGATED DURING THE LIFE OF THIS AGREEMENT IS MISPLACED AND WITHOUT BASIS BECAUSE SAID PROVISION HARDLY OFFERS A HINT AS TO WHAT BASIC WAGE THE PARTIES HAD IN MIND AT THE TIME THEY EXECUTED THE CBA AS AMENDED BY THE MEMORANDUM OF AGREEMENT.

III

PETITIONER COMPUTED THE 5% WAGE INCREASE BASED ON THE UNINTEGRATED BASIC WAGE IN ACCORDANCE WITH THE INTENT AND TERMS OF THE CBA, AS AMENDED BY THE MEMORANDUM OF AGREEMENT. THIS WAS IN FULL ACCORD AND IN FAITHFUL COMPLIANCE WITH EO 178. HENCE, PETITIONER DID NOT COMMIT ANY UNDERPAYMENT.

IV

THE DOCTRINE OF LIBERAL INTERPRETATION IN FAVOR OF LABOR IN CASE OF DOUBT IS NOT APPLICABLE TO THE INSTANT CASE.[13]

Stripped of the non-essentials, the question for our resolution is what should be the basis for the computation of the CBA increase, the basic wage without the COLA or the so-called "integrated" basic wage which, by mandate of E.O. No. 178, includes the COLA.

It is petitioner's contention that the basic wage referred to in the CBA pertains to the "unintegrated" basic wage. Petitioner maintains that the rules on interpretation of contracts, particularly Art. 1371 of the New Civil Code which states that:

> Art. 1371. In order to judge the intention of the contracting parties, their contemporaneous and subsequent acts shall be principally considered.

Should govern. Accordingly, applying the aforequoted provision in the case at bench, petitioner concludes that it was clearly not the intention of the parties (petitioner and private respondent) to include the COLA in computing the CBA/MOA mandated increase since the MOA was entered into a year before E.O. No. 178 was enacted even though their effectivity dates coincide. In other words, the situation "contemporaneous" to the execution of the amendatory MOA was that there was yet no law requiring the integration of the COLA into the basic wage.[14] Petitioner, therefore, cannot be compelled to undertake an obligation it never assumed or contemplated under the CBA or MOA.

Siding with the petitioner, the Solicitor General opines that for the purpose of complying with the obligations imposed by the CBA, the integrated COLA should not be considered due to the exclusivity of the benefits under the said CBA and E.O. No. 178. He explains thus:

> A collective bargaining agreement is a contractual obligation. It is distinct from an obligation imposed by law. The terms and conditions of a CBA constitute the law between the parties.

> Thus, employee benefits derived from either the law or a contract should be treated as distinct and separate from each other. (Meycauayan College vs. Drilon, supra.)
>
> x x x

Very clearly, the CBA and E.O. 178 provided for the exclusiveness of the benefits to be given or awarded to the employees of petitioner. Thus, when petitioner computed the 5% wage increase-based on the unintegrated basic wage, it complied with its contractual obligations under the CBA. When it thereafter integrated the COLA into the basic wage, it complied also with the mandate of E.O. 178. Petitioner, therefore, complied with its contractual obligations in the CBA as well as with the legal mandate of the law. Consequently, petitioner is not guilty of underpayment.

To follow the theory of private respondent, that is — to integrate first the COLA into the basic wage and thereafter compute the 5% wage increase therefrom, would violate the "exclusiveness" of the benefits granted under the CBA and under E.O. 178.[15]

Private respondent counters by asserting that the purpose, nature and essence of CBIA negotiation is to obtain wage increases and benefits over and above what the law provides and that the principle of non-diminution of benefits should prevail.

