



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

CARLOS L. OCTAVIO,
Petitioner,

G.R. No. 175492

Present:

- versus -

CARPIO, *Chairperson,*
DEL CASTILLO,
PEREZ,
MENDOZA,* *and*
PERLAS-BERNABE, *JJ.*

**PHILIPPINE LONG DISTANCE
TELEPHONE COMPANY,**
Respondent.

Promulgated:

FEB 27 2013 *HAR Cabalag Perfecto*

X ----- X

DECISION

DEL CASTILLO, J.:

Every Collective Bargaining Agreement (CBA) shall provide a grievance machinery to which all disputes arising from its implementation or interpretation will be subjected to compulsory negotiations. This essential feature of a CBA provides the parties with a simple, inexpensive and expedient system of finding reasonable and acceptable solutions to disputes and helps in the attainment of a sound and stable industrial peace.

Before us is a Petition for Review on *Certiorari*¹ assailing the August 31, 2006 Decision² of the Court of Appeals (CA) in CA-G.R. SP No. 93578, which dismissed petitioner Carlos L. Octavio's (Octavio) Petition for *Certiorari*³ assailing the September 30, 2005 Resolution⁴ of the National Labor Relations Commission (NLRC). Said NLRC Resolution affirmed the August 30, 2004 Decision⁵ of the Labor Arbiter which dismissed Octavio's Complaint for payment

* Per Special Order No. 1421 dated February 20, 2013.

¹ *Rollo*, pp. 18-28.

² *CA rollo*, pp. 96-102; penned by Associate Justice Andres B. Reyes, Jr. and concurred in by Associate Justices Hakim S. Abdulwahid and Mariflor P. Punzalan Castillo.

³ *Id.* at 2-12

⁴ *Id.* at 64-68; penned by Commissioner Tito F. Genilo and concurred in by Commissioner Romeo C. Lagman. Presiding Commissioner Lourdes C. Javier did not participate.

⁵ *Id.* at 49-53; penned by Labor Arbiter Fatima Jambaro-Franco.

of salary increases against respondent Philippine Long Distance Company (PLDT). Likewise assailed in this Petition is the November 15, 2006 Resolution⁶ which denied Octavio's Motion for Reconsideration.⁷

Factual Antecedents

On May 28, 1999, PLDT and *Gabay ng Unyon sa Telekominaksyon ng mga Superbisor* (GUTS) entered into a CBA covering the period January 1, 1999 to December 31, 2001 (CBA of 1999-2001). Article VI, Section I thereof provides:

Section 1. The COMPANY agrees to grant the following across-the-board salary increase during the three years covered by this Agreement to all employees covered by the bargaining unit as of the given dates:

Effective January 1, 1999 – 10% of basic wage or ₱2,000.00 whichever is higher;

Effective January 1, 2000 – 11% of basic wage or ₱2,250.00 whichever is higher;

*Effective January 1, 2001 – 12% of basic wage or ₱2,500.00 whichever is higher.*⁸

On October 1, 2000, PLDT hired Octavio as Sales System Analyst I on a probationary status. He became a member of GUTS. When Octavio was regularized on January 1, 2001, he was receiving a monthly basic salary of ₱10,000.00. On February 1, 2002, he was promoted to the position of Sales System Analyst 2 and his salary was increased to ₱13,730.00.

On May 31, 2002, PLDT and GUTS entered into another CBA covering the period January 1, 2002 to December 31, 2004 (CBA of 2002-2004) which provided for the following salary increases: 8% of basic wage or ₱2,000.00 whichever is higher for the first year (2002); 10% of basic wage or ₱2,700.00 whichever is higher for the second year (2003); and, 10% of basic wage or ₱2,400.00 whichever is higher for the third year (2004).⁹

Claiming that he was not given the salary increases of ₱2,500.00 effective January 1, 2001 and ₱2,000.00 effective January 1, 2002, Octavio wrote the President of GUTS, Adolfo Fajardo (Fajardo).¹⁰ Acting thereon and on similar

⁶ Id. at 112.

⁷ Id. at 103-105.

⁸ See Octavio's Position Paper, p. 4; id. at 16.

⁹ See 2002-2004 CBA Signed, Annex "C" of Octavio's Position Paper before the Labor Arbiter, id. at 24.

