SUPREME COURT
SECOND DIVISION

SAN MIGUEL CORPORATION,
***Petitioner*,**

-versus-

G.R. No. 92859
February 1, 1993

REYNALDO R. UBALDO and EMMANUEL NOEL A. CRUZ, in their capacities as Chairman and Member, respectively, of the Voluntary Arbitration Panel, MESSRS. FERNANDO CODILLO, GERARDO CARDENO, RENATO L. SAGARIO, RAMON P. GUARINO AND ILAW AT BUKLOD NG MGA MANGGAGAWA (IBM),
***Respondents*.**
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D E C I S I O N

CAMPOS, JR., *J.*:

To what extent may the scales of justice be tilted in favor of labor? This is the question that is to be resolved in this petition.

This Petition for *Certiorari* assails as tainted with grave abuse of discretion the Award of the Voluntary Arbitration Panel, dated March 9, 1990, which ordered the reinstatement of private respondents Fernando Codillo, Gerardo S. Cardeno, Renato L. Sagario and Ramon P. Guarino to their former positions without loss of seniority rights and with financial assistance equivalent to three (3) months pay.

Private respondents were regular daily-paid workers of petitioner San Miguel Corporation (SMC, for brevity) as "Finished Goods Palletizers" at its B-Meg Feeds Plant, Balintawak, Quezon City. Their duties included, but were not limited to, removing feed sacks from the moving conveyor and piling the feed sacks on pallets which were subsequently transported by forklifts. As found by the Arbitration Panel, it has been the usual practice of the SMC to assign six (6) "Finished Goods Palletizers" so that they can take turns in resting while the manual labor continues until the completion of the cycle.

The SMC subsequently reduced the palletizers from six (6) to four (4). The remaining four are the herein private respondents, who allege that said manpower reduction resulted in heavier workload and less-than-adequate rest periods.

Consequently, private respondents, through their Union, the Ilaw at Buklod ng mga Manggagawa (IBM, for brevity), on July 13, 1987, filed a grievance protest against Messrs. Manuel Querol, Head of Logistics Department and Leodegario David, Personnel Manager, for unfair labor practice, Collective Bargaining Agreement (CBA for brevity) violation, and non-payment of overtime pay, among others.

At the grievance meeting, the IBM requested that the usual complement of six palletizers be restored. The SMC then promised that it would review the manning standard and other relevant considerations arising therefrom.

Eight months passed, still the SMC did nothing to alleviate private respondents' condition, with the exception only of payment of their overtime claims, which, however was only settled on September 30, 1988, four months after their dismissal. Moreover, the normal complement of six (6) was not restored.

It was this inaction by the SMC, according to private respondents, which resulted in the improper piling of feed sacks, slowdown of work and private respondents' "signing-off" fifteen (15) to twenty (20) minutes before time-off, the latter having started on February 22, 1988.

The SMC maintains that the estimated damages to the company because of private respondents' inefficiency, amounted to well over P190,000.00. This figure was based on the breakages and wastage of feeds, additional manpower requirements prompted by the need to hire casuals to pick up the mess intentionally made by private respondents, and other expenses in connection with the repacking of the feeds.

The SMC stated in its petition that despite the verbal warnings made by their immediate supervisor, Mr. Dante M. Aguinaldo, private respondents continued committing said violations. Not only did they fail to heed these warnings, they also ignored the notices sent by the company giving them the opportunity to explain why they should not be disciplinarily dealt with.

On March 16, 1988, notices of investigation were immediately given to private respondents with their corresponding schedules for investigation. However, they all failed to appear.

Despite said failure, they were afforded another schedule on March 23, 1988, still they were absent. On a third chance given them on April 4, 1988, only their Union representatives were present and on behalf of private respondents, they asked for a resetting.

Thus, on April 18, 1988, private respondents, together with their Union representatives, finally appeared before the Investigation Committee. The Union raised the following technicalities:

i) improper service of notices to explain/notices of investigation;

ii) prescription of the company's right to investigate; and

iii) lack of job description.

These were, however, found by the Investigation Committee to be without valid basis.

The investigation was then reset to May 2, 1988. It was only the Union that was present. Three witnesses testified, to wit:

i) Mr. Aguinaldo, the warehouse (immediate) supervisor of the private respondents, testified that he witnessed the commission of all of the offenses charged against them, which according to him, was intentionally committed by the same.

ii) Mr. Querol, the warehouse superintendent, testified that he received reports of the private respondents' offenses from Mr. Aguinaldo, which consequently would cause the petitioner P190,000.00 as damages.

iii) Mr. Arenque, the security investigator of the petitioner, testified that he witnessed the improper piling and slowdown committed by private respondents and the nature of damages resulting therefrom.

