WHEREFORE, premises considered, the petition is **DENIED** for lack of merit. The Decision dated March 30, 2012 and Resolution dated August 16, 2012 of the CTA *en banc* in CTA EB Case No. 713 are **AFFIRMED**.

SO ORDERED.

Carpio (Chairperson), Peralta, Perlas-Bernabe, and *Caguioa, JJ.,* concur.

SECOND DIVISION

[G.R. No. 207252. January 24, 2018]

PHILIPPINE GEOTHERMAL, INC. EMPLOYEES UNION (PGIEU), *petitioner, vs.* **CHEVRON GEOTHERMAL PHILS. HOLDINGS, INC.,** *respondent.*

SYLLABUS

1. **LABOR AND SOCIAL LEGISLATION; LABOR CODE; WAGE DISTORTION; COVERS ONLY WAGE ADJUSTMENTS AND INCREASES DUE TO A PRESCRIBED LAW OR WAGE ORDER.—** Upon the enactment of Republic Act (R.A.) No. 6727 (Wage Rationalization Act, amending among others, Article 124 of the Labor Code) on June 9, 1989, the term "Wage Distortion" was explicitly defined as "*a situation where an increase in prescribed wage rate results in the elimination or severe contraction of intentional quantitative differences in wage or salary rate between and among employee groups* [*in*] *an establishment as to effectively obliterate the distinctions embodied in such wage structure based on skills, length of service or other logical bases of differentiation.*" Contrary to petitioner's claim of alleged "wage distortion", Article 124 of the Labor Code of the Philippines only x x x [covers] wage adjustments and increase due to a prescribed law or wage order x x x.

2. **ID.; ID.; ID.; ELEMENTS.—** *Prubankers Association v. Prudential Bank and Trust Company* laid down the four elements of wage distortion, to wit: (1) an existing hierarchy of positions with corresponding salary rates; (2) a significant change in the salary rate of a lower pay class without a concomitant increase in the salary rate of a higher one; (3) the elimination of the distinction between the two levels; and (4) the existence of the distortion in the same region of the country.

3. **ID.; ID.; MANAGEMENT PREROGATIVE; GIVES AN EMPLOYER FREEDOM TO REGULATE ALL ASPECTS OF EMPLOYMENT WHICH MUST BE EXERCISED IN GOOD FAITH AND WITH DUE REGARD TO THE RIGHTS OF THE EMPLOYEES.—** The apparent increase in Lanao and Cordovales' salaries as compared to the other company workers who also have the same salary/pay grade with them should not be interpreted to mean that they were given a premature increase for November 1, 2008, thus resulting to a wage distortion. The alleged increase in their salaries was not a result of the erroneous application of Article VII and Annex D of the CBA, rather, it was because when they were hired by respondent in 2009, when the hiring rates were relatively higher as compared to those of the previous years. Verily, the setting and implementation of such various engagement rates were purely an exercise of the respondent's business prerogative in order to attract or lure the best possible applicants in the market and which We will not interfere with, absent any showing that it was exercised in bad faith. Management prerogative gives an employer freedom to regulate according to their discretion and best judgment, all aspects of employment including work assignment, working methods, the processes to be followed, working regulations, transfer of employees, work supervision, lay-off of workers and the discipline, dismissal and recall of workers. This right is tempered only by these limitations: that it must be exercised in good faith and with due regard to the rights of the employees.

4. **REMEDIAL LAW; CIVIL PROCEDURE; APPEALS; FACTUAL FINDINGS OF LABOR OFFICIALS, WHO ARE DEEMED TO HAVE ACQUIRED EXPERTISE IN MATTERS WITHIN THEIR JURISDICTION, ARE GENERALLY ACCORDED NOT ONLY RESPECT BUT**

EVEN FINALITY.— [T]he Court has ruled time and again that factual findings of labor officials, who are deemed to have acquired expertise in matters within their jurisdiction, are generally accorded not only respect but even finality by the courts when supported by substantial evidence and affirmed by the CA, in the exercise of its expanded jurisdiction to review findings of the National Labor Relations Commission.

APPEARANCES OF COUNSEL

Samson S. Alcantara for petitioner.
Romulo Mabanta Buenaventura Sayoc & Delos Angeles for respondent.