¹⁰ Annex "D," id. at 25.

grievances from other GUTS members, Fajardo wrote the PLDT Human Resource Head to inform management of the GUTS members' claim for entitlement to the across-the-board salary increases.¹¹

Accordingly, the Grievance Committee convened on October 7, 2002 consisting of representatives from PLDT and GUTS. The Grievance Committee, however, failed to reach an agreement. In effect, it denied Octavio's demand for salary increases. The Resolution (Committee Resolution), reads as follows:

October 7, 2002

UNION ISSUE :

1. Mr. Carlos L. Octavio, Sales System Analyst I, CCIM-Database, was promoted to S2 from S1 last February 01, 2002. He claimed that the whole P2,000 (1st yr. GUTS-CBA increase) was not given to him.
2. He was hired as a probationary employee on October 01, 2000 and was regularized on January 01, 2001. He claimed that Management failed to grant him the GUTS-CBA increase last January 2001.

MANAGEMENT POSITION :

Issue # 1:

- A) Promotional Policy: adjustment of basic monthly salary to the minimum salary of the new position.
- B) Mr. Octavio's salary at the time of his promotion and before the conclusion of the GUTS CBA was ₱10,000.00.
- C) Upon the effectivity of his promotion on February 1, 2002, his basic monthly salary was adjusted to ₱13,730.00, the minimum salary of the new position.
- D) In June 2002, the GUTS-CBA was concluded and Mr. Octavio's basic salary was recomputed to include the ₱2,000.00 1st year increase retroactive January 2002. The resulting basic salary was ₱12,000.00.
- E) Applying the above-mentioned policy, Mr. Octavio's basic salary was adjusted to the minimum salary of the new position, which is ₱13,730.00.

Issue # 2:

All regularized supervisory employees as of January 1 are not entitled to the GUTS CBA increase. However, as agreed with GUTS in the grievance case of 18 personnel of International & Luzon Core Network Management Center, probationary employees who were hired outside of PLDT and regularized as supervisors/management personnel on January 1, 2002 shall be entitled to GUTS CBA. This decision shall be applied prospectively and all previous similar cases are not covered.

¹¹ Annex "F," id. at 26-28.

RESOLUTION :

After protracted deliberation of these issues, the committee failed to reach an agreement. Hence, Management position deemed adopted.

MANAGEMENT	UNION
<u>(signed)</u> WILFREDO A. GUADIA	<u>(signed)</u> ADOLFO L.FAJARDO
<u>(signed)</u> ROSALINDA S. RUIZ	<u>(signed)</u> CONFESOR A. ESPIRITU
<u>(signed)</u> ALEJANDRO C. FABIAN	<u>(signed)</u> CHARLITO A. AREVALO¹²

Aggrieved, Octavio filed before the Arbitration Branch of the NLRC a Complaint for payment of said salary increases.

Ruling of the Labor Arbiter

Octavio claimed entitlement to salary increases per the CBAs of 1999-2001 and 2002-2004. He insisted that when he was regularized as a supervisory employee on January 1, 2001, he became entitled to receive the across-the-board increase of ₱2,500.00 as provided for under the CBA of 1999-2001 which took effect on January 1, 1999. Then pursuant to the CBA of 2002-2004, he should have received an additional increase of ₱2,000.00 apart from the merit increase of ₱3,730.00 which was given him due to his promotion on February 1, 2002. However, PLDT unilaterally decided to deem as included in the said ₱3,730.00 the ₱2,000.00 across-the-board increase for 2002 as stipulated in the CBA of 2002-2004. This, according to Octavio, amounts to diminution of benefits. Moreover, Octavio averred that the CBA cannot be the subject of further negotiation as it has the force of law between the parties. Finally, Octavio claimed that PLDT committed an act of unfair labor practice because, while it granted the claim for salary increase of 18 supervisory employees who were regularized on January 1, 2002 and onwards, it discriminated against him by refusing to grant him the same salary increase. He thus prayed for an additional award of damages and attorney’s fees.

PLDT countered that the issues advanced by Octavio had already been resolved by the Union-Management Grievance Committee when it denied his claims through the Committee Resolution. Moreover, the grant of across-the-board salary increase for those who were regularized starting January 1, 2002 and the exclusion thereto of those who were regularized on January 1, 2001, do not constitute an act of unfair labor practice as would result in any discrimination or

¹² Annex “G,” id. at 29-30; Annex “A” of PLDT’s Position Paper before the Labor Arbiter, id. at 36-37.

encourage or discourage membership in a labor organization. In fact, when the Union-Management Grievance Committee came up with the Committee Resolution, they considered the same as the most practicable and reasonable solution for both management and union. At any rate, the said Committee Resolution had already become final and conclusive between the parties for failure of Octavio to elevate the same to the proper forum. In addition, PLDT claimed that the NLRC has no jurisdiction to hear and decide Octavio's claims.

