

The Successorship Doctrine in Philippine Labor Relations

Angelique A. Santos

37 *ATENEO L.J.* 1 (1992)

SUBJECT(S): LABOR LAW, CORPORATE LAW, CONTRACTS & OBLIGATIONS

KEYWORD(S): SUCCESSORSHIP DOCTRINE

The enactment of Proclamation No. 50 launched the Aquino Government's privatization program wherein the law expressly provided for the automatic termination of employees working in government-owned-and-controlled corporations in the event that the Government sells or disposes all or substantially all of its assets or controlling interest in said corporation. Consequently, the buyers are given absolute discretion to hire or replace the existing work force.

This Note seeks to determine, both from the viewpoint of legal policy and practicality, the propriety of allowing an employer's labor law obligations to survive a change of ownership. On the basis of privity of contract, the Author concludes that a *bona fide* purchaser of a business is not bound by the seller's (the Government's) labor law obligations which he has not expressly assumed. However, by applying the evolving American doctrine in determining successor obligations (successorship doctrine) in the Philippine context, the Author finds that a *bona fide* successor (buyer) may *equitably* be required to observe the following duties to predecessor employees:

- (1) The duty to hire;
- (2) The duty to arbitrate the extent of a successor's obligations under an existing collective bargaining agreement;
- (3) The duty to bargain with the union recognized or certified as the employees bargaining representative during the predecessor's incumbency; and
- (4) The duty to remedy a predecessor's unfair labor practices.