SUPREME COURT
SECOND DIVISION

AMERICAN HOME ASSURANCE CO. and/or LESLIE J. MOUAT, President,
***Petitioners*,**

-versus-

G.R. No. 120043
July 24, 1996

NATIONAL LABOR RELATIONS COMMISSION, LABOR ARBITER PATRICIO P. LIBO-ON and ROMEO F. DE LEON,
***Respondents*.**
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D E C I S I O N

REGALADO, *J.*:

Private respondent Romeo F. de Leon was a branch manager of petitioner company' s office in Caloocan City receiving a monthly salary of P12,000.00.[1] He started working in the company on June 1, 1974 and became the company's branch manager of its Caloocan office on January 1, 1986.[2] In their desire to streamline and restructure the company's organization and rationalize its operations, petitioners offered a Special Early Retirement Program (SERP)[3] to all its regular employees. The said program called for the voluntary separation/retirement of the employees in exchange for cash

payments consisting of two months basic salary for every year of service and a lump sum of P50,000.00. The Company, however, reserved for itself the sole discretion to approve or deny applications under the program.

The program was initially offered by the company from March 13 to 29, 1989 to its employees. A letter from the president of the company was sent to private respondent on March 13, 1989 informing the latter of the opening of the SERP and inviting him to participate in the program. On March 20, 1989, private respondent accordingly submitted an application for early retirement[4] but the same was denied on March 31, 1989 by the company on the ground that its operational requirements needed his continuous employment.[5]

In the meantime, Carlos Valin, a marketing assistant of Philippine American General Insurance (Philamgen), Caloocan Service Office, was transferred on June 1, 1989 to petitioner company's Caloocan branch with the position of assistant manager, while private respondent remained as branch manager.[6] Philamgen was one of petitioner company's two sister companies at that time.[7] Sometime in 1989, petitioner company and Philamgen entered into a merger[8] resulting in the absorption of some of the employees of the former by the latter.[9]

On December 19, 1989, a memorandum[10] addressed to all employees of the company and signed by petitioner Leslie J. Mouat was issued announcing the last and final re-opening of the SERP for the period from December 19 to 31, 1989. The program was re-offered to the employees because it was determined that "there still exists a limited number of redundancies in the organization resulting from the recent restructuring of operations of American Home, PhilHome (another sister company) and Philamgen" after a review of the manpower requirements of the company.

Private respondent applied anew under the program on December 21, 1989.[11] In a follow-up letter of January 4, 1990, private respondent informed petitioner Mouat of the reasons why he wanted to retire under the SERP. He explained that there was a redundancy in the Caloocan office since the merger because, aside from him, Carlos Valin had also been performing the functions of branch manager in

the office. Secondly, he believed that he could be more productive as an agent of petitioner company if allowed to retire early.[12]

On the same day, petitioner company again denied his application for the same reason that it gave in denying his first application.[13] Private respondent wrote to the company on February 12, 1990 to reconsider its decision denying his second application.[14]

It turned out that in an earlier letter dated January 11, 1991, petitioners had prepared a notice of termination of employment[15] for private respondent effective February 1, 1991 based on the ground that his position as a branch manager had been determined to be a duplication of another person's job, for which reason his position was declared redundant. In that notice, private respondent was informed that he would be getting two months basic pay for every year of service as separation pay, but no mention was made of the lump sum bonus of P50,000.00 under the program.

In reply thereto, private respondent wrote petitioners a letter on January 30, 1991[16] asking for the retirement bonus of P50,000.00, his prorated mid-year bonus, the money value of his vacation leaves, and 65% of his unused current sick leaves, all in addition to the separation pay stated in the notice of termination. He submitted that he was entitled to the additional benefits under the SERP because the ground for termination of his services — redundancy of position — was precisely a ground for management to accept his application for retirement under the SERP, and that he had twice applied therefor under that program. It does not appear that petitioners acted affirmatively on that letter.

