SUPREME COURT
SECOND DIVISION

PANTRANCO NORTH EXPRESS, INC.,
***Petitioner*,**

-versus-

G.R. No. 106516
September 21, 1999

THE HON. NATIONAL LABOR RELATIONS COMMISSION (NLRC), SECOND DIVISION and ALFONSO AYENTO, SR.,
***Respondents*.**
x----------x

D E C I S I O N

QUISUMBING, *J.*:

Assailed in this Special Civil Action for *Certiorari* are the Resolutions of the National Labor Relations Commission (NLRC), in NLRC CA No. 1877-91 entitled Alfonso Ayento Sr., vs. Pantranco North Express, Inc.,[1] promulgated on July 22, 1992 and the Resolution dated August 10, 1992, denying the subsequent Motion for Reconsideration.[2] The dated July 22, 1992 Resolution affirmed the Decision[3] dated April 2, 1991 of the Labor Arbiter in NLRC NCR NO. 00-01-00324-90 restoring private respondent Ayento in his previous position as head of the Registration Section of Pantranco.

A brief corporate history of petitioner with emphasis on its financial decline up to the time of the reorganization is in order, to appreciate the instant petition.

Petitioner is a government-owned and controlled corporation without original charter. It provided transportation services to the public. In 1972, it incurred huge financial losses despite attempts at rehabilitation and loan infusion. The company continued to decline. Sometime in March 1975, its creditors took over the management of the company. By 1978, petitioner transferred its full ownership to one of the creditors, the National Investment Development Corporation (NIDC), a subsidiary of the Philippine National Bank. In 1985, NIDC sold the company to North Express Transport Inc. (NETI), a company owned by Gregorio Araneta III. In 1986, the Presidential Commission on Good Government (PCGG) began sequestering shares and assets of corporations which were anomalously transferred to private parties to the prejudice of the government, among them the petitioner. In March 1986, the PCGG Management Committee, assumed control of Pantranco. By January 1988, PCGG lifted the sequestration order to pave the way for the sale of the company back to the private sector through the Asset Privatization Trust (APT). APT then turned over the management of the company to the Department of Transportation and Communication. At this time, the company's financial standing was already in a dismal state. Unpaid liabilities to creditors and suppliers continued to accumulate. As of December 31, 1991, losses from operations were double the losses incurred in the previous year. In 1992, petitioner company then filed its application with the Securities and Exchange Commission for the creation of a management committee. In August of the same year, the application was granted and, with no objection from the creditors, a rehabilitation program was approved. With the creation of a Management Committee, the SEC ordered a suspension of all actions for claims against petitioner pending before any court, tribunal, or board.[4]

In April 1987, Pantranco implemented a job classification program for purposes of manpower reduction. Under the old job classification of employees, salaries ranged from salary grades 1 to 23. In the new program, the salary grades were reclassified. The two (2) salary grade schemes are shown below:[5]

RANK/POSITION	SALARY GRADE	
	OLD	NEW
Officers	15 to 23	13 to 19
Supervisors	12 to 14	10 to 12
Technical Assistant	11	9
Rank & File	1 to 10	1 to 8

Private respondent, Ayento, was an employee of petitioner from May 5, 1958. He started as a filing clerk and promoted to Head Registration Section on April 1, 1982. Private respondent's position as Head of the Registration Section had a Salary Grade of 11-R-5 with a basic salary of P1,320.00. Based on his Salary Grade of 11, private respondent's ranking was that of a Technical Assistant. With the company's reorganization, positions were reclassified and restructured. Private respondent's position was abolished. Consequently, he was appointed as Registration Assistant with a Salary Grade of 9-R-2. The basic salary was increased from P1,320.00 to P1,855.00. As a Registration Assistant, he actually was relieved of his supervisory function, no longer had any field work, nor entitled to overtime pay averaging from P700.00 to P800.00. His representation expenses and discretionary funds of P1,000.00 were also cancelled. He received instead a fixed amelioration allowance of P350.00.

On January 16, 1990, private respondent filed a Complaint against petitioner for unfair labor practice. It specifically alleged demotion of position and diminution of salary and benefits. Respondent company, on the other hand, argued that there was no demotion but a job-reclassification where petitioner's position was abolished due to the company's financial problems.

