

CHANROBLES PUBLISHING COMPANY

**SUPREME COURT
FIRST DIVISION**

**ARMED FORCES OF THE
PHILIPPINES MUTUAL BENEFIT
ASSOCIATION, INC.,**

Petitioner,

-versus-

G.R. No. L-39140

May 17, 1980

**ARMED FORCES OF THE
PHILIPPINES MUTUAL BENEFIT
ASSOCIATION, INC. EMPLOYEES'
UNION (AFP-MBAI-EU), LUCIA
LAURENTE, EMERENCIANA AGULTO,
LUNINGNING SANTOS, AMPARO
VICENTE, FE M. JACINTO, TEODULFA
FLORENDO, CLARITA B. ASPIRAS,
EDNA CUBILLO, CESAR SAEZ,
MARIETA BERMUDO, ESTELITA J.
SANTOS, PRIMA S.J. NAFRADA,
FLORA E. CINCO, JUANITA V.
MONTERO, LYDIA PADIERNOS, and
THE COURT OF INDUSTRIAL
RELATIONS,**

Respondents;

X-----X

**ARMED FORCES OF THE
PHILIPPINES MUTUAL BENEFIT
ASSOCIATION, INC. EMPLOYEES'
UNION (AFP-MBAI-EU), VICTORIA I.**

**ALVAREZ, EDILBERTO B. BALLECER,
DELIA B. REBULTAN, WARLITO Q.
MADAMBA, ROLANDO O. SANTIAGO,
ALFONSO JOVES, THELMA D. ESPINA,
SUSAN MARAÑON, FELICIANO C.
FERNANDEZ, TERESITA DE LOS
REYES, MAGDALENA S. DAZO,
DOMINADOR M. LAMSEN, BALTAZAR,
V. VILLARUZ, ROGELIO L. CORDERO,
LOURDES R. POBLADOR, CARMELITA
ARAGON, MODESTA CAOILE,
JOSEFINA BAUTISTA and AVELINA E.
ANTONIO,**

Petitioners,

-versus-

**G.R. No. 39145
May 17, 1980**

**ARMED FORCES OF THE
PHILIPPINES MUTUAL BENEFIT
ASSOCIATION, INC. (AFP-MBAI) and
COURT OF INDUSTRIAL RELATIONS
(CIR),**

Respondents.

X-----X

DECISION

GUERRERO, J.:

The two petitions before Us assail the validity of the Court of Industrial Relations' Resolution dated July 16, 1974 denying two motions for partial reconsideration separately filed by the Armed Forces of the Philippines Mutual Benefit Association, Inc. (AFP-MB Assn., for short) in G.R. No. L-39140 and the Armed Forces of the

Philippines Mutual Benefit Association, Inc. Employees' Union (Union for short) in G. R. No. L-39145.

In Our Resolution dated November 25, 1974, after giving due course to the petitions, the two cases were ordered consolidated.

These petitions arose from Case No. 5525-ULP filed in the Court of Industrial Relations on December 1, 1970 by the Court Prosecutor in behalf of the Union and thirty-four (34) of its officers members for unfair labor practice against the AFP-MB Assn., its then General Manager, Maximo Jante and its Assistant General Manager, Esmeraldo Acorda for the alleged illegal and discriminatory dismissals on June 30, 1970 of the said thirty-four (34) individual complainants.

The complaint alleges that the individual complainants are employees of the AFP-MB Assn. and at the same time members of the Union; that some of them became active in campaigning for more members of the Union and have worked for their benefit by sending economic demands to the AFP-MB Assn.; that conferences in these demands were held resulting into a collective bargaining agreement between the Association and the Union made on June 30, 1970; that on July 1, 1970, all individual complainants were handed letters of dismissal by respondents for no other reason than their being members of the Union and active in connection therewith; that only members of the Union were dismissed and that on July 1, 1970, as a result of such unfair labor practice acts, complainants were compelled to declare a strike.