In a Decision dated August 30, 2004, the Labor Arbiter dismissed the Complaint of Octavio and upheld the Committee Resolution.

Ruling of the National Labor Relations Commission

Upon Octavio's appeal, the NLRC, in its September 30, 2005 Resolution, affirmed the Labor Arbiter's Decision. It upheld the Labor Arbiter's finding that Octavio's salary had already been adjusted in accordance with the provisions of the CBA. The NLRC further ruled that it has no jurisdiction to decide the issues presented by Octavio, as the same involved the interpretation and implementation of the CBA. According to it, Octavio should have brought his claim before the proper body as provided in the 2002-2004 CBA's provision on grievance machinery and procedure.

Octavio's Motion for Reconsideration was likewise dismissed by the NLRC in its November 21, 2005 Resolution.¹³

Ruling of the Court of Appeals

Octavio thus filed a Petition for *Certiorari*¹⁴ which the CA found to be without merit. In its August 31, 2006 Decision,¹⁵ the CA declared the Committee Resolution to be binding on Octavio, he being a member of GUTS, and because he failed to question its validity and enforceability.

In his Motion for Reconsideration,¹⁶ Octavio disclaimed his alleged failure to question the Committee Resolution by emphasizing that he filed a Complaint before the NLRC against PLDT. However, the CA denied Octavio's Motion for Reconsideration in its November 15, 2006 Resolution.¹⁷

¹³ Id. at 75-76.

¹⁴ Id. at 2-12.

¹⁵ Id. at. 96-102.

¹⁶ Id. at 103-105.

¹⁷ Id. at 112.

Issues

Hence, Octavio filed this Petition raising the following issues for our consideration:

- a. Whether x x x the employer and bargaining representative may amend the provisions of the collective bargaining agreement without the consent and approval of the employees;
- b. If so, whether the said agreement is binding [on] the employees;
- c. Whether x x x merit increases may be awarded simultaneously with increases given in the Collective Bargaining Agreement;
- d. Whether x x x damages may be awarded to the employee for violation by the employer of its commitment under its existing collective bargaining agreement.¹⁸

Octavio submits that the CA erred in upholding the Committee Resolution which denied his claim for salary increases but granted the same request of 18 other similarly situated employees. He likewise asserts that both PLDT and GUTS had the duty to strictly implement the CBA salary increases; hence, the Committee Resolution, which effectively resulted in the modification of the CBAs' provision on salary increases, is void.

Octavio also insists that PLDT is bound to grant him the salary increase of ₱2,000.00 for the year 2002 on top of the merit increase given to him by reason of his promotion. It is his stance that merit increases are distinct and separate from across-the-board salary increases provided for under the CBA.

Our Ruling

The Petition has no merit.

Under Article 260¹⁹ of the Labor Code, grievances arising from the interpretation or implementation of the parties' CBA should be resolved in

¹⁸ *Rollo*, p. 22.

¹⁹ ART. 260. *GRIEVANCE MACHINERY AND VOLUNTARY ARBITRATION*

The parties to a Collective Bargaining Agreement shall include therein provisions that will ensure the mutual observance of its terms and conditions. They shall establish a machinery for the adjustment and resolution of grievances arising from the interpretation or implementation of their Collective Bargaining Agreement and those arising from the interpretation or enforcement of company personnel policies.

All grievances submitted to the grievance machinery which are not settled within seven (7) calendar days from the date of its submission shall automatically be referred to voluntary arbitration prescribed in the Collective Bargaining Agreement.

For this purpose, parties to a Collective Bargaining Agreement shall name and designate in advance a Voluntary Arbitrator or panel of Voluntary Arbitrators, or include in the agreement a procedure for the

accordance with the grievance procedure embodied therein. It also provides that all unsettled grievances shall be automatically referred for voluntary arbitration as prescribed in the CBA.

In its Memorandum,²⁰ PLDT set forth the grievance machinery and procedure provided under Article X of the CBA of 2002-2004, viz:

Section 1. GRIEVANCE MACHINERY - there shall be a Union-Management Grievance Committee composed of three (3) Union representatives designated by the UNION Board of Directors and three (3) Management representatives designated by the company President. The committee shall act upon any grievance properly processed in accordance with the prescribed procedure. The Union representatives to the Committee shall not lose pay for attending meetings where Management representatives are in attendance.

