SUPREME COURT
THIRD DIVISION

PLASTIC TOWN CENTER CORPORATION,
***Petitioner*,**

-versus-

G.R. No. 81176
April 19, 1989

NATIONAL LABOR RELATIONS COMMISSION AND NAGKAKAISANG LAKAS NG MANGGAGAWA (NLM) — KATIPUNAN,
***Respondents*.**
x----------x

D E C I S I O N

GUTIERREZ, JR., *J.*:

An issue in this petition is the interpretation of certain provisions of the Collective Bargaining Agreement (CBA) between Plastic Town Center Corporation and the respondent union.

On September 7, 1984, the respondent Nagkakaisang Lakas ng Manggagawa (NLM) — Katipunan filed a complaint dated August 30, 1984 charging the petitioner with:

a. Violation of Wage Order No. 5, by crediting the P1.00 per day increase in the CBA as part of the compliance with said Wage Order No. 5, and

b. Unfair labor practice thru violation of the CBA by giving only twenty-six (26) days pay instead of thirty (30) days equivalent to one (1) month as gratuity pay to resigning employees. (p. 3, Rollo)

On July 25, 1985, Labor Arbiter Ruben Alberto ruled in favor of Plastic Town Center Corporation. The pertinent portions of the decision read as follows:

> "In this particular case, the P1.00 increase was ahead of the implementation of the CBA provision or could be said was advantageous to complainant members, chronologically stated. For the above cogent reason we can not fault respondent for its refusal to grant a second P1.00 increase on July 1, 1984.
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> x x x
>
> "Complainant sustains the view that a month salary pertains to salary for 30 days, citing the provision of the Civil Code on the matter.
>
> "Upon the other band, respondents understanding of the controverted provision is pragmatic or practical. Since the workers are paid on daily basis, it computed the salary received by the worker in a month as a month salary. In this case the salary of 26 days is a month salary.
>
> "We agree with the respondent's interpretation. As daily wage earner, there would be no instance that the worker would work for 30 days a month since work does not include Sundays or rest days. In the mind of the daily worker in a month he could not expect a month salary exceeding the equivalent of 26 days service. To award the daily wage earner pay for more than 26 days is pay for days he does not work. But as regards the monthly-paid workers he expects his monthly salary to be fixed

> which is a month salary. Hence, a distinction separates him with the daily wages.
>
> "IN VIEW OF THE FOREGOING, the unfair labor practice charge should be, as it is hereby dismissed for lack of legal and factual basis." (pp. 56-57, Rollo)

On August 30, 1987, the respondent labor union appealed to the National Labor Relations Commission.

On June 30, 1987, the NLRC rendered the questioned decision with the following dispositive portion:

> "WHEREFORE, the appealed decision is hereby reversed and the respondent is ordered to grant P1.00 increase for July 1, 1984 and the equivalent of thirty days salary in gratuity pay, as required by its CBA with the complainants." (p. 39, Rollo)

The motion for reconsideration of said decision was denied on December 7, 1987. Hence, this petition.

The applicable provisions of the CBA read as follows:

> "Section 1 — The company agrees to grant permanent/regular rank and file workers covered by this Agreement who have rendered at least one year of continuous service, across-the-board wage increased as follows:
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> "'a. Effective 1 July, 1983 — P1.00 per worked day;
>
> "'b. Effective 1 July, 1984 — P1.00 per worked day;
>
> "'c. Effective 1 July, 1985 — P1.00 per worked day;
>
> "Section 3 — It is agreed and understood by the parties herein that the aforementioned increase in pay shall be credited against future allowances or wage orders hereinafter implemented or enforced by virtue of Letters of Instructions, Decrees and other labor legislation." (pp. 36-37, Rollo)

Wage Order No. 4 provided for the integration of the mandatory emergency cost of living allowances (ECOLA) under Presidential Decrees 1614, 1634, 1678 and 1713 into the basic pay of all covered workers effective May 1, 1984. It further provided that after the integration, the applicable statutory minimum daily wage rate must be complied with, which in this case is P32.00.

The petitioner incurred a deficiency of P1.00 in the wage rate after integrating the ECOLA with basic pay. So the petitioner advanced to May 1, 1984 or two month's earlier the implementation of the one-peso wage increase provided for in the CBA starting July 1, 1984 for the benefit of the workers.

The petitioner argues that it did not credit the P1.00 per day across the board increase under the CBA as compliance with Wage Order No. 5 implemented on June 16, 1984 since it gave an additional P3.00 per day to the basic salary pursuant to said order. It, however, credited the P1.00 a day increase to the requirement under Wage Order No. 4 to which the private respondents allegedly did not object.