The Labor Arbiter ruled in favor of private respondent stating that as a result of the reorganization, private respondent indeed was demoted. His supervisory functions were also removed, his salary grade lowered and his other benefits withdrawn. Petitioner was ordered to restore private respondent to his previous position with all the previous benefits it offered.[6]

Pertinent portions of the Labor Arbiter's Decision read:

> "Obviously, there was a demotion in the case of the complainant. From being Head of the Registration Section with salary grade classification SG-11 Grade 5, he became a Registration Assistant in the same section with salary grade classification SG-9, Grade 2. Admittedly, his basic salary was raised from P1,320 to P1,855.00 per month, however, there were benefits previously enjoyed that were withdrawn like, overtime, (P700 to P800 a month) which even the grant of P350 in the amelioration fund cannot upset. The discretionary allowance of P1,000.00 can not be enjoyed because it is given only to the head of the section of which the complainant is no longer the one. The representation allowance was also withdrawn, although, he performs functions needing such privilege.
>
> Of far reaching effect, was the loss of his supervisory functions. Whereas, as head of section, he exercised supervisory authority over the personnel of the section, now, he is merely an ordinary staff, receiving orders from the one who has replaced him. Rectification is in order.
>
> WHEREFORE, the respondent is hereby ordered to restore the complainant as Head of the Registration Section, together with the benefits and authorities pertaining to the position. The respondent must likewise pay the complainant such monetary benefits he would have enjoyed as Head of the Registration Section but were denied by virtue of the program, since, April 1987."[7]

The NLRC affirmed the labor arbiter's Decision.[8] It said:

> "In instances of reorganization, where positions may be abolished, merged or created, care must be exercised in order that workers/employees are not displaced and demoted.
>
> Well settled is the rule that this prerogative of management, the matter of reorganization is not absolute. In other words it is regulated by laws.

> Definitely, in the particular instance there is a demotion in rank and diminution of benefits, akin to the complainant being penalized, without showing any reasons or causes for such management action and the proper observance of due process.
>
> Indeed, if this management action is imprinted without approval, what can stop management, in the guise of reorganization, demote and/or reduce workers benefits by circumventing the laws on the mere expediency of reorganization.
>
> In this case we find no grave abuse of discretion tantamount to lack of jurisdiction attributable to the Labor Arbiter a quo in rendering the assailed decision, he (Labor Arbiter a quo) having discussed the position, arguments and evidence which he considers relevant to the issue in this case in the questioned decision.
>
> WHEREFORE, premises considered, the impugned decision is hereby AFFIRMED and the appeal DISMISSED."

In this special civil action, petitioner raises two grounds for consideration of this Court. It claims that:

1. RESPONDENT NLRC, SECOND DIVISION, COMMITTED GRAVE ABUSE OF DISCRETION WHEN IT AFFIRMED THE DECISION OF THE LABOR ARBITER THAT WAS UNSUPPORTED BY SUBSTANTIAL AND CREDIBLE EVIDENCE ON RECORD.

2. RESPONDENT NLRC, SECOND DIVISION, GRAVELY ABUSED ITS DISCRETION IN FAILING TO APPLY PREVIOUS DECISIONS OF THIS HONORABLE COURT ON SIMILAR CASES.

The principal issue before us involves the right or prerogative of management to abolish a position no longer necessary as a result of a valid reorganization.

Petitioner anchors its position on Grepalife vs. NLRC,[9] where we held:

> "It is, of course, a management prerogative to abolish a position which it deems no longer necessary and this Court, absent any findings of malice on the part of management, cannot erase that initiative simply to protect the person holding that office. And We do not see anything that would indicate that Allado's position was abolished to ease her out of employment. The deletion of Allado's office, therefore, should be accepted as a valid exercise of management prerogative."

Petitioner further states that the Labor Arbiter found no evidence to show that there was malice in abolishing private respondent's old position. It also notes why the private respondent only raised the question on the propriety of the reorganization in 1990 when the actual reorganization was way back in April of 1987. Petitioner stresses that there was no demotion; that reappointment of private respondent was in fact an accommodation from petitioner inasmuch as with the abolition of private respondent's position for manpower and cost-cutting purposes, his services could have justifiably been terminated; and that in a reorganization, retrenchments are allowed for all unnecessary positions. In fact, private respondent's basic monthly salary was even increased.

An ex-parte temporary restraining order was also prayed for by petitioner, with the additional prayer that said restraining order may be converted into a writ of injunction.[10] On August 31, 1992, the Court issued a temporary restraining order until further orders.[11]

In its Comment, the Office of the Solicitor General (OSG) contends that private respondent's position was not truly abolished and the reorganization was a mere ploy to accommodate petitioner's own protégé. The OSG cited the Labor Arbiter's Resolution, which states:

> "Of far reaching effect was the loss of his supervisory authority over the personnel of the section, now, he is merely an ordinary staff receiving orders from the one who has replaced him. Rectification is in order."

Since the new appointment was not done in good faith, private respondent's former position is deemed not abolished. The OSG likewise made a comparison with private respondent's Salary Grade with the reorganization which was Grade 9 Rate 2 with a basic compensation of P3,759.00 and private respondent's previous ranking which was Grade 11 Rate 5 with a P5,003.08 basic compensation, both as of 1992.

