Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

DEL MONTE FRESH PRODUCE (PHILIPPINES), INC.,
Petitioner,

- versus -

DEL MONTE FRESH SUPERVISORS UNION,
Respondent.

G.R. No. 225115

Present:

PERALTA, *C.J., Chairperson,*
CAGUIOA, *Working Chairperson,*
REYES, J. JR.,
LAZARO-JAVIER, and
LOPEZ, *JJ.*

Promulgated:

JAN 27 2020

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DECISION

REYES, J. JR., *J.*:

This resolves a question of law of whether regularization of employment automatically entitles an employee to payment of the minimum rate set by company policy. The question is before the Court through a Petition for Review on *Certiorari*[1] from the May 13, 2015 Decision[2] and May 18, 2016 Resolution[3] of the Court of Appeals-Cagayan de Oro City (CA) in CA-G.R. SP No. 04980-MIN.

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[1] *Rollo*, pp. 45-70.

[2] Penned by Associate Justice Rafael Antonio M. Santos, with Associate Justices Edgardo T. Lloren and Edward B. Contreras, concurring; id. at 9-33.

[3] Id. at 35-38.

Antecedent Facts

As no factual issue is involved, the recital of the CA is adopted below.

Respondent Del Monte Fresh Supervisors Union (respondent) is the exclusive bargaining representative of the supervisory employees of petitioner Del Monte Fresh Produce (Philippines), Inc. (petitioner). Following unsuccessful attempts at mediation and conciliation,[4] respondent filed in behalf of 18 supervisor-members a Complaint with the Voluntary Arbitrator for "accrued differentials and salary adjustments due to underpayment of salary resulting from the non-implementation of the supervisors' salary structure" as laid out in "company policies [which] are binding between the employer and employees; [... as it is in the nature ...] of a Collective Bargaining Agreement (CBA)."[5]

The company policies in question consist of the Global Policy on Salary Administration (Global Policy) and the May 1, 2000 Policy on Salary Administration under Del Monte Fresh Produce (Philippines), Inc., (Local Policy).[6] The pertinent provisions in the Local Policy state:

> **C. Policy Guidelines[:]**
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> x x x x
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> 2.1.2.1 The minimum rate for a particular Hay Level is generally the starting rate for a newly hired [employee]. However, experience, qualifications, special skills, and other criteria may be considered. So newly hired employee[s] may start at a salary higher than the set minimum, provided that the starting salary is not more than 20% higher than the set minimum.
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> x x x x
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> 2.1.2.4 x x x the Company at the discretion of the hiring manager may offer below the set minimum salary for the Hay Level provided that it shall not be lower than 10% of the set minimum. This applies to employees who undergo his/her probationary period and when[,] upon becoming regular employees, his/her salary shall be raised to the minimum level.[7]

On the other hand, the pertinent provisions in the Global Policy state:

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4 CA Decision, id. at 17-18.
5 Id. at 18.
6 Id. at 10.
7 Id. at 11-12.

C. Policy Guidelines:

x x x x

3.5 As a policy, the minimum rate of the particular Job Grade (or Hay Level) is the starting rate for newly hired employees. However, a lower or higher starting salary may be warranted when authorized by Corporate Human Resources, with due consideration given to experience, qualifications, special skills, and other criteria.

x x x x

D. Procedures[:]

x x x x

4.2 The normal starting salary rate for a qualified new employee shall be the minimum rate for their approved position level, based on the current Salary Structure of the location. This may vary depending on numerous factors such as, but is not limited to, experience and qualifications of new employee; current market conditions; other pertinent matters that may have an effect on salaries.

4.3 The head of the requesting department, in coordination with the local Human Resources department, may recommend a salary up to 20% over the minimum rate for the newly hired employee subject to approval by Corporate Human Resources.