Upon his receipt on February 7, 1991 of the separation pay provided in the notice of termination amounting to P331,896.61, private respondent executed a release, waiver and quitclaim wherein, as therein stated, he acknowledged receipt of the above amount as full settlement of any and all claims he may have against the company arising from the company' s retirement plan, agreement or contract relating to or arising from any and all incidents of his employment with the company.[17]

On or about the first week of May, 1991, petitioners again offered the SERP to its employees but, by this time, private respondent was no longer with the company because of his prior separation therefrom. On May 14, 1991, private respondent wrote once more to the company to reiterate his claim for the SERP bonus of P50,000.00.[18] This claim of private respondent was denied by petitioners in a letter dated August 8, 1991[19] wherein the company contended that the P50,000. 00 bonus was only effective and coterminous with the SERP.

Hence, without any more recourse available to him within the company, private respondent filed before respondent commission on August 12, 1991 a complaint against petitioners for illegal layoff,[20] docketed therein as NLRC Case No. NCR 00-08-04706-91, and prayed for reinstatement and the payment of moral and actual damages, with attorney's fees. It was alleged in the complaint that the layoff was in contravention of the Labor Code and was carried out in a whimsical and capricious manner.

Labor Arbiter Patricio P. Libo-on, to whom the complaint was assigned, rendered a decision on December 11, 1992 holding that the termination of private respondent's employment was in violation of Article 283 of the Labor Code. Consequent to such finding, back wages in the total amount of P60,000.00 were awarded in favor of private respondent, corresponding to the time when his services were terminated on February 1, 1991 until the closure of the branch where he was employed on June 30, 1991. In addition, petitioners were ordered to pay private respondent the lump sum bonus of P50,000.00 which he should have received under the SERP, with legal interest thereon, and 10% thereof as and for attorney's fees.[21]

On July 30, 1993, petitioners appealed the decision of the labor arbiter to the National Labor Relations Commission (NLRC) which, in its resolution dated April 10, 1995, affirmed the award of the P50,000.00 lump sum bonus under the SERP and the attorney's fees granted by the labor arbiter. However, the finding of the labor arbiter that there was illegal dismissal was rejected and the consequent awards of back wages and legal interest were ordered vacated and set aside by the Commission.[22]

The NLRC upheld the award of the bonus of P50,000.00 under the SERP on the theory that entitlement to the said lump sum vested in private respondent the first time he applied to qualify and retire under the SERP. It held that the waiver and quitclaim executed by private respondent, as earlier mentioned, cannot operate as a bar to this particular claim because they only pertained to the separation pay given by the company, whereas the claim for the bonus was still pending final resolution by petitioners when private respondent executed that waiver and quitclaim.

Dissatisfied, petitioners filed the present petition for *certiorari* to have the above resolution annulled. Their assignment of errors postulate that the NLRC committed grave abuse of discretion amounting to lack or excess of jurisdiction in ruling that (1) private respondent De Leon had a vested right over the P50,000.00 bonus under the SERP despite its finding that his separation was for a valid cause, and (2) the waiver and quitclaim cannot operate as a bar to the claim for the bonus because they only pertained to the separation pay.[23]

Petitioners insist that since private respondent's employment was validly terminated under Article 283 of the Labor Code, as found by the NLRC, then the benefits to which he is entitled should be limited to those provided for by said article. For their employees to be entitled to the benefits of the SERP, they must retire under its coverage and effectivity. Petitioners further argue that it is erroneous, inconsistent and illogical for the NLRC to rule that private respondent had acquired a vested right in the bonus provided in the SERP and, at the same time, declare that there was a valid termination. Also, they claim that there was grave abuse of discretion on the part of public respondent in alternatively awarding the bonus to private respondent on the basis of the alleged bad faith of petitioners in dismissing private respondent. They assert that they acted honestly in denying the application of private respondent for early retirement.

Under their second assignment of error, petitioners contend that the release, waiver and quitclaim cannot be considered by the NLRC as inoperative because they involve and represent a reasonable settlement and that the one who executed it is not an unsuspecting or

a gullible person. In addition, they posit the view that the additional claim of private respondent is already barred by his waiver and quitclaim under the principle of estoppel.