The AFP-MB Assn. in its Answer alleged that the dismissal of the complainants were due to lawful and justified causes; that as early as September, 1969, complainants were already aware of the contemplated reduction of personnel by reason of suspension and/or abolition of some of its operations; that some of the individual complainants have already acknowledged or ratified the validity of their dismissals and have waived whatever rights to reinstatement and/or other benefits that may accrue to them as a result of the filing of the instant case; that most of the individual complainants have already obtained substantially the same or equivalent employment in other companies; that the strike declared by the Union was illegal and

that the Court of Industrial Relations has no jurisdiction over the subject matter of the complaint, considering that the AFP-MB Assn. is a benevolent association and is not engaged in business or organized for profit.

On August 19, 1971, the AFP-MB Assn. filed a “Motion to Dismiss” the case insofar as the following complainants are concerned:

1. Victorina Alvarez
2. Edilberto B. Ballecer
3. Delia B. Rebutan
4. Warlito Q. Madamba
5. Rolando O. Santiago
6. Alfonso Joves
7. Thelma D. Espina
8. Susan Marañon
9. Feliciano C. Fernandez
10. Teresita de los Reyes
11. Magdaleno S. Dazo
12. Dominador Lamsen
13. Baltazar V. Villaruz
14. Rogelio L. Cordero
15. Lourdes R. Poblador
16. Carmelita Aragon
17. Modesta Caoile
18. Josefina Bautista
19. Avelina E. Antonio.

on the ground that they voluntarily withdrew from this case by freely executing under oath quitclaim papers.

The Hearing Examiner duly commissioned by the CIR to hear and receive evidence in this case found that prior to the execution of the bargaining agreement and sometime in September, 1969 the Office of the Insurance Commissioner recommended to the Board of Directors of the Association the stoppage of the grant of Home Appliances Loans, Salary Loans, Car Insurance Loans and Educational Loans as being illegal and unlawful (Exhs. “2” and “27-A”). The general manager of the Association undertook a feasibility study of the investment capability of the company and came up with a prepared

study on June 11, 1970 which among others, recommended the retention of seventy (70) personnel, provided that 26 out of the 70 retained will be phased out within a period of two years. About a year thereafter or on June 17, 1970, the New Minimum Wage Law increased the daily wages of industrial workers from P6.00 to P8.00 a day.

Pursuant to the order of the CIR dated March 16, 1971 the Chief of the Examining Division of that Court examined the books of accounts and other pertinent papers of the Association. The Examiner submitted a report which showed that the standard current capital working ratio is 2 to 1 which means that the current assets should be at least two times the current liabilities; that there should be at least P2.00 worth of current assets with which to pay P1.00 worth of current debts or obligations. The Association had as of December 31, 1969 P2.62 worth of current assets to meet or pay P1.00 worth of current debts. The Association had, therefore, excess assets to meet or pay its debts within the operating business cycle of one year.

The Examiner also found out that the Association's "Plantilla" for 1971 showed that the salaries of the officers and other personnel were increased. He also pointed out that the individual complainants were terminated or dismissed allegedly due to losses incurred by the Association.

The Hearing Examiner thereupon submitted the following recommendations:

1. Dismissing this complaint insofar as complainants Victoria Alvarez, Edilberto B. Ballecer, Delia B. Rebutan, Warlito Q. Madamba, Rolando Santiago, Alfonso Joves, Thelma D. Espina, Susan Marañon, Magdaleno S. Dazo, Dominador Lamsen, Baltazar V. Villaruz, Carmelita Aragon, Modesta Caoile, Feliciano C. Fernandez, Teresita de los Reyes, Josefina Bautista and Avelina E. Antonio are concerned;
2. Declaring respondent Association as within the coverage of the Industrial Peace Act;