4.4 Similarly, employee may be offered below the set minimum salary for the Hay level.

x x x x

4.6 The performance of newly hired employees, who are on introductory period and given below the minimum hiring rate, may be reviewed towards the end of introductory period, and if warranted, may be eligible for a salary increase sufficient to reach the minimum salary level upon regularization. This must be in accordance to what has been approved in the PRF.[8]

The 18 affected supervisors were hired at Hay Levels 5 through 8. For those at Hay Level 5, the minimum rate was ₱17,792.00 but they were paid probationary rates that ranged from ₱12,000.00 to ₱12,793.00 and regularization rates that ranged from ₱12,793.00 to ₱17,207.00. Similar disparities were evident among the probationary, regularization and minimum rates for those hired at Hay Levels 6 and 7.[9]

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8 Id. at 13-16.

9 Id. at 26-27.

Respondent claimed that, contrary to the Local Policy, petitioner paid the affected supervisors salary rates below their respective minimum rates at the time of their regularization.[10] It argued that, similar to a CBA, the Local Policy is an enforceable instrument which is binding on petitioner.[11] Petitioner refused to pay the claims and denied that the Local Policy was binding, as this had already been superseded by the Global Policy.[12] Moreover, the decision to implement any company policy is a prerogative of the management.

In a Decision[13] dated June 11, 2012, the Voluntary Arbitrator of the Department of Labor and Employment dismissed the complaint on the ground of the sanctity of contract: the affected supervisors freely entered into their employment contracts and willingly accepted the stipulated salaries.[14] The Arbitrator interpreted the Local Policy to mean that "it does not strictly require the hiring Manager to give the minimum range as the initial salary rate"[15] and that regularization and merit promotion are conditions for entitlement to the minimum rate.[16]

Respondent's Petition for Review,[17] challenging the decision of the Voluntary Arbitrator, was granted by the CA:

> WHEREFORE, the instant petition is hereby GRANTED and the Decision rendered by the Voluntary Arbitrator dated 11 June 2012 is SET ASIDE. A new Decision is hereby rendered GRANTING the money claims of the eighteen (18) affected employees for salary differentials from the dates of their regularization. Consequently, this case is remanded to the Voluntary Arbitrator for the final computation of the corresponding monetary award from the dates of their regularization. The corresponding minimum rate of the applicable Hay Level at the time the affected supervisors became regular shall be applied in the computation of the salary differentials (including the monthly rate variance, holiday pay, Vacation Leave and Sick Leave, 13th month pay and other benefits based on their salary rates).
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> SO ORDERED.[18]

Petitioner filed a Motion for Partial Reconsideration[19] but the same was denied by the CA in its Resolution[20] dated May 18, 2016.

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10 Id. at 16-17.
11 Id. at 18.
12 Id. at 18-19.
13 Id.at 174-181.
14 Id. at 177-178.
15 Id. at 178.
16 Id. at 179-180.
17 Id. at 182-204.
18 CA Decision, id. at 32-33.
19 Id. at 97-107.
20 CA Resolution, id. at 108-111.

The CA interpreted the Local Policy and Global Policy to mean that petitioner has the discretion to pay newly-hired employees a salary rate lower than the minimum rate during the probationary period.[21] However, once the probationary period ends and the employee is regularized, petitioner must pay the minimum rate.[22] Entitlement to the minimum rate requires mere regularization based solely on performance review, without need of merit promotion.[23] The management has no discretion over the payment of the minimum rate upon regularization of an employee. Once the employee is regularized, management prerogative must give way and be subject to the limitations composed by law, the collective bargaining agreement and general principles of fair play and justice.[24]

Issues and Arguments

Petitioner argues that the CA erred in:

1. Allowing the Petition for Review of respondent even though it was filed out of time;

2. Applying the rules of statutory construction to interpret employment contracts;

3. Interfering with the management prerogatives of petitioner when it comes to determining the salary range applicable to its employees; and

4. Impairing the contracts between petitioner and individual members of respondent.[25]

The Court's Ruling

The petition lacks merit.

Being essentially procedural, the first and second issues are addressed summarily. The more substantive third and fourth issues are discussed more fully.

According to petitioner, the CA erred in giving due course to the petition for review of respondent. Paragraph 4 of Article 262-A of the Labor Code requires that an appeal from a decision of the Voluntary Arbitrator must be filed within 10 days from notice,[26] and that the Supreme Court, in

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21 CA Decision, id. at 27.
22 Id. at 27-28.
23 Id. at 29-30.
24 Id. at 31.
25 Petition, id. at 56-57.
26 Id. at 65-67.