The NLRC, which filed its own comment, likewise, made the following assertions:

> However, to state outright that the parties intended the basic wage to remain invariable even after the advent of EO 178 is unfounded and presumptuous a claim as such inevitably works to the utmost disadvantage of the workers and runs counter to the constitutional guarantee of affording protection to labor. Evidently, the rationale for the integration of the COLA with the basic wage was primarily to increase the base wage for purposes of computation of such items as overtime and premium pay, fringe benefits, etc. To adopt the statement and claim of the petitioner would then redound to depriving the workers of the full benefits the law intended for them, which in the final

> analysis was solely for the purpose of alleviating their plight due to the continuous undue hardship they suffer caused by the ever escalating prices of prime commodities.[16]

We rule for the respondents.

The principle that the CBA is the law between the contracting parties stands strong and true.[17] However, the present controversy involves not merely an interpretation of CBA provisions. More importantly, it requires a determination of the effect of an executive order on the terms and the conditions of the CBA. This is, and should be, the focus of the instant case.

It is unnecessary to delve too much on the intention of the parties as to what they allegedly meant by the term "basic wage" at the time the CBA and MOA were executed because there is no question that as of 1 May 1987, as mandated by E.O. No. 178, the basic wage of workers, or the statutory minimum wage, was increased with the integration of the COLA. As of said date, then, the term "basic wage" includes the COLA. This is what the law ordains and to which the collective bargaining agreement of the parties must conform.

Petitioner's arguments eventually lose steam in the light of the fact that compliance with the law is mandatory and beyond contractual stipulation by and between the parties; consequently, whether or not petitioner intended the basic wage to include the COLA becomes immaterial. There is evidently nothing to construe and interpret because the law is clear and unambiguous. Unfortunately for petitioner, said law, by some uncanny coincidence, retroactively took-effect on the same date the CBA increase became effective. Therefore, there cannot be any doubt that the computation of the CBA increase on the basis of the "integrated" wage does not constitute a violation of the CBA.

Petitioner's contention that under the Rules Implementing E.O. No. 178, the definition of the term "basic wage" has remained unchanged is off the mark since said definition expressly allows integration of monetary benefits into the regular pay of employees:

> Chapter 1. Definition of Terms and Coverage.

Section 1. Definition of Terms.

x x x

(j) "Basic Wage" means all regular remuneration or earnings paid by an employer for services rendered on normal working days and hours but does not include cost-of-living allowances. profit-sharing payments. Premium payments, 13th month pay, and other monetary benefits which are not considered as part of or integrated into the regular salary of the employee on the date the Order became effective. (Emphasis ours.)

What E.O. No. 178 did was exactly to integrate the COLA under Wage Orders Nos. 1, 2, 3, 5 and 6 into the basic pay so as to increase the statutory daily minimum wage. Section 2 of the Rules is quite explicit: Section 2. Amount to be Integrated. — Effective on the dates specified, as a result of the integration, the basic wage rate of covered workers shall be increased by the following amounts: (Emphasis ours.)

Integration of monetary benefits into the basic pay of workers is not a new method of increasing the minimum wage.[18] But even so, we are still guided by our ruling in Davao Integrated Port Stevedoring Services vs. Abarquez,[19] which we herein reiterate

While the terms and conditions of the CBA constitute the law between the parties, it is not, however, an ordinary contract to which is applied the principles of law governing ordinary contracts. A CBA, as a labor contract within the contemplation of Article 1700 of the Civil Code of the Philippines which governs the relations between labor and capital, is not merely contractual in nature but impressed with public interest, thus, it must yield to the common good. As such, it must be construed liberally rather than narrowly and technically, and the courts must place a practical and realistic construction upon it, giving due consideration to the context in which it is negotiated and purpose which it is intended to serve.

Finally, petitioner misinterprets the declaration of the Labor Arbiter in the assailed decision that "when the pendulum of judgment swings to and for and the forces are equal on both sides, the same must be stilled in favor of labor." While petitioner acknowledges that all doubts in the interpretation of the Labor Code shall be resolved in favor of labor,[20] it insists that what is involved-here is the amended CBA which is essentially a contract between private persons. What petitioner has lost sight of is the avowed policy of the State, enshrined in our Constitution, to accord utmost protection and justice to labor, a policy, we are, likewise, sworn to uphold.