We are unable to agree with both the Labor Arbiter and the Commission. The State affords the constitutional blanket of rendering protection to labor, but it must also protect the right of employers to exercise what are clearly management prerogatives, so long as the exercise is without abuse of discretion.[12]

In his attempt to bolster his claim of an illegal demotion and diminution in rank, private respondent claims that his appointment was done, "capriciously and with grave abuse of discretion because the same was done in [the] guise of reorganization when in fact it was a scheme to accommodate the new appointees of the PCGG group that took over the management of petitioner in 1987."[13] When private respondent presented a Certification from Assistant Legal Manager, Edmundo A. Cruz, his purpose was to provide proof that the position still existed and was held by someone else whom petitioner sought to accommodate. A perusal of the Certification states that as of April 1, 1987, one Atty. Antonio P. Pekas was employed as company lawyer and concurrent Head of the Registration Section.[14] Petitioner submitted a Certification to this Court from the Assistant Head of the Personnel Department, Manolito P. De Guzman. The latter certified to the fact that after the position of Registration Head was abolished, it was never reinstated and that no one was ever appointed to occupy the post.[15] At first glance, these two (2) certifications submitted by opposing parties seem conflicting. However, the Certification submitted by private respondent from the Assistant Legal Manager, actually conveyed that the company lawyer is also concurrently tasked only with overseeing the Registration Section. Clearly, these two (2) separate jobs previously held by two (2) people, now is filled by the company lawyer concurrently acting as Head of the Registration Section and as Assistant Legal Manager. Patently, these job functions were practically merged in line with the streamlining of the company to cut

costs. Where there is nothing that would indicate that an employee's position was abolished to ease him out of employment, the deletion of that position should be accepted as a valid exercise of management prerogative.[16] It is a well-settled rule that labor laws discourage interference with an employer's judgment in the conduct of his business.[17] Absent any unfair or oppressive act against private respondent, the Court cannot and should not interfere with management decisions validly undertaken by petitioner. To do so would be meddling with the control and management of the corporation without legal justification.

Moreover, private respondent has not shown concretely any arbitrary act and bad faith on the part of the petitioner. Neither could he show persuasively that the reorganization was effected to remove unwanted employees and replace them with favored ones, rather than purposely to show up its devastated finances through reorganization, retrenchment and cost-cutting.

In Philippine Japan Active Carbon Corporation vs. National Labor Relations Commission,[18] we held that:

> "It is the employer's prerogative, based on its assessment and perception of its employees' qualifications, aptitudes, and competence, to move them around in the various areas of its business operations in order to ascertain where they will function with maximum benefit to the company. An employee's right to security of tenure does not give him such a vested right in his position as would deprive the company of its prerogative to change his assignment or transfer him where he will be most useful."

Private respondent's contentions that his previous benefits were stripped upon his reappointment are without merit. Plainly, when an office or a position is abolished, all benefits accompanying the position also are removed. Thus, private respondent cannot now complain that he no longer receives the entitlements or allowances of the abolished position.

Upon review of the records we have come to the conclusion that the reorganization and the abolition of private respondent's position was

not in bad faith. Further we find no merit regarding private respondent's contention that he was demoted because his Salary Grade went down 2 notches from 11 to 9. The elimination of 4 levels in the Salary Grade Scheme was in line with the petitioner's cost-cutting and reorganization.

WHEREFORE, the instant Petition is hereby **GRANTED**, the challenged resolutions of public respondent National Labor Relations Commission are **SET ASIDE**, and the complaint against petitioner is hereby **DISMISSED**.

The Temporary Restraining Order issued on August 31, 1992 is hereby **MADE PERMANENT** insofar as it restrained public respondent from enforcing and carrying out its Resolution dated July 22, 1992 issued in NLRC Case No. 001877-91.

No pronouncement as to costs.

SO ORDERED.

Bellosillo, Mendoza and Buena, *JJ.*, concur.

---

[1] Rollo, p. 62.
[2] Id., at 72.
[3] Id., at 46-48.
[4] Id., at 80-86.
[5] Id., at 31.
[6] Supra, note 2.
[7] Id., at 47-48.
[8] Id., at 64-65.
[9] 188 SCRA 139, 144 (1990).
[10] Rollo, pp. 11-15.
[11] Id. at 73.
[12] See, Palomares vs. NLRC, et al., 277 SCRA 439, 449 (1997); Union Carbide Labor Union vs. NLRC, 215 SCRA 554, 558 (1992); Employees Association of the Philippine American Life Insurance Company vs. NLRC, 199 SCRA 628 (1991).
[13] Rollo, p. 120.
[14] Id., p. 176.
[15] Id., p. 110.

[16] Arrieta vs. National Labor Relations Commission, et al., 279 SCRA 326, 332 (1997); citing Great Pacific Life Assurance Corporation vs. NLRC, et al., 188 SCRA 139, 144 (1990).
[17] Maya Farms Employees Organization vs. NLRC, 239 SCRA 508, 515 (1994).
[18] 171 SCRA 164, 168 (1989).