Philippine Electric Corporation v. Court of Appeals,[27] has held that this statutory period must prevail over the 15-day period allowed under Section 4, Rule 43 of the Rules of Court.[28] Respondent's petition for review was belatedly filed on the 12th day from notice of decision of the Voluntary Arbitrator; the same should not have been entertained, much less given due course.[29]

As respondent points out, the issue of timeliness was not raised by petitioner before the CA.[30] Nonetheless, it is addressed here if only to reiterate the ruling of the Supreme Court *En Banc* in *Guagua National Colleges v. Court of Appeals,*[31] *et al.*, to wit:

> Hence, the 10-day period stated in Article 276 should be understood as the period within which the party adversely affected by the ruling of the Voluntary Arbitrators or Panel of Arbitrators may file a motion for reconsideration. Only after the resolution of the motion for reconsideration may the aggrieved party appeal to the CA by filing the petition for review under Rule 43 of the Rules of Court within 15 days from notice pursuant to Section 4 of Rule 43.

The foregoing ruling applies to a petition for review under Rule 43 that is not preceded by a motion for reconsideration with the Voluntary Arbitrator, for, at that time, such motion was a prohibited pleading under the procedural rules of the Department of Labor and Employment and the National Conciliation and Mediation Board.[32]

It should be emphasized that the Court *En Banc* adopted the foregoing interpretation precisely to put an end to conflicting rulings that have been adopted over the period 1984 through 2015. Accordingly, respondent's petition for review with the CA was filed on time on the 12th day from notice of the decision of the Labor Arbiter.

Petitioner further argues that the CA erred in subjecting the term "shall" in the company's Local Policy to rules of interpretation that are appropriate only for statutory construction.[33] It is true that the Court has applied the rules of statutory construction to labor legislations and regulations.[34] However, there is no prohibition to the application of these rules to labor contracts, for Article 1702 of the Civil Code itself provides:

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27 749 Phil. 686 (2014).
28 Id. at 707.
29 Reply to Respondent's Comment, *rollo,* pp. 224-227.
30 Respondent's Comment, id. at 219-220.
31 G.R. No. 188492, August 28, 2018.
32 Id. *See* Department of Labor's Department Order No. 40, series of 2003, Rule XLX, Section 7, and the 2005 Procedural Guidelines, Section 7.
33 Petition, *rollo*, pp. 62-64.
34 *See Salinas, Jr. v. National Labor Relations Commission*, 377 Phil. 55-67 (1999); and *Kapisanang Manggagawang Pinagyakap v. National Labor Relations Commission*, 236 Phil. 103-110 (1987).

> Article 1702. 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.[35]

In the case at hand, there is doubt over how the Local Policy and Global Policy affect the employment contracts of the 18 supervisors. Thus, the CA was warranted in its application of existing rules of interpretation of these policies in relation to the contracts.[36]

Going now to the substantive issues, petitioner argues that the CA erred in enforcing the Local Policy and holding petitioner liable to pay the difference between the minimum rate and the actual rate that had been paid to the 18 supervisors since their regularization. To begin with, such unpublished Local Policy is not binding. Implementation of the salary rates set out therein is a management prerogative. Acceptance of the actual salary rates by the 18 supervisors is protected by the sanctity of contracts. The ruling of the CA interferes with management prerogative and disregards the sanctity of contracts.[37]

The CA addressed this particular issue by pointing out that it was in exercise of management prerogative that petitioner issued the Local Policy and Global Policy, in the sense that the formulation and adoption of these policies involved considerations of business factors that petitioner alone can make.[38] However, after having been officially issued, these policies became part of employment contracts and their implementation ceased to be a matter of management prerogative. Rather, implementation is governed "by law, collective bargaining and general principles of fair play and justice."[39]

The CA is correct. There is no question that employers enjoy management prerogative when it comes to the formulation of business policies, including those that affect their employees.[40] However, company policies that are an outcome of an exercise of management prerogative can implicate the rights and obligations of employees, and to that extent they become part of the employment contract,[41] as when the violation of policies is considered a ground for contract termination.[42] In previous cases, petitioner itself invoked company policy to justify termination of employment contracts.[43] In the present case, petitioner admits to being

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35 *Claret School of Quezon City v. Madelyn I. Sinday*, G.R. No. 226358, Oct. 9, 2019.