Petitioners missed the point essentially comprehended in their first assignment of error. To determine whether or not the NLRC abused its discretion under such attribution of error, the issue to be determined is the entitlement of private respondent to the announced bonus of P50,000.00 and not the validity of private respondent's separation under Article 283 of the Labor Code. The finding of a valid dismissal and the award of the bonus are not inconsistent with or exclusive of each other. The former refers to the mode of separation while the latter deals with the rights of private respondent under the SERP.

Although under the factual milieu of this case private respondent's services were validly terminated under Article 283 of the Labor Code, under the same circumstances his entitlement to benefits consequent thereto are not limited to those provided by said provision of law. Otherwise, the provisions of collective bargaining agreements, individual employment contracts, and voluntary retirement plans of companies would be rendered inutile if we were to limit the award of monetary benefits to an employee only to those provided by statute. Thus, to ensure that the benefits conferred upon the employee by such contracts and plans are ultimately awarded to him, Article 217 of the Labor Code vests jurisdiction in labor arbiters and the NLRC to adjudicate and grant relief in claims for money arising from employer-employee relations exceeding P5,000.00.

While we are aware that labor laws do not confer management authority on the labor arbiter, the NLRC, or even the courts, there are certain limitations to the wide discretion of the employer in the conduct of his business. For instance, in Wiltshire File Co., Inc. vs. National Labor Relations Commission, et al.,[24] we held that:

> The characterization of private respondent's services as no longer necessary or sustainable, and therefore properly terminable, was an exercise of business judgment on the part of petitioner company. The wisdom or soundness of such characterization or decision was not subject to discretionary

> review on the part of the Labor Arbiter nor of the NLRC so long, of course, as violation of law or merely arbitrary and malicious action is not shown.
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> x x x
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> The determination of the continuing necessity of a particular officer or position in a business corporation is management's prerogative, and the courts will not interfere with the exercise of such so long as no abuse of discretion or merely arbitrary or malicious action on the part of management is shown (Emphases ours).

Again, in Master Iron Labor Union (MILU), et al. vs. National Labor Relations Commission, et al.[25] it was stressed that:

> While it is true that an employer' s exercise of management prerogatives, with or without reason, does not per se constitute unjust discrimination, such exercise, if clearly shown to be in grave abuse of discretion, may be looked into by the courts. Indeed, the hiring, firing, transfer, demotion, and promotion of employees are traditionally identified as management prerogatives. However, they are not absolute management prerogatives. They are subject to limitations found in law, a collective bargaining agreement, or general principles of fair play and justice (Emphasis supplied).

Hence, the phrase found in the SERP that "participation therein is subject to the sole discretion and approval of the Company" does not and cannot necessarily mean absolute or unlimited discretion.[26] Petitioners may not simply deny private respondent's two applications for early retirement with the corresponding benefits thereof and then later fire him on the ground of redundancy, without thereby abusing their discretion or violating the principles of fair play and justice. Petitioners themselves acknowledged the existence of redundancy in the company even prior to the date of private respondent's separation under Article 283. This is shown by the phrase "there still exists a limited number of redundancies in the organization" contained in the letter of petitioner Mouat[27] in offering for the second time the SERP to all employees of petitioners.

Besides, the labor arbiter himself already made a finding in his decision that there was a redundancy in the discharge of the functions of the branch manager in petitioner company's Caloocan office by both Valin and private respondent. We see no overriding reason to reverse this finding. It has long been settled that factual findings of labor administrative officials, if supported by substantial evidence, are entitled not only to great respect but even to finality, unless there is a showing that the labor arbiter and the NLRC simply and arbitrarily disregarded evidence before them or had misapprehended evidence of such nature as to compel a contrary conclusion if properly appreciated.[28]

In Escareal vs. National Labor Relations Commission, et al.,[29] we explained the concept of redundancy by saying —

> That redundancy, for purposes of the Labor Code, exists where the services of an employee are in excess of what is reasonably demanded by the actual requirements of the enterprise, a position is redundant when it is superfluous, and superfluity of a position or positions may be the outcome of a number of factors, such as the overhiring of workers, a decreased volume of business or the dropping of a particular product line or service activity previously manufactured or undertaken by the enterprise. Redundancy in an employer's personnel force, however, does not necessarily or even ordinarily refer to duplication of work. That no other person was holding the same position which the dismissed employee held prior to the termination of his services does not show that his position had not become redundant (Emphasis supplied).