The other controverted provision of the CBA reads:

> "Section 2. It is the intention of both the COMPANY and the UNION, that the grant of gratuity pay by the COMPANY herein set forth is to reward employees and laborers, who have rendered satisfactory and efficient service with the COMPANY. THUS, in case of voluntary resignation, which is not covered by Section 1 above, the COMPANY nevertheless agrees to grant a gratuity pay to the resigning employee or laborer as follows:
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> | | | |
> |---|---|---|
> | "1. Two to Five years of service | : | 1 month salary |
> | "2. Six (6) to Ten (10) yrs. of | : | Two and One-half (2 1/2) service months salary |
> | "3. Eleven (11) to Fifteen yrs. of | : | 4 months salary service |
> | "4. Sixteen (16) to twenty yrs. of | : | 6 months salary service |
> | "5. Twenty one yrs. of service and above: | | Twelve (12) months salary." |

(p. 38, Rollo)

The petitioner alleges that one month salary for daily paid workers should be computed on the basis of twenty-six (26) days and not thirty (30) days since daily wage workers do not work every day of the month including Sundays and holidays.

The petition is devoid of merit.

The subject for interpretation in this petition for review is not the Labor Code or its implementing rules and regulations but the provisions of the collective bargaining agreement entered into by management and the labor union. As a contract, it constitutes the law between the parties (Fegurin vs. National Labor Relations Commission, 120 SCRA 910 [1983]) and in interpreting contracts, the rules on contract must govern.

Contracts which are not ambiguous are to be interpreted according to their literal meaning and should not be interpreted beyond their obvious intendment (Herrera vs. Petrophil Corp., 146 SCRA 385 [1986]).

In the case at bar, the petitioner alleges that on May 1, 1984, it granted a P1.00 increase pursuant to Wage Order No. 4 which in consonance with Section 3 of the CBA was to be credited to the July 1, 1984 increase under the CBA. It was, therefore, a July increase. Section 3 of the CBA, however, clearly states that CBA granted increases shall be credited against future allowances or wage orders. Thus, the CBA increase to be effected on duly 1, 1984 can not be retroactively applied to mean compliance with Wage Order No. 4 which took effect on May 1, 1984. The words of the contract, are plain and readily understandable co we find no need for any further construction or interpretation (Dihiansan vs. Court of Appeals, 153 SCRA 712 [1987]). Furthermore, we agree with the NLRC as it held:

> "It is our finding that the respondent is bound by the CBA to grant an increase on July 1, 1984.
>
> "In this case, between July 1, 1983 and July 1, 1984, there were actually two increases mandated by Wage Order No. 4 on May

> 1, 1984 and by Wage Order No. 6 on June 16, 1984. The fact that the respondent had complied with Wage Order No. 4 and Wage Order No. 6 does not relieve it of its obligation to grant the P1.00 increase under the CBA." (pp. 37-38, Rollo)

With regards to the second issue, the petitioner maintains that under the principle of "fair day's wage for fair day's labor", gratuity pay should be computed on the basis of 26 days for one month salary considering that the employees are daily paid.

We find no abuse of discretion on the part of the NLRC in granting gratuity pay equivalent to one month or 30 days salary.

We quote with favor the NLRC decision which states:

x x x

> "To say that awarding the daily wage earner salary for more than 26 days is paying him for days he does not work misses the point entirely. The issue here is not payment for days worked but payment of gratuity pay equivalent to one month or 30 days salary." (p. 29, Rollo)

Looking into the definition of Fatuity, we find the following in Moreno's Philippine Law Dictionary, to wit:

> "Something given freely, or without recompense; a gift; something voluntarily given in return for a favor or services; a bounty; a tip. — Pirovano vs. De la Rama Steamship Co., 96 Phil. 357.
>
> "That paid to the beneficiary for past services rendered purely out of the generosity of the giver or grantor. — Peralta vs. Auditor General, 100 Phil. 1054.
>
> "Salary or compensation. The very term 'gratuity' differs from the words 'salary' or 'compensation' in leaving the amount thereof, within the limits of reason, to the arvitrament of the giver. — Herranz & Garriz vs. Barbudo, 12 Phil. 9."

From the foregoing, gratuity pay is therefore, not intended to pay a worker for actual services rendered. It is a money benefit given to the workers whose purpose is "to reward employees or laborers, who have rendered satisfactory and efficient service to the company." (Sec. 2, CBA) While it may be enforced once it forms part of a contractual undertaking, the grant of such benefit is not mandatory so as to be considered a part of labor standard law unlike the salary, cost of living allowances, holiday pay, leave benefits, etc., which are covered by the Labor Code. Nowhere has it ever been stated that gratuity pay should be based on the actual number of days worked over the period of years forming its basis. We see no point in counting the number of days worked over a ten-year period to determine the meaning of "two and one-half months' gratuity." Moreover any doubts or ambiguity in the contract between management and the union members should be resolved in the light of Article 1702 of the Civil Code that:

> "In case of doubt, all labor legislation and all labor contracts shall be construed in favor of the safety and decent living for the laborer."

This is also in consonance with the principle enunciated in the Labor Code that all doubts should be resolved in favor of the worker.

The Civil Code provides that when months are not designated by name, a month is understood to be thirty (30) days. The provision applies under the circumstances of this case.

In view of the foregoing, the public respondent did not act with grave abuse of discretion when it rendered the assailed decision which is in accordance with law and jurisprudence.

WHEREFORE, the Petition is hereby **DISMISSED** for lack of merit.

SO ORDERED.

Fernan, *C.J.*, Feliciano, Bidin and Cortes, *JJ.*, concur.