Section 2. GRIEVANCE PROCEDURE - The parties agree that all disputes between labor and management may be settled through friendly negotiations; that the parties have the same interest in the continuity of work until all points in dispute shall have been discussed and settled; that an open conflict in any form involves losses to the parties; and that therefore, every effort shall be exerted to avoid such an open conflict. In furtherance of these principles, the parties agree to observe the following grievance procedures.

Step 1. Any employee (or group of employees) who believes that he has a justifiable grievance shall present the matter initially to his division head, or if the division is involved in the grievance, to the company official next higher to the division head (the local manager in the provincial exchanges) not later than fifteen (15) days after the occurrence of the incident giving rise to the grievance. The initial presentation shall be made to the division head either by the aggrieved party himself or by the Union Steward or by any Executive Officer of the Union who is not a member of the grievance panel. The initial presentation may be made orally or in writing.

Step 2. Any party who is not satisfied with the resolution of the grievance at Step 1 may appeal in writing to the Union-Management Grievance Committee within seven (7) days from the date of receipt of the department head's decision.

Step 3. **If the grievance is not settled either because of deadlock or the failure of the committee to decide the matter, the grievance shall be transferred to a Board of Arbitrators for the final decision.** The Board shall be composed of three (3) arbitrators, one to be nominated by the

selection of such Voluntary Arbitrator or panel of Voluntary Arbitrators, preferably from the listing of qualified Voluntary Arbitrators duly accredited by the Board. In case the parties fail to select a Voluntary Arbitrator or panel of Voluntary Arbitrators, the Board shall designate the Voluntary Arbitrator or panel of Voluntary Arbitrators, as may be necessary, pursuant to the selection procedure agreed upon in the Collective Bargaining Agreement, which shall act with the same force and effect as if the Arbitrator or panel of Arbitrators has been selected by the parties as described above.

²⁰ Id. at 157-177.

Union, another to be nominated by the Management, and the third to be selected by the management and union nominees. The decision of the board shall be final and binding both the company and the Union in accordance with law. Expenses of arbitration shall be divided equally between the Company and the Union.²¹ (Emphasis supplied)

Indisputably, the present controversy involves the determination of an employee's salary increases as provided in the CBAs. When Octavio's claim for salary increases was referred to the Union-Management Grievance Committee, the clear intention of the parties was to resolve their differences on the proper interpretation and implementation of the pertinent provisions of the CBAs. And in accordance with the procedure prescribed therein, the said committee made up of representatives of both the union and the management convened. Unfortunately, it failed to reach an agreement. Octavio's recourse pursuant to the CBA was to elevate his grievance to the Board of Arbitrators for final decision. Instead, nine months later, Octavio filed a Complaint before the NLRC.

It is settled that "when parties have validly agreed on a procedure for resolving grievances and to submit a dispute to voluntary arbitration then that procedure should be strictly observed."²² Moreover, we have held time and again that "before a party is allowed to seek the intervention of the court, it is a precondition that he should have availed of all the means of administrative processes afforded him. Hence, if a remedy within the administrative machinery can still be resorted to by giving the administrative officer concerned every opportunity to decide on a matter that comes within his jurisdiction[, then] such remedy should be exhausted first before the court's judicial power can be sought. The premature invocation of [the] court's judicial intervention is fatal to one's cause of action."²³ "The underlying principle of the rule on exhaustion of administrative remedies rests on the presumption that when the administrative body, or grievance machinery, is afforded a chance to pass upon the matter, it will decide the same correctly."²⁴

By failing to question the Committee Resolution through the proper procedure prescribed in the CBA, that is, by raising the same before a Board of Arbitrators, Octavio is deemed to have waived his right to question the same. Clearly, he departed from the grievance procedure mandated in the CBA and denied the Board of Arbitrators the opportunity to pass upon a matter over which it has jurisdiction. Hence, and as correctly held by the CA, Octavio's failure to assail the validity and enforceability of the Committee Resolution makes the same

²¹ Id. at 161-162.

²² *Vivero v. Court of Appeals*, 398 Phil. 158, 172 (2000).

²³ *Diokno v. Cacdac*, G.R. No. 168475, July 4, 2007, 526 SCRA 440, 458; *Metro Drug Distribution, Inc. v. Metro Drug Corporation Employees Association – Federation of Free Workers*, 508 Phil. 47, 60 (2005).