D E C I S I O N

REYES, JR., *J.*:

This is a Petition for Review on *Certiorari*[1] pursuant to Rule 45 of the Rules of Court, as amended, seeking to reverse and set aside the Decision[2] dated November 5, 2012 of the Court of Appeals (CA) in CA-G.R. SP. No. 115796, dismissing the Petition for Review entitled "*Philippine Geothermal, Inc. Employees Union (PGIEU) vs. Chevron Geothermal Phils. Holdings, Inc.*" as well as the Resolution[3] dated May 17, 2013 denying Philippine Geothermal, Inc. Employees Union's (petitioner) Motion[4] for Reconsideration dated November 27, 2012.

The Facts

Petitioner is a legitimate labor organization and the certified bargaining agent of the rank-and-file employees of Chevron Geothermal Phils. Holdings, Inc. (respondent).[5]

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[1] *Rollo,* pp. 3-5.

[2] *Id*. at 223-231.

[3] *Id*. at 235-237.

[4] *Id.* at 232-233.

[5] *Id*. at 224.

On July 31, 2008, the petitioner and respondent formally executed a Collective Bargaining Agreement (CBA) which was made effective for the period from November 1, 2007 until October 31, 2012. Under Article VII, Section 1 thereof, there is a stipulation governing salary increases of the respondent's rank-and-file employees, as follows:

Section 1. *WAGE INCREASE*

The COMPANY will grant the following:

- Effective Nov. 1, 2007, ₱260,000.00 - lump sum payment for the 1st year of this agreement (taxable).
- Effective Nov. 1, 2008, across the board increase on the monthly salary in the amount of ₱1,500.00
- Effective Nov. 1, 2009, across the board increase on the monthly salary in the amount of ₱1,500.00.[6]

In implementing the foregoing provision, the parties agreed on the following guidelines appended as Annex D of said CBA, *viz.*:

Employment Status	₱260K	₱1500	₱1500
	LumpSum	(Nov. 1, 2008)	(Nov. 1, 2009)
Regularized on or before April 30, 2008	√	√	√
Regularized between May 1, 2008 and October 31, 2008	X	√	√
Regularized on or before April 30, 2009	X	√	√
Regularized between May 1, 2009 and October 31, 2009	X	X	√
Regularized on or before April 30, 2010	X	X	√

[6] *Id.*

On October 6, 2009, a letter dated September 20, 2009 was sent by the petitioner's President to respondent expressing, on behalf of its members, the concern that the aforesaid CBA provision and implementing rules were not being implemented properly pursuant to the guidelines and that, if not addressed, might result to a salary distortion among union members.[7]

On even date, respondent responded by letter denying any occurrence of salary distortion among union members and reiterating its remuneration philosophy of having "similar values for similar jobs", which means that employees in similarly-valued jobs would have similar salary rates. It explained that to attain such objective, it made annual reviews and necessary adjustments of the employees' salaries and hiring rates based on the computed values for each job.[8]

Finding the explanation not satisfactory, petitioner, with respondent's approval, referred the subject dispute to the Voluntary Arbitration of the National Conciliation and Mediation Board (NCMB). It averred that respondent breached their CBA provision on worker's wage increase because it granted salary increase even to probationary employees in contravention of the express mandate of that particular CBA article and implementing guidelines that salary increases were to be given only to regular employees.[9]

To cite an example, petitioner alleged that respondent granted salary increases of One Thousand Five Hundred Pesos (₱1,500.00) each to then probationary employees Sherwin Lanao (Lanao) and Jonel Cordovales (Cordovales) at a time when they have not yet attained regular status. They (Lanao and Cordovales) were regularized only on January 1, 2010 and April 16, 2010, respectively, yet they were given salary increase for November 1, 2008. As a consequence of their accelerated increases, wages of said probationary workers equated the wage rates of the regular

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[7] *Id*. at 225.

[8] *Id*.

[9] *Id*.

employees, thereby obliterating the wage rates distinction based on merit, skills and length of service. Therefore, the petitioner insisted that its members' salaries must necessarily be increased so as to maintain the higher strata of their salaries from those of the probationary employees who were given the said premature salary increases.[10]

On the other hand, respondent maintained that it did not commit any violation of that CBA provision and its implementing guidelines; in fact, it complied therewith. It reasoned that the questioned increases given to Lanao and Cordovales' salaries were granted, not during their probationary employment, but after they were already regularized. It further asseverated that there was actually no salary distortion in this case since the disparity or difference of salaries between Lanao and Cordovales with that of the other company employees were merely a result of their being hired on different dates, regularization at different occasions, and differences in their hiring rates at the time of their employment.[11]

After due proceedings, the Voluntary Arbitrator rendered a Decision[12] dated August 16, 2010 in favor of respondent, ruling that petitioner failed to duly substantiate its allegations that the former prematurely gave salary increases to its probationary employees and that there was a resultant distortion in the salary scale of its regular employees.[13]

Thereafter, a Petition[14] for Review under Rule 65 was filed with the CA on September 22, 2010.