3. Declaring respondents guilty of unfair labor practice for having dismissed on June 30, 1970 the remaining individual complainants and ordering them to cease and desist from further committing the same unfair labor practice acts;
4. Ordering the respondents to reinstate complainants Lucia S. Laurente, Emerenciana C. Agulto, Luningning Z. Santos, Fe M. Jacinto, Teodulfar R. Florendo, Clariba B. Aspiras, Edna Cublido, Cesar B. Saez, Marieta P. Bermudo, Estelita J. Santos, Prima S.J. Nifrada, Flora E. Cinco, Juanita V. Montero, Lydia Padiernos to their former positions with backwages from July 1, 1970 until actually reinstated, with all the rights and privileges formerly appertaining thereto, less whatever earnings elsewhere they had during the period of their dismissal; and
5. Ordering respondents to reinstate Amparo Vicente to her former position with only half of her backwages from the time of her dismissal on June 30, 1970 until she is actually reinstated, with all the rights and privileges formerly appertaining to her position less her earnings elsewhere if any, during the period of her dismissal.

In a decision dated April 15, 1974, the Court of Industrial Relations adopted in full the recommendation of the Hearing Examiner, the dispositive portion of which reads:

“WHEREFORE, all of the foregoing considered, and as so recommended, the respondents should be, as they are hereby, declared guilty of having committed the unfair labor practice acts complained of, for having dismissed the individual complainants on June 30, 1970 by reason of their union affiliation and activities and are therefore ordered to cease and desist from committing the same or similar unfair labor practice acts, and to reinstate complainants Lucila Laurente, Emerenciana Agulto, Luningning Z. Santos, Amparo Vicente, Fe M. Jacinto, Teodulfa Florendo, Clarita B. Aspiras, Edna Cubildo, Cesar B. Saez, Marieta P. Bermudo, Estelita J. Santos, Prima S.J. Nifrada, Flora E. Cinco, Juanita V. Montero, and Lydia Padiernos to their former or substantially equivalent

positions with backwages from July 1, 1970 until actually reinstated, with all the rights and privileges formerly appertaining thereto, including seniority, less whatever earnings they have made elsewhere during the period of their dismissal, except in the case of complainant Amparo Vicente who should be paid by respondents only one-half of her backwages from the time of her dismissal on June 30, 1970 until she is actually reinstated.

The above-entitled case should, however, be as it is hereby ordered dismissed insofar as complainants Victoria Alvarez, Edilberto V. Ballecer, Delia B. Rebultan, Warlito Q. Madamba, Rolando Santiago, Alfonso Joves, Thelma D. Espina, Susan Marañon, Magdalena S. Dazo, Dominador Lamsen, Baltazar, V. Villaruz, Rogelio L. Cordero, Lourdes R. Poblador, Carmelita Aragon, Modesta Caoile, Feliciano C. Fernandez, Teresita de los Reyes, Josefina Bautista and Avelina E. Antonio are concerned.

SO ORDERED.”

The AFP-MB Assn. and the individual complaints filed separate motions for reconsideration of the above order. Complainants anchored the motion on the ground that receipt of separation pay and quitclaims cannot absolve the Association from the consequences of the unfair labor practice, whereas the Association maintained that individual complainants are not entitled to reinstatement nor backwages as ordered by the court.

The CIR en banc denied both motions, finding no justification in altering or modifying the questioned decision.

Both parties come to Us on certiorari, assigning the following as errors committed by the Court of Industrial Relations:

In G. R. No. 39140

- “1. The Court of Industrial Relations erred in declaring petitioner Association guilty of unfair labor practice for having dismissed its thirty four (34) employees on June 30, 1970.

2. The Court of Industrial Relations erred in ordering the reinstatement of the fifteen (15) individual respondents to their former or substantially equivalent positions.
3. The Court of Industrial Relations erred in ordering the payment to the fifteen (15) individual respondents of backwages from the date of their dismissal until their actual reinstatement.”