²⁴ *Rizal Security & Protective Services, Inc. v. Maraan*, G. R. No. 124915, February 18, 2008, 546 SCRA 23, 40; *Province of Zamboanga Del Norte v. Court of Appeals*, 396 Phil. 709, 720 (2000).

binding upon him. On this score alone, Octavio's recourse to the labor tribunals below, as well as to the CA, and, finally, to this Court, must therefore fail.

At any rate, Octavio cannot claim that the Committee Resolution is not valid, binding and conclusive as to him for being a modification of the CBA in violation of Article 253²⁵ of the Labor Code. It bears to stress that the said resolution is a product of the grievance procedure outlined in the CBA itself. It was arrived at after the management and the union through their respective representatives conducted negotiations in accordance with the CBA. On the other hand, Octavio never assailed the competence of the grievance committee to take cognizance of his case. Neither did he question the authority or credibility of the union representatives; hence, the latter are deemed to have properly bargained on his behalf since "unions are the agent of its members for the purpose of securing just and fair wages and good working conditions."²⁶ In fine, it cannot be gainsaid that the Committee Resolution is a modification of the CBA. Rather, it only provides for the proper implementation of the CBA provision respecting salary increases.

Finally, Octavio's argument that the denial of his claim for salary increases constitutes a violation of Article 100²⁷ of the Labor Code is devoid of merit. Even assuming that there has been a diminution of benefits on his part, Article 100 does not prohibit a union from offering and agreeing to reduce wages and benefits of the employees as the right to free collective bargaining includes the right to suspend it.²⁸ PLDT averred that one of the reasons why Octavio's salary was recomputed as to include in his salary of ₱13,730.00 the ₱2,000.00 increase for 2002 is to avoid salary distortion. At this point, it is well to emphasize that bargaining should not be equated to an "adversarial litigation where rights and obligations are delineated and remedies applied."²⁹ Instead, it covers a process of finding a reasonable and acceptable solution to stabilize labor-management relations to promote stable industrial peace.³⁰ Clearly, the Committee Resolution was arrived at after considering the intention of both PLDT and GUTS to foster industrial peace.

²⁵ ART. 253. *DUTY TO BARGAIN COLLECTIVELY WHEN THERE EXISTS A COLLECTIVE BARGAINING AGREEMENT*

When there is a collective bargaining agreement, the duty to bargain collectively shall also mean that neither party shall terminate nor modify such agreement during its lifetime. However, either party can serve a written notice to terminate or modify the agreement at least sixty (60) days prior to its expiration date. It shall be the duty of both parties to keep the status quo and to continue in full force and effect the terms and conditions of the existing agreement during the 60-day period and/or until a new agreement is reached by the parties.

²⁶ *Santuyo v. Remerco Garments Manufacturing, Inc.*, G.R. No. 174420, March 22, 2010, 616 SCRA 333, 344.

²⁷ ART. 100. *PROHIBITION AGAINST ELIMINATION OR DIMINUTION OF BENEFITS*

Nothing in this Book shall be construed to eliminate or in any way diminish supplements, or other employee benefits being enjoyed at the time of promulgation of this Code.

²⁸ *Insular Hotel Employees Union-NFL v. Waterfront Insular Hotel Davao*, G.R. Nos. 174040-41, September 22, 2010, 631 SCRA 136, 167, citing *Rivera v. Hon. Espiritu*, 425 Phil. 169, 182 (2002).

²⁹ *Caltex Refinery Employees Association v. Hon. Brillantes*, 344 Phil. 624, 651 (1997).

³⁰ *Rivera v. Hon. Espiritu*, supra at 182 (2002).

All told, we find no error on the part of the Labor Arbiter, the NLRC and the CA in unanimously upholding the validity and enforceability of the Grievance Committee Resolution dated October 7, 2002.

WHEREFORE, the petition is **DENIED**. The August 31, 2006 Decision and November 15, 2006 Resolution of the Court of Appeals in CA-G.R. SP No. 93578 are **AFFIRMED**.

SO ORDERED.



MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Associate Justice
Chairperson


JOSE PORTUGAL PEREZ
Associate Justice


JOSE CATRAL MENDOZA
Associate Justice


ESTELA M. PERLAS-BERNABE
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

**ANTONIO T. CARPIO***Associate Justice**Chairperson***CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

**MARIA LOURDES P. A. SERENO***Chief Justice*