On November 5, 2012, the CA rendered its Decision.[15] It dismissed the petition for review and sustained the Voluntary

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[10] *Id.* at 226.

[11] *Id.*

[12] *Id.* at 119-123.

[13] *Id.* at 227.

[14] *Id.* at 19-25.

[15] *Id.* at 223-231.

Arbitrator's decision. The pertinent and dispositive portion of the assailed decision reads as follows:

> In fine, We hold that the Voluntary Arbitrator of NCMB did not commit grave abuse of discretion in dismissing petitioner union's complaint against respondent company. Settled is the rule that factual findings of labor officials who are deemed to have acquired expertise in matters within their jurisdiction, are generally accorded not only respect but even finality, and they are binding when supported by substantial evidence. In this case, these findings are supported by competent and convincing evidence.
>
> **WHEREFORE**, premises considered, the instant petition is **DISMISSED**. The Decision dated 16 August 2010 of the Voluntary Arbitrator of the NCMB Regional Branch No. IV is **SUSTAINED**.
>
> **SO ORDERED.**[16]

On November 28, 2012, petitioner filed its Motion[17] for Reconsideration. This was, however, denied by the CA in its Resolution[18] dated May 17, 2013.

Hence, this petition.

The Issues

I.

WHETHER OR NOT THE CA GRAVELY ERRED IN HOLDING THAT RESPONDENT DID NOT VIOLATE THE CBA IN GRANTING WAGE INCREASE OF ₱1,500.00 TO LANAO AND CORDOVALES AT A TIME WHEN THEY HAD NOT YET ATTAINED REGULAR STATUS

II.

WHETHER OR NOT THE CA GRAVELY ERRED IN HOLDING THAT THE GRANT OF WAGE INCREASE TO LANAO AND CORDOVALES IS A VALID EXERCISE OF MANAGEMENT PREROGATIVES BY RESPONDENT

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[16] *Id.* at 230-231.

[17] *Id.* at 232-233.

[18] *Id.* at 235-237.

III.

WHETHER OR NOT THE CA ERRED IN NOT ORDERING RESPONDENT TO LIKEWISE INCREASE THE RATES OF OTHER REGULAR EMPLOYEES IN ORDER TO MAINTAIN THE DIFFERENCE BETWEEN THEIR RATES AND THOSE OF THE EMPLOYEES WHO WERE ALLEGEDLY GRANTED PREMATURE WAGE INCREASES

Ruling of the Court

The petition is devoid of merit.

Petitioner and respondent entered into an agreement whereby employees will be granted a wage increase depending on the date of their regularization, *viz*.:

Employment Status	₱260K	₱1500	₱1500
	Lump Sum	(Nov. 1, 2008)	(Nov. 1, 2009)
Regularized on or before April 30, 2008	√	√	√
Regularized between May 1, 2008 and October 31, 2008	X	√	√
Regularized on or before April 30, 2009	X	√	√
Regularized between May 1, 2009 and October 31, 2009	X	X	√
Regularized on or before April 30, 2010	X	X	√

Petitioner claims that Lanao and Cordovales having been regularized only on January 1, 2010 and April 16, 2010, respectively, are not covered by the ₱260,000.00 lump sum and the initial ₱1500.00 wage increase effective on Nov. 1, 2008. It appears, however, that based on the actual pay slips of union members, Lanao and Cordovales both received wage increase in the amount of ₱1500.00 effective Nov. 1, 2008 and

that such increase was immediately granted to them at the time of their hiring which resulted to the increase of their salaries to ₱36,500.00 per month.

It is further stressed by petitioner that the increase granted by respondent to Lanao and Cordovales are violative of the terms of the CBA, specifically Section 1, Article VII and Annex D, for the reason that these employees have not yet attained "Regular" status at the time they were granted a wage increase and thus resulting to a salary/wage distortion.

Respondent, for its part, claims that the alleged "increase" in the wages of these employees was not due to application of the provisions of Article VII and Annex D of the CBA, rather it was brought about by the increase in the hiring rates at the time these employees were hired. As a matter of fact, a careful scrutiny of the records reveals that respondent have complied with the terms agreed upon in the CBA.