In G. R. No. 39145

- “1. Having found their dismissal to be violative both of the collective bargaining agreement and Section 4 (2) of Republic Act No. 875, it is error for respondent court to order the dismissal of the complaint with respect to herein individual petitioners.
2. It is error for the trial court to absolve the respondent Corporation from the consequences of its unfair labor practice acts by petitioners’ execution of quitclaims in its favor.”

These assignments of errors can be capsulized into two main issues, namely:

1. Whether or not the AFP-MB Assn. is guilty of unfair labor practice for dismissing thirty four (34) of its employees by reason of the suspension and or abolition of some of its operations; and
2. Whether or not the trial court erred in dismissing the complaint against individual complainants who executed “Quitclaim and Complete Release.”

On the first issue, the Association contends that the dismissal of thirty four (34) employees of petitioner is due to just and legitimate causes and the CIR committed an error of law in declaring petitioner Association guilty of unfair labor practice since the cessation of the four (4) major lending operations of the Association granting Home

Appliances Loans, Salary Loans, Car Insurance Loans and Educational Loans was ordered by the Office of the Insurance Commissioner being in violation of the law and must stop immediately, thereby rendering the dismissal of the said thirty four (34) employees on June 30, 1970 as necessary and imperative.

It is quite true, as the Association argues, that the Supreme Court in a number of cases has recognized and affirmed the right of the employer to lay-off or dismiss employees because of lack of work caused by a considerable reduction in its business, or that their continued employment will only result in further losses in the operation of its business (Phil. American Embroideries Inc. vs. Embroidery & Garment Workers Union, 26 SCRA 634, 643; Northern Luzon Transportation Co. vs. CIR, 73 Phil. 41), due to lack of work (Union of Philippine Education Employees vs. Phil. Education Co., Inc. L-7161, May 19, 1955, 97 Phil. 953), and considerable reduction in the volume of his business (Gregorio Araneta Employees Union vs. Arsenio Roldan, 97 Phil. 304). We have held that such acts of dismissal do not constitute unfair labor practice. Under the law, an employer may close his business provided the same is done in good faith and is due to causes beyond his control. To rule otherwise would be oppressive and inhuman. (Tio Kinh vs. CIR, 90 Phil. 564, 568; LVN Pictures Employees and Workers Association (NLU) vs. LVN Pictures, Inc., L-23495, Sept. 30, 1970; LVN Pictures Checkers' Union (NLU) vs. LVN Pictures, Inc., L-26432, September 30, 1970, 35 SCRA 147).

In the case at bar, however, it appears that the books of accounts and other pertinent papers of the Association were ordered examined by the Chief of the Examining Division of the Court in order that the latter may be fully informed and guided as to the financial status of the Association, and his Report submitted on March 31, 1971 shows that the current or working capital ratio of the respondent Association is more than the standard or average ratio. The alleged financial losses or poor financial condition as a consequence of the implementation of the New Minimum Wage Law on June 17, 1970 and the cessation of the four aspects of its operation are belied by the fact that in their Plantilla for 1971, salaries of the officers and other personnel were increased, which was implemented thereafter.

While a collective bargaining agreement was entered and executed between the Association and the Union on June 10, 1970, and signed on June 13, 1970 and ratified or acknowledged on June 18, 1970 for a term or duration of two (2) years, and providing among others guaranteed security of tenure of employment, there is evidence which is substantial that the Association, in entering into said collective bargaining contract, did not have the honest intention of complying with all the provisions thereof. The Board of Directors of the Association knew as early as September, 1969 that the Office of the Insurance Commissioner would stop the grant of the Home Appliances Loans, Salary Loans, Car Insurance Loans and Educational Loans, said investments being unlawful and in direct violation of Section 1628-G of the Revised Administrative Code, as amended by Act No. 3612. Moreover, the feasibility study on the investment capability of the Association dated June 11, 1970, submitted by the General Manager to the Board of Directors of the Corporation, which was before the signing of the collective bargaining agreement, recommended among others: "Retain 70 personnel; provided that 26 personnel out of the 70 personnel retained will be phased out within a period of two years." Upon these facts already known to the Association prior to the signing on June 13, 1970 and acknowledgment of the collective bargaining contract on June 18, 1970, the conclusion of the trial court which was affirmed by the CIR en banc being fully supported by substantial evidence is correct in holding that the Association in so entering into said collective bargaining contract did not have the honest intention of complying with all the provisions thereof.