36 *See Philippine Federation of Credit Cooperatives, Inc. v. National Labor Relations Commission*, 360 Phil. 254-261 (1998).

37 Petition, *rollo*, pp. 57-62.

38 CA Decision, id. at 84.

39 Id.

40 *See Lagatic v. National Labor Relations Commission*, 349 Phil. 172-186 (1998); and *see Pantoja v. SCA Hygiene Products Corporation*, 633 Phil 235-243 (2010).

41 *See Duncan Association of Detailman-PTGWO v. Glaxo Wellcome Philippines, Inc.*, 481 Phil. 687-705 (2004).

42 *See Buenaflor Car Services, Inc. v. David, Jr.*, 798 Phil. 195-208 (2016).

43 *See Del Monte Philippines, Inc. v. Velasco*, 546 Phil. 339-351 (2007); and *see Zagala v. Mikado Philippines Corp.*, 534 Phil. 711-724 (2007).

governed by and having implemented the Local Policy and Global Policy.[44] The text itself indicates that such policies are effective upon approval.[45]

The real question, however, is whether implementation of the terms of these policies, in particular Section 2.1.2.4 of the Local Policy relating to the minimum rates for regularized employees, is mandatory.

Petitioner bewails that mandatory implementation will deny it of the flexibility necessary in order to assess individual strengths and weaknesses of regularized employees or to adjust salaries in order to deal with business distress.[46] In other words, petitioner seeks consideration of extrinsic factors to interpret the Local Policy. In no way does petitioner counter the specific findings of the CA on the meaning of the express provisions of the policy.

In particular, the CA held, Section 2.1.2.1 and Section 2.1.2.4 of the Local Policy, as well as Section 4.4 and Section 4.6 of the Global Policy, "are clear that at the point of hiring and during the newly-hired employee's probationary period" discretion is given to the hiring manager to determine the starting rate. Meanwhile, Section 2.1.2.4 of the Local Policy gives "no discretion x x x to the hiring manager since [it] uses the word 'shall' in providing that "upon regularization or successful completion of the probationary or 'introductory' period, the regular employee shall be granted a salary increase to raise his salary before regularization to the minimum rate."[47] These are textual interpretations by the CA that the petitioner glossed over in favor of a mere contextual approach. The CA even anticipated such contextual arguments by pointing out that the policies do not preclude petitioner from making an assessment of the individual merits of probationary employees; petitioner may decide that said employees do not meet its standards for regularization.[48]

Finally, petitioner objects to the CA's mandatory implementation of the Local Policy on the minimum rate on the ground that it impairs the employment contract which the 18 supervisors had freely signed. This is a worn-out defense in labor cases. As the Court has repeatedly stated, labor contracts are no ordinary private contracts; rather, they are imbued with public interest and a proper subject matter of police power measures.[49] In this case, the CA sought to uphold rather than impair the contract between petitioner and its employees by requiring implementation of a policy that is adjunct to the contract.

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44 Petition, *rollo*, pp. 49-53.
45 CA Decision, id. at 13.
46 Petition, id. at 59-60.
47 CA Decision, id. at 27.
48 Id. at 28.
49 *The Provincial Bus Operators Association of the Philippines v. Department of Labor and Employment*, G.R. No. 202275, July 17, 2018.

WHEREFORE, premises considered, the instant Petition is **DENIED** for lack of merit. The assailed Decision dated May 13, 2015 and Resolution dated May 18, 2016 of the Court of Appeals in CA-G.R. SP No. 04980-MIN are **AFFIRMED**.

SO ORDERED.

JOSE C. REYES, JR.
Associate Justice

WE CONCUR:

DIOSDADO M. PERALTA
Chief Justice
Chairperson

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

AMY C. LAZARO-JAVIER
Associate Justice

MARIO V. LOPEZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.

DIOSDADO M. PERALTA
Chief Justice