Notably, respondent's reply to the petitioner's letter accusing them of violation of the terms of the CBA and holding them responsible for the alleged wage distortion, clarified the ambiguity with regard to the hiring rates, *viz*.:

> As for the perceived salary distortion among Union members resulting from the non-implementation of the guidelines on Article VH-Salaries and Allowances, Section 1 - Wage Increase, Annex D of the CBA 2007-2012, we would like to reiterate our discussion during the recent NLMC meeting of September 16, on Chevron's remuneration philosophy of having "similar value for similar jobs" which simply states that employees in similarly valued jobs will have similar salary rates. Salaries and hiring rates are reviewed annually and adjusted as necessary based on the computed values of each job, an employee's tenure or seniority in his/her current position will not influence the value of the job.[19] (Underlining Ours)

Clearly then, the increase in the salaries of Lanao and Cordovales was not pursuant to the wage increase agreed upon

[19] *Id.* at 225.

in CBA 2007-2012 rather it was the result of the increase in hiring rates at the time they were hired.

To illustrate, in its *Reply*,[20] respondent discussed the difference in the hiring rates of employees Lanao and Robert Gawat, *viz*.:

> Mr. Robert Gawat was regularized on April 16, 2007 having been hired on October 16, 2007 while Mr. Lanao as shown in the Company's position paper was regularized on January 1, 2010, having been hired only on July 1, 2009. **At the time of Mr. Gawat's hiring, the hiring rate for Pay Grade 12 was ₱31,800.00**. On April 16, 2007, Mr. Gawat was given a CBA salary increase under the 2002-2007 CBA of ₱1,700.00 per month which increased his pay to ₱33,500.00 per month. He received another CBA salary increase of ₱1,500.00 under the 2007-2012 CBA on November 1, 2008, thus increasing his pay to ₱35,000.00. On November 1, 2009, he received another salary increase of ₱1,500.00 under the 2007-2012 CBA which further increased his pay to ₱36,500.00 per month until the present.
>
> On the other hand, **when Mr. Lanao was hired on July 9, 2009, the hiring rate at the time for employees falling under Pay Grade 12 was already ₱35,000.00**, having been adjusted by the company in accordance with market and industry practice. On January 1, 2010, Mr. Lanao was regularized and as dictated by the CBA, he was given a CBA salary increase of ₱1,500.00 per month effective January 1, 2010 which increased his monthly pay at the present to ₱36,500.00.[21] (Emphasis and underlining Ours)

As shown above, the respondent never violated the CBA and in fact, complied with it to the letter. Clearly, the petitioner only used the respondent's alleged violation of the CBA when its true gripe is related to the respondent's prerogative of setting the hiring rate of the employees over which the petitioner neither has the personality nor the privilege to meddle or interfere with.[22]

The second and third issue, being interrelated, shall be discussed jointly.

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[20] *Id*. at 98-103.

[21] *Id*. at 100.

[22] *Id*. at 115.

Upon the enactment of Republic Act (R.A.) No. 6727 (Wage Rationalization Act, amending among others, Article 124 of the Labor Code) on June 9, 1989, the term "*Wage Distortion*" was explicitly defined as *"a situation where an increase in prescribed wage rates results in the elimination or severe contraction of intentional quantitative differences in wage or salary rate between and among employee groups in an establishment as to effectively obliterate the distinctions embodied in such wage structure based on skills, length of service or other logical bases of differentiation."*[23]

Contrary to petitioner's claim of alleged "wage distortion", Article 124 of the Labor Code of the Philippines only cover wage adjustments and increases due to a prescribed law or wage order, *viz*.:

Article 124. *Standards/Criteria for Minimum Wage Fixing.*

x x x x x x x x x

Where the application of any **prescribed wage increase by virtue of a law or Wage Order issued by any Regional Board** results in distortions of the wage structure within an establishment, the employer and union shall negotiate to correct the distortions. Any dispute arising from the wage distortions shall be resolved through the grievance procedure under their collective bargaining agreement and, if it remains unresolved, through voluntary arbitration.[24] (Emphasis Ours)

Prubankers Association v. Prudential Bank and Trust Company[25] laid down the four elements of wage distortion, to wit: (1) an existing hierarchy of positions with corresponding salary rates; (2) a significant change in the salary rate of a lower pay class without a concomitant increase in the salary rate of a higher one; (3) the elimination of the distinction between the two levels; and (4) the existence of the distortion in the same region of the country.

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[23] LABOR CODE OF THE PHILIPPINES, Article 124.

[24] *Id*.

[25] 361 Phil. 744, 757 (1999).