The fact that the Association actually terminated the services of the individual complainants on June 30, 1970 or only 12 days after the acknowledgment of the contract by the parties without referring the matter of phasing out or lay-off to the proper labor management committee, as well as the fact that the supposed guidelines containing the criteria in the selection of those who were to be terminated was not presented to the court despite requests therefor, are not disputed by the Association.

In the light of the evidence presented and recited above, We find that the termination of employment of the individual complainants constitutes unfair labor practice as concluded by the Trial Judge,

Associate Judge Alberto S. Veloso and affirmed en banc by the Court of Industrial Relations, which conclusion is supported by substantial evidence. Hence, We find no abuse of discretion or excess of jurisdiction on the part of the respondent court.

It needs no further emphasis in re-stating the rule that the factual findings of the Court of Industrial Relations are conclusive upon the Supreme Court. As the Supreme Court said in *Philippine Engineering Corp. vs. Court of Industrial Relations*, 41 SCRA 89 —

“It is a settled doctrine of this Court that matters touching on the weight and sufficiency of evidence and on the credibility of witnesses involve questions of fact, and the findings of the CIR on such matters are conclusive upon this Court. It cannot be said that the CIR abused its discretion when it did not consider petitioner’s evidence credible and sufficient. We find that the testimonies of the petitioner’s witnesses regarding the losses were not even credit by the CIR because they failed to state specifically the amount of the alleged losses in 1965 or 1964, and in prior years. The corporation, according to the CIR, did not present its books of account and its statements of profit and loss which could clearly demonstrate the alleged financial losses, nor did petitioner present its accountant or auditor to testify on that matter. The failure of petitioner to present the best evidence in its possession, concluded the CIR, gives rise to the presumption that there was suppression on its part of evidence unfavorable to its interests. This Court has ruled that the matters regarding the financial condition of a company to justify the closing of its business and whether a company is losing in its operations are questions of fact.

It is not necessary to support a finding that a particular discharge constitutes an unfair labor practice to demonstrate that the dismissal was entirely and exclusively motivated by the employee’s union activities or affiliations. It is enough to denounce the discharge if it established that the discrimination motive was a contributing factor. This Court has also said that if it can be established that the time and basic inspiration for the employer’s act is derived from the employee’s union affiliation

or activities, the assignment by the employer of another reason, whatever it semblance of validity, is unavailing.”

The decision assailed makes special mention of the cases of complainants Amparo Vicente and Lucia Laurente who, like the other complainants, were dismissed on the “result of the implementation of the New Minimum Wage Law and the present financial condition of the Association, as approved by the Board of Directors reducing the personnel” as alleged by the Association but which complainants deny for they were dismissed “for no other reason that their being members of the Union and active in connection therewith.” (paragraph 8, Complaint).

In the case of Lucia Laurente, she was an accounting clerk in respondent Association from May 9, 1966, and Auditor of the complainant Union. She was awarded a diploma of merit as a Model Employee by the respondent Association. In January, 1970, she was appointed a member of a working committee to study or investigate the financial conditions of the respondent Association in relation to the economic provisions of the collective bargaining agreement. During the negotiation for a collective bargaining agreement, she uttered remarks unfavorable to the management which prompted the General Manager to demand an explanation from her which was found to be unsatisfactory. She was dismissed on June 30, 1970 according to the General Manager because she seemed to be discourteous and had made a statement that the Association had two sets of books like Chinese business firms and that it was a committee that decided her lay-off. Her testimony that during the negotiation for a collective bargaining agreement in 1970, the Assistant Manager of the Association told them that they “better dissolve the Union, anyway the management can grant benefits to us without the Union” which is not refuted nor denied, clearly manifests the intent and motive of the Association in her dismissal and the other members of the Union.