In Philippine Telegraph & Telephone Corporation vs. NLRC,[21] we categorically stated that:

> When conflicting interests of labor and capital are to be weighed on the scales of social justice, the heavier influence of the latter should be counter-balanced by sympathy and compassion the law must accord the underprivileged worker.

Likewise, in Terminal Facilities and Services Corporation vs. NLRC,[22] we declared:

> Any doubt concerning the rights of labor should be resolved in its favor pursuant to the social justice policy.

The purpose of E.O. No. 178 is to improve the lot of the workers covered by the said statute. We are bound to ensure its fruition.

WHEREFORE, premises considered, the petition. is hereby **DISMISSED.**

Padilla, Bellosillo, Vitug and Hermosisima, Jr., *JJ.*, concur.

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[1] THE 1987 CONSTITUTION OF THE REPUBLIC OF THE PHILIPPINES, Art. XIII, sec. 3.
[2] Rollo, p. 6.
[3] Original Records, Volume 1, pp. 20, 43.
[4] Ibid.
[5] Executive Order No. 178

INCREASING THE STATUTORY DAILY MINIMUM WAGES AFTER INTEGRATING THE COST OF LIVING ALLOWANCES UNDER WAGE ORDERS NOS. 1, 2, 3, 5 AND 6 INTO THE BASIC PAY OF ALL COVERED WORKERS;

WHEREAS, the National Tripartite Conference, held on April 10-11, 1987, has agreed in principle on the integration of existing cost-of-living allowances (COLAs) into the basic pay, leaving to the President of the Philippines the decision on the manner and schedule of integration;

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, do hereby order:

SECTION 1. The cost-of-living allowances mandated under existing Wage Order; shall be integrated into the basic wage of all covered workers based on the following schedule:

a) COLAs under Wage Orders Nos. 1, 2 and 3 effective May 1, 1987
b) COLAs under Wage Orders Nos. 5 and 6 effective October 1, 1987

For establishments with less than 30 employees and paid-up capital of P500,000 or less:

a) COLAs under Wage Orders Nos. 1 and 2, effective May 1,1987
b) COLAs under Wage Order No. 3, effective October 1, 1987
c) COLAs under Wage Orders Nos. 5 and 6, effective January 1, 1988

SECTION 2. The Secretary of Labor and Employment, as Chairman of the National Wages Council, shall promulgate the necessary rules and regulations to implement this Executive Order.

SECTION 3. All laws, orders, issuances, rules and regulations or parts thereof inconsistent with this Executive Order are hereby repealed or modified accordingly.

SECTION 4. This Executive Order shall take effect on May 1. 1987.

[6] Rules Implementing E.O. No. 178, Chapter ll, sec. 2.
[7] Rollo, p. 7.
[8] Id., at 28; 80.
[9] Id., at 30.
[10] Id., at 28-29.
[11] Id. at 49.
[12] Id. at 48-49.
[13] Id., at 9-10
[14] Id., at 187.
[15] Id., at 84-85.
[16] Id., at 115.
[17] Kimberly Clark Phils. vs. Lorredo, 226 SCRA 639 (1993); Plastic Town Center Corporation vs. NLRC, 172 SCRA 580 (1989).
[18] See P.D. 1751 dated 14 May 1980 which increased the statutory daily minimum wage at all levels by P4.00 after integrating the mandatory emergency living allowance under PD Nos. 525 and 1123 into the basic pay of all covered workers. (Meycauayan College vs. Drilon, 185 SCRA 50 [1990].)
[19] 220 SCRA 197 (1993).

[20] Art. 4, Labor Code. Construction in favor of labor. — All doubts in the implementation and interpretation of the provisions of this Code, including its implementing rules and regulations, shall be resolved in favor of labor.
[21] 183 SCRA 451 (1990).
[22] 199 SCRA 269 (1991).