The apparent increase in Lanao and Cordovales' salaries as compared to the other company workers who also have the same salary/pay grade with them should not be interpreted to mean that they were given a premature increase for November 1, 2008, thus resulting to a wage distortion. The alleged increase in their salaries was not a result of the erroneous application of Article VII and Annex D of the CBA, rather, it was because when they were hired by respondent in 2009, when the hiring rates were relatively higher as compared to those of the previous years. Verily, the setting and implementation of such various engagement rates were purely an exercise of the respondent's business prerogative in order to attract or lure the best possible applicants in the market and which We will not interfere with, absent any showing that it was exercised in bad faith.

Management prerogative gives an employer freedom to regulate according to their discretion and best judgment, all aspects of employment including work assignment, working methods, the processes to be followed, working regulations, transfer of employees, work supervision, lay-off of workers and the discipline, dismissal and recall of workers.[26] This right is tempered only by these limitations: that it must be exercised in good faith and with due regard to the rights of the employees.[27]

Petitioner claims that the wages of other employees should also be increased in order to maintain the difference between their salaries and those of employees granted a "premature" wage increase. Such a situation may be remedied if it falls under the concept of a wage distortion as defined by Article 124 of the Labor Code of the Philippines. However, as already discussed, there is no wage distortion in the case at bench. Not all increases in salary which obliterate the salary differences of certain employees should be perceived as wage distortion.

In the case of *Bankard Employees Union-Workers Alliance Trade Unions v. National Labor Relations Commission*,[28] the

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[26] *Philippine Airlines, Inc. v. NLRC*, 392 Phil. 50, 56 (2000).

[27] *Julie's Bakeshop, et al. v. Arnaiz, et al.*, 682 Phil. 95, 108 (2012).

[28] 467 Phil. 570 (2004).

Court discussed the possible implication of an expanded interpretation of the concept of Wage Distortion, to wit:

> If the compulsory mandate under Article 124 to correct "wage distortion" is applied to voluntary and unilateral increases by the employer in fixing hiring rates which is inherently a business judgment prerogative, then the hands of the employer would be completely tied even in cases where an increase in wages of a particular group is justified due to a re-evaluation of the high productivity of a particular group, or as in the present case, the need to increase the competitiveness of Bankard's hiring rate. An employer would be discouraged from adjusting the salary rates of a particular group of employees for fear that it would result to a demand by all employees for a similar increase, especially if the financial conditions the business cannot address an across-the-board increase.[29]

The Court's ruling in the case of *Bankard* seek to address and resolve conflicting opinions regarding the true concept of a wage distortion like the one presented in this case whereby a legitimate exercise by an employer of its management prerogative is being taken against it in the guise of an allegation that it is circumventing labor laws. An employer should not be held hostage by the whims and caprices of its employees especially when it has faithfully complied with and executed the terms of the CBA.

It is the prerogative of management to regulate, according to its discretion and judgment all aspects of employment. This flows from the established rule that labor law does not authorize the substitution of the judgment of the employer in the conduct of its business. Such management prerogative may be availed of without fear of any liability so long as it is 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 agreements and are not exercised in a malicious, harsh, oppressive, vindictive or wanton manner or out of malice or spite.[30]

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[29] *Id.* at 579-580.

[30] *Wise and Co., Inc. v. Wise and Co. Inc. Employees Union-NATU*, 258-A Phil. 321-322 (1989).

On a final note, the Court has ruled time and again that factual findings of labor officials, who are deemed to have acquired expertise in matters within their jurisdiction, are generally accorded not only respect but even finality by the courts when supported by substantial evidence and affirmed by the CA, in the exercise of its expanded jurisdiction to review findings of the National Labor Relations Commission.

WHEREFORE, premises considered, the petition is **DENIED**. The Decision dated November 5, 2012 of the Court of Appeals in CA-G.R. SP No. 115796 is hereby **AFFIRMED**.

SO ORDERED.

Carpio (Chairperson), Peralta, Perlas-Bernabe, and *Caguioa, JJ.,* concur.

SECOND DIVISION

[G.R. No. 208638. January 24, 2018]

SPOUSES FRANCISCO ONG and BETTY LIM ONG, and SPOUSES JOSEPH ONG CHUAN and ESPERANZA ONG CHUAN, *petitioners, vs.* **BPI FAMILY SAVINGS BANK, INC.,** *respondent.*

SYLLABUS

1. **CIVIL LAW; CIVIL CODE; OBLIGATIONS AND CONTRACTS; CONTRACTS; PERFECTED BY MERE CONSENT.—** As a rule, a contract is perfected upon the meeting of the minds of the two parties. It is perfected by mere consent, that is, from the moment that there is a meeting of the offer and acceptance upon the thing and the cause that constitute the contract. x x x [T]here is no iota of doubt that when BSA