The same is true with complainant Amparo Vicente, who was the Chief of the Credit and Collection Section of the Association while also a member of the complainant Union’s Board of Directors and

from 1968 acted as Treasurer until she was dismissed on June 30, 1970.

She was cited for her exemplary performance as an Outstanding Employee of the Association and was also the recipient of a letter of commendation by the General Manager as well as an awardee of a certificate of merit (Second Honorable Mention) in recognition of her meritorious service as Section Chief in December, 1968. Her alleged tardiness for three times in March, 1970 and failure to register on the daily time register book appears to be the reason for her dismissal, notwithstanding the fact that her explanations for said violations were simply noted by the management. Her Union activities were, however, known to the management for she had campaigned for membership in the Union from 1966 to 1970, telling them about the advantage and disadvantages about labor unions and the benefit of paying Union dues, and considering that those who resigned from the Union after the signing of the collective bargaining agreement and during the strike were not terminated from their employment, unlike in her case where despite her qualifications, competence, aptitude and proven merit, she did not qualify for retention after an appraisal of her records which were not shown or produced before the court, the ruling of the Court of Industrial Relations that her dismissal was similarly an unfair labor practice cannot be disturbed, reviewed or reversed by Us. We, therefore, affirm that the Association is guilty of unfair labor practice for dismissing thirty four (34) of its employees by reason of the suspension and/or abolition of some of its operations.

On the second issue, there is no dispute that the 19 complainants, namely Victoria Alvarez, Edilberto V. Ballecer, Delia B. Rebutan, Warlito Q. Madamba, Rolando Santiago, Alfonso Joves, Thelma D. Espina, Susan Marañon, Magdalena S. Dazo, Dominador Lamsen, Baltazar V. Villaruz, Rogelio L. Cordero, Lourdes R. Poblador, Carmelita Aragon, Modesta Caoile, Feliciano C. Fernandez, Teresita de los Reyes, Josefina Bautista and Avelina E. Antonio executed, signed and subscribed under oath documents entitled "Quitclaim and Complete Release" (Exhibits "4" to "22") which, among others, provide:

- “1. I have this _____ day of _____, 197___, tendered my irrevocable resignation as an employee of the AFP Mutual Benefit Association, Incorporation;
2. I hereby acknowledge receipt of the sum of _____ (check) No. _____ dated _____, 197___ to my full and complete satisfaction, representing my separation termination pay as an employee of the said MBAI;
3. I hereby acknowledge that I have no other and further money claims from the said MBAI, and I now release forever the said MBAI, fully and completely from any and all claims whatsoever arising from my employment therewith;
4. I also hereby withdraw/desist as party litigant in the unfair labor practice suits brought by the Armed Forces of the Philippines Mutual Benefit Association, Incorporated Employees Union against the AFPMBAI and/or any of its officials before the Court of Industrial Relations; waiving forever whatever right to reinstatement and/or other such benefits that may accrue as a result of the said above-mentioned cases.”

Thereafter, the above-enumerated complainants received, in different amounts based on their length of service, their separation benefits without protest and reservation, as attested by the respondents' General Vouchers marked as Exhibits “4-A”, “5-A”, “6-A”, “6-B”, “7-A”, “8-A”, “9-A”, “10-A”, “11-A”, “12-A”, “13-A”, “13-B”, “14-A”, “15-A”, “16-A”, “17-A”, “18-A”, “19-A”, “20-A”, “21-A”, “22-A”, and “22-B”, which were duly signed and acknowledged by the aforesaid individual complainants.