It logically follows, therefore, that it was not even necessary that Valin be also designated as branch manager of the Caloocan office in order that redundancy would exist. It was enough that he likewise performed virtually the same functions, duties and responsibilities of private respondent as branch manager, as was duly proven before the labor arbiter.

Although this will not affect our eventual resolution of this case, we nonetheless do not unqualifiedly agree with the conclusion of the

labor arbiter and the NLRC that the right to the bonus of P50,000.00 vested in private respondent on the first time that he applied for early retirement. When private respondent initially applied therefor on March 20, 1989, it was possible that no redundancy existed yet since Valin was assigned to the Caloocan Office only on June 1, 1989. To be more accurate, it was on private respondent's second application on December 21, 1989 that private respondent should have been considered as having obtained a fixed and complete right over the said lump sum bonus.

By that time, another person was already exercising the functions of private respondent and the SERP was offered for the second time purposely to eliminate such redundancy, hence private respondent unquestionably qualified for and acquired a vested right over the benefits of the SERP upon his second application. Such right cannot be curtailed or diminished by petitioners by retaining an unreasonable option to do so. Employees have a vested and demandable right over existing benefits voluntarily granted to them by their employer. The latter may not unilaterally withdraw, eliminate or diminish such benefits.[30]

To reiterate, private respondent failed to retire under the SERP and to get the benefits provided thereunder through acts exclusively imputable to his employer. Petitioners twice denied his application although he was very much qualified for and desirous of early retirement on the ground specified by petitioners. Then he was unceremoniously fired from the company for the very same reason which should have justly warranted and required the acceptance of his applications in the first place. Worse, although petitioners declared that the second offer of the SERP was the last or final opportunity for availing thereof, the same program was offered for the third time after private respondent was already separated from the company and, necessarily, could no longer apply for the benefits thereunder.

Petitioners denied the grant of the bonus to private respondent because, according to them, the condition for its grant is that the employee must retire under the SERP. Yet, it was the unjust denial of his applications and the re-offering of the SERP after he was separated from the company that prevented private respondent from

complying with such condition for early retirement. As petitioners, being the employers-obligors, voluntarily prevented the fulfillment of the condition by their own acts, private respondent is deemed to have fulfilled the condition for early retirement under the SERP.[31]

We cannot find any justifiable reason for petitioners' denial of private respondent's second application. Their proffered justification that the services of private respondent were still needed by the company impresses us as being superficial and contrived when viewed in the light of subsequent events. There was already another person capably catering to the needs of petitioner company's' existing clientele; hence, to grant private respondent's application would not in any way prejudice the continued and steady operations of the company. The unjustified denial of private respondent's application and the third offering of the SERP after private respondent's separation from the company lead to no other conclusion but that his separation shortly after the rejection of his second application was designed to deprive him of the bonus which he could have received under the program had his application been justly granted.

When private respondent's services were terminated on the ground of redundancy, petitioners impliedly acknowledged that the former was decidedly qualified to retire under the SERP and to avail of its benefits since that was exactly the same ground for retirement under the SERP. Consequently, the logical deduction that forcefully submits itself is that petitioners ingeniously schemed to terminate private respondent's employment for redundancy, instead of having him retire on the same ground of redundancy, since the latter mode of separation entailed payment of a bonus of P50,000.00.

A reading of the assailed resolution of the NLRC will show that public respondent did not in any way grant the P50,000.00 bonus as an alternative for the award of damages. Hence, petitioners objection on this ground is without basis and does not deserve any consideration. It was the Solicitor General who suggested that the award of P50,000.00 be sustained as an alternative for moral and exemplary damages, but that was not made the basis for the award by the NLRC of the bonus or its ratiocination for the grant thereof.