Private respondents failed to controvert the evidences presented by the SMC and categorically refused to present and explain their side.
On May 9, 1988, the SMC evaluated the private respondents' respective cases and decided to dismiss them based on the evidence on record. This prompted the IBM to file a grievance protest against management in accordance with the CBA.

Inasmuch as no settlement was reached regarding the issue of dismissal, the IBM, for and in behalf of private respondents, brought the case for voluntary arbitration. Composing the panel were public respondents Reynaldo R. Ubaldo from the Department of Labor and Employment, public respondent Emmanuel Noel A. Cruz from the private respondent IBM's side, and Atty. Emiterio C. Manibog, Jr. from the petitioner's side.

The parties were required to submit their respective position papers, since the initial conferences before the panel did not result in any settlement.

In due time, the panel issued an Award, dated March 9, 1990, the dispositive portion of which reads:

> "WHEREFORE, premises considered and as above qualified, the Management of B-Meg Plant, San Miguel Corporation is hereby directed to reinstate FERNANDO L. CODILLO, RENATO L. SAGARIO, GERARDO S. CARDENO and RAMON P. GUARINO to their former positions without loss of seniority rights and with financial assistance equivalent to three (3) months pay. Their absence from work between 28 May 1988 to 9 March 1990 is to be treated as suspension.
>
> All other claims of the Union and the charge of unfair labor practice are hereby dismissed for lack of merit.
>
> SO ORDERED."[1]

Atty. Emiterio C. Manibog, Jr. dissented from the opinion of the public respondents, insofar as the reinstatement of the private respondents is concerned. He is of the view that because of the finding that the employees committed acts constituting just cause for dismissal, they may not be reinstated but may only be granted separation pay if the grounds for dismissal are those other than serious misconduct or those reflecting on the employees' moral character.[2]

Hence, this petition questioning the above-cited Award.

Petitioner would have Us nullify the Award rendered by the Arbitration Panel on the ground of grave abuse of discretion, amounting to lack of jurisdiction.

We agree with petitioner. The Award cannot be justified because the dismissals were just and valid.

Regulation of manpower by the company clearly falls within management prerogative. In a number of cases, this Court had defined a valid exercise of management prerogative as encompassing hiring, work assignments, working methods, time, place and manner of work, tools to be used, processes to be followed, supervision of workers, working regulations, transfer of employees, work supervision, lay-off of workers, and the discipline, dismissal and recall of workers. Except as provided for, or limited by, special laws, an employer is free to regulate, according to his own discretion and judgment, all aspects of employment.[3]

Private respondents would however make Us believe that there was an illegal dismissal in the case at bar. They contend that the violations were committed because of petitioner's failure to provide a timely, reasonable and immediate solution to the problem of personnel complement.

Quoting the words of this Court in a recent case:

> "To sanction disregard or disobedience by employees of a rule or order laid down by management, on the pleaded theory that the rule or order is unreasonable, illegal, or otherwise irregular for one reason or another, would be disastrous to the discipline and order that it is in the interest of both employer and his employees to preserve and maintain in the working establishment and without which no meaningful operation and progress is possible. Deliberate disregard or disobedience of rules, defiance of management authority cannot be countenanced. This is not to say that the employees have no remedy against rules or orders they regard as unjust or illegal. They may object thereto, ask to negotiate thereon, bring proceedings for redress against the employer before the Ministry of Labor. But until and unless the rules or orders are declared to be illegal or improper by competent authority, the employees ignore or disobey them at their peril."[4]

With a view of maintaining the viability of a business enterprise, the employees are expected to recognize the rules or orders which have not been declared to be illegal or improper by competent authority. In the case at bar, the private respondents committed acts contrary to

the rules and regulations set out by the company, which eventually caused serious damage to the establishment.

It is a recognized principle that company policies and regulations are, unless shown to be grossly oppressive or contrary to law, generally binding and valid on the parties and must be complied with until finally revised or amended unilaterally or preferably through negotiation or by competent authority.[5]

Private respondents, relying heavily on the case of Manila Electric Company vs. NLRC,[6] assert that the preservation of the lives of the citizens is a basic duty of the State, more vital than the preservation of corporate profits.

How far then should this Court's liberality towards labor be stretched?