The Trial Judge, the Honorable Alberto S. Veloso, in his decision dismissing the complaint against the above-enumerated complainants insofar as they are concerned rationalized the dismissal this wise:

“It should be emphasized that the afore-enumerated complainants irrevocably resigned from their employment; they likewise received to their full and complete satisfaction their separation pay without protest and reservation; they acknowledged that they have no more claims against the respondent herein and thereby released them forever from any claim arising from their employment; and above all, they withdrew/desisted as party litigant in this case. It should further be stressed that none of the said individual complainants was presented in rebuttal to disprove the free and voluntary execution of said “Quitclaim and Complete Release” and “General Voucher”, nor was there evidence adduced by the complainants that these were imposed upon them and that they were compelled by necessity to sign and accept them. On the other hand, respondents presented evidence that these complainants voluntarily applied for their separation pay, and likewise freely accepted their checks without any protest or reservation.

Under this situation, it is believed that the said individual complaints freely and voluntarily desisted and withdrew their case against the respondents. And, this being the case, the Court has no other alternative but to dismiss this complaint against the respondents insofar as they are concerned.” [Sec. 5 (c), Republic Act 875]

In labor jurisprudence, it is well-established that quitclaims and/or complete releases executed by the employees do not estop them from pursuing their claims arising from the unfair labor practice of the employer. The basic reason for this is that such quitclaims and/or complete releases are against public policy and, therefore, null and void. The acceptance of termination pay does not divest a laborer of the right to prosecute his employer for unfair labor practice acts. (Cariño vs. ACCFA, L-19808, Sept. 29, 1966, 18 SCRA 183; Philippine Sugar Institute vs. CIR, L-13475, Sept. 29, 1960, 109 Phil. 452; Mercury Drug Co. vs. CIR, L-23357, April 30, 1974, 56 SCRA 694, 704).

In the Cariño case, supra, the Supreme Court, speaking thru Justice Sanchez, said:

“Acceptance of those benefits would not amount to estoppel. The reason is plain. Employer and employee, obviously, do not stand on the same footing. The employer drove the employee to the wall. The latter must have to get hold of money. Because, out of job, he had to face the harsh necessities of life. He thus found himself in no position to resist money proffered. His, then, is a case of adherence, not of choice. One thing sure, however, is that petitioners did not relent their claim. They pressed it. They are deemed not to have waived any of their rights. *Renuntiatio non praesumitur.*”

Likewise, in *Firestone Filipinas Employees Association vs. Firestone Tire and Rubber Co. of the Philippines*, L-37952, December 10, 1974, 61 SCRA 340, 345, where petitioners therein were given separation pay in consideration of which they executed releases and quitclaims releasing the respondent company, the Supreme Court, in the words of then Justice now Chief Justice Enrique M. Fernando, held:

“What weakens the case for private respondent even more is that as a matter of law the acceptance of the terms of the alleged compromise including the benefits attributed to it did not automatically negate the assertion of whatever rights may be possessed by virtue of the Industrial Peace Act. Mention has just been made on the length of time that had elapsed since the strike began. The financial plight of the petitioner is thus obvious. They are the people who without work would find it difficult to know how their basic needs can be met. They are likely to be family men, appalled by the thought that they cannot even provide sufficiently for their young ones. It is precisely the realization of their lot is far from enviable that led to this highly relevant excerpt from the opinion announced in *Philippine Sugar Institute vs. Court of Industrial Relations* (109 Phil. 452), “By accepting the benefits of their separation the petitioner argues that they are in estoppel. The separation thrust upon them and the acceptance of benefits thereof cannot constitute estoppel.” So was it made clear in the opinion of Justice Padilla, a jurist with the solid reputation for soundness and competence, who was ever careful never to go further than the law allows in the recognition of the claims of the

workingman. The then Justice, now Chief Justice Makalintal had occasion to reiterate such doctrine in Urgelio vs. Osmeña (L-14908, February 28, 1964, 10 SCRA 253) in these words: “Contrary to respondents’ theory, the fact that petitioners received their terminal pay cannot be considered as a waiver of the right to question the termination of their services.” That was so under the 1935 Constitution. The present Constitution as already noted, is much more liberal in its recognition of labor’s dependence on governmental efforts to assure that its welfare be truly promoted. It would be to blunt the force then of the decision referred to earlier, promulgated after the approval of the Charter now in force, if the defense of the petitioners having executed releases and quitclaims will be given the seal of approval. This Court is not disposed to take that step.”

The Association’s argument that it is not the receipt of separation pay and the execution of quitclaim documents by the individual petitioners which compelled the Court of Industrial Relations to dismiss the complaint insofar as they are concerned but rather their voluntary desistance and withdrawal from the case as party litigants which gave the Court of Industrial Relations no other alternative but to dismiss the complaint, is untenable. In the first place the finding of the Court of Industrial Relations that the Association was guilty of unfair labor practice for having dismissed on June 30, 1970 the thirty-four (34) individual complainants from their employment by reason of their Union activities is correct, as well as its Order for the reinstatement of the fifteen (15) complainants who did not execute quitclaims and/or complete releases, which We affirm. But the dismissal of the complaint insofar as the other nineteen (19) complainants are concerned on the ground that they have voluntarily desisted and withdrawn from the case is not warranted because their desistance or withdrawal is not only voluntary but also illegal, being contrary to public policy. And since the dismissal of the employees constitutes an unfair labor practice, it is immaterial whether some have executed quitclaims and releases or not.

Secondly, under Section 6 (2) of the Industrial Peace Act, Republic Act 875, which provides:

“(a) The Court shall have jurisdiction over the prevention of unfair labor practices and is empowered to prevent any person from engaging in any unfair labor practice. This power shall be exclusive and shall not be affected by any other means of adjustment or prevention that has been or may be established by an agreement, code, law, or otherwise,”

We can clearly and positively declare, “without hesitancy or doubt, that unfair labor practice acts are beyond and outside the sphere of compromises such as quitclaims, release and settlements.

All the individual complainants are entitled to reinstatement to their former employment at current rates paid by the Association to employees occupying the same or similar position without loss of seniority and privileges. They are furthermore entitled to three years backpay following the rule laid down in the case of Mercury Drug Co. vs. CIR, L-23357, April 30, 1974, 56 SCRA 694, and reiterated in Feati University Faculty Club vs. Feati University, L-31503, August 15, 1974, 58 SCRA 395; Luzon Stevedoring Corporation and B. H. Tenefrancia vs. CIR, L-34300, November 22, 1974, 61 SCRA 154; Insular Life Assurance Co., Ltd. Employees’ Association-NATU vs. Insular Life Assurance Company, L-25291, March 10, 1977, 76 SCRA 50; Liberty Cotton Mills Workers Union vs. Liberty Cotton Mills, Inc., L-33987, May 31, 1979, 90 SCRA 391, without requiring the parties to submit proof of compensation received from other sources from the time of the illegal dismissal on June 30, 1970 until actual reinstatement.

WHEREFORE, IN VIEW OF ALL THE FOREGOING, the decision of the Court of Industrial Relations is hereby modified. The Armed Forces of the Philippines Mutual Benefit Association, Inc. is hereby ordered:

- a. To immediately reinstate all the individual complainants to their former employment at current rates paid by said Armed Forces of the Philippines Mutual Benefit Association, Inc. to employees occupying the same or similar positions, without loss of seniority and privileges, within thirty (30) days from notice of this decision; and

- b. To pay complainants the equivalent of three (3) years backwages at the rates actually received by them before their dismissal on June 30, 1970 without deduction or qualification.

Costs against the Armed Forces of the Philippines Mutual Benefit Association, Inc.

In view of the length of time that complainants' right to reinstatement during the pendency of the dispute and to accrued backwages has been pending enforcement, this decision shall be immediately executory upon its promulgation.

SO ORDERED.

Makasiar, Fernandez, De Castro and Melencio-Herrera, JJ., concur.

Teehankee, C.J., concurs in the result.