While it is true that what is at stake here is not only private respondents' positions but also their means of livelihood, this Court gives equal importance to the plight of an entrepreneur whose main objective is to generate profits. In the process, he may adopt or even devise means designed toward that purpose. In Abbott Laboratories (Phils.) Inc. vs. NLRC,[7] the Court had stated, to wit:

> "Even as the law is solicitous of the welfare of the employees, it must also protect the right of an employer to exercise what are clearly management prerogatives. The free will of management to conduct its own business affairs to achieve its purpose cannot denied."

Moreover, time and again, this Court has upheld a company's management prerogatives so long as they are exercised in good faith for the advancement of the employer's interest and not for the purpose of defeating or circumventing the rights of the employees under special laws or under valid agreements.[8]

Deliberate disregard or disobedience of rules by the employees cannot be countenanced. Whatever maybe the justification behind the violations is immaterial at this point, because the fact still remains that an infraction of the company rules has been committed.

Under the Labor Code, the employer may terminate an employment on the ground of serious misconduct or willful disobedience by the employee of the lawful orders of his employer or representative in connection with his work.[9] Infractions of company rules and regulations have been declared to belong to this category and thus are valid causes for termination of employment by the employer.[10]

Willful disobedience of the employer's lawful orders, as a just cause for the dismissal of an employee, envisages the concurrence of at least two requisites: (1) the employee's assailed conduct must have been willful or intentional, the willfulness being characterized by a "wrongful and perverse attitude"; (2) the order violated must have been reasonable, lawful, made known to the employee and must pertain to the duties which he had been engaged to discharge.[11] Both requisites are present in the instant case.

The employer cannot be compelled to continue the employment of a person who was found guilty of maliciously committing acts which are detrimental to his interests. It will be highly prejudicial to the interests of the employer to impose on him the charges that warranted his dismissal from employment. Indeed, it will demoralize the rank and file if the undeserving, if not undesirable, remain in the service. It may encourage him to do even worse and will render a mockery of the rules of discipline that employees are required to observe.[12] This Court was more emphatic in holding that in protecting the rights of the laborer, it cannot authorize the oppression or self-destruction of the employer.[13] Therefore, the Award, with respect to the order of reinstatement of herein private respondents, is not proper.

In reference to the financial assistance, the same should not have been awarded. The employer may not be required to give the dismissed employee separation pay, or financial assistance, or whatever name it is called, on the ground of social justice where the employee is validly dismissed for serious misconduct.[14]

WHEREFORE, the Petition is hereby **GRANTED**. The questioned Decision of the Voluntary Arbitration Panel is **SET ASIDE**. The

private respondents are hereby held to have been validly dismissed for serious misconduct.

SO ORDERED.

Narvasa, *C.J.*, Feliciano, Regalado and Nocon, *JJ.*, concur.

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[1] Rollo, p. 86.
[2] Id., p. 87.
[3] San Miguel Brewery Sales Force Union (PTGWO) vs. Ople, 170 SCRA 25 (1989); P.V. FERNANDEZ, LABOR RELATIONS LAW 44 (1985).
[4] GTE Directories Corporation vs. Sanchez, 197 SCRA 452, 467-468 (1991).
[5] Id., at p. 468, citing Order dated January 21, 1986 by Labor Minister Blas Ople.
[6] 175 SCRA 277 (1989).
[7] 154 SCRA 713 (1987) citing Dangan vs. National Labor Relations Commission, 127 SCRA 706 (1984).
[8] LVN Pictures Employees and Workers Asso. vs. LVN Pictures, Inc., 35 SCRA 147 (1970); Phil. American Embroideries, Inc. vs. Embroidery & Garment Workers Union, 26 SCRA 634 (1969); Phil. Refining Co., Inc. vs. Garcia, 18 SCRA 107 (1966).
[9] Art. 282. Termination by employer. — An employer may terminate an employment for any of the following causes: (a) Serious misconduct or willful disobedience by the employee of the lawful orders of his employer or representative in connection with his work;

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[10] Gold City Integrated Port Services, Inc. vs. NLRC, 189 SCRA 811 (1990).
[11] Id., pp. 816-817.
[12] Pacific Mills, Inc. vs. Alonzo, 199 SCRA 617 (1991), citing Wenphil Corporation vs. NLRC, 170 SCRA 69, 75-76 (1989).
[13] San Miguel Corp. vs. National Labor Relations Commission, 115 SCRA 329 (1982); Manila Trading & Supply Co. vs. Zulueta, 69 Phil. 485-487 (1940).
[14] Del Monte Philippines, Inc. vs. NLRC, 188 SCRA 370 (1990); Phil. Long Distance Telephone Co. vs. NLRC, 164 SCRA 671 (1988).