The fact that private respondent signed a document of waiver and quitclaim does not bar him from pursuing the P50,000.00 bonus under the SERP. His receipt of the separation pay and the execution of the release documents cannot militate against him. That acceptance of separation pay does not amount to estoppel, and the satisfaction receipt does not result in a waiver. The law does not consider as valid any agreement to receive less compensation than what a worker is entitled to recover nor prevent him from demanding benefits to which he is entitled. Quitclaims executed by employees are thus commonly frowned upon as contrary to public policy and ineffective to bar claims for the full measure of the workers' legal rights,[32] considering the economic disadvantage of the employee and the inevitable pressure upon him by financial necessity.

The exception to the nullity of quitclaims enunciated in Cruz vs. National Labor Relations Commission, et al.,[33] invoked by petitioners but which is actually an obiter dictum therein, is not applicable to and cannot operate in the present case. Although some of the requisites mentioned in the aforementioned case for the application of the exception appear to be present, it cannot be said that the quitclaim executed by herein private respondent was in consideration or by reason of a fairly reasonable settlement of his claims. Private respondent was still shortchanged by a not insignificant amount of P50,000.00, and there is no showing that he received any equivalent benefits or privileges in exchange for his waiver of that bonus. Being unreasonable, the quitclaim signed by private respondent is invalid and cannot be enforced against him.

Petitioners would wish this Court to believe that they had been very generous to private respondent by paying more than what the law requires as separation pay. They emphasize that, under the law, private respondent would have been entitled to only one month salary for every year of service by way of separation pay, yet they instead granted him two months pay for each year. What petitioners pass upon sub silentio is that under the terms of the SERP, as noted at the outset, the program also granted two months basic salary for every year of service, aside from the bonus of P50,000,00. Private respondent would, therefore, have received the same separation pay had he been allowed to retire. In other words, the amount claimed by petitioners to have been paid by them as an act of munificence is

exactly the same amount they would have been made to pay as a matter of contract law, and more.

One cautionary afterword. This opinion should not be construed as constituting a judicial straitjacket on employers when confronted by the problem of redundancy in their employees' positions, or that employers do not enjoy freedom of selection in the dismissal of employees in case of redundancy. Employers continue to enjoy the privilege to conscientiously determine for themselves the existence of redundancy in their establishments and their necessary exercise of management prerogatives shall be upheld whenever justifiable. Such management prerogatives, however, are not unlimited and the exercise thereof must be done in good faith, otherwise it shall be subject to administrative and judicial review. Such review, in turn, shall invariably consider the particular facts of each case and be guided by the principle that the law, in protecting the rights of the laborer, neither authorizes oppression nor self-destruction of the employer.

ON ALL THE FOREGOING CONSIDERATIONS, the Petition at bar is **DISMISSED** and the judgment of respondent National Labor Relations Commission is hereby **AFFIRMED** in toto.

SO ORDERED.

Romero, Puno, Mendoza and Torres, Jr., *JJ.*, concur.

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[1] Rollo. 3-5.
[2] Ibid., 2.
[3] Annex A, Petition; Rollo, 22-23.
[4] Annex B, id; ibid., 24.
[5] Annex C., id; ibid., 25.
[6] Rollo, 4.
[7] Ibid., 3.
[8] Ibid., 55.
[9] Ibid., 3.
[10] Annex D, Petition; Rollo, 26.
[11] Annex E, id; ibid., 27.
[12] Annex F, id; ibid., 28.
[13] Annex G, id; ibid., 29.

[14] Annex G, Comment; ibid., 72.
[15] Annex H, Petition; ibid., 73.
[16] Annex I, id; ibid., 74.
[17] Annex J, id; ibid., 32.
[18] Annex J, Comment; ibid., 75.
[19] Annex K, Petition; ibid., 35.
[20] Annex L, id; ibid., 36.
[21] Rollo, 13-14.
[22] Ibid., 20.
[23] Ibid., 6.
[24] G.R. No. 82249, February 7, 1991, 193 SCRA 665.
[25] G.R. No. 92009, February 17, 1993, 219 SCRA 47.
[26] See Razon, Jr., et al. vs. NLRC, et al, G.R. No. 80502, May 7, 1990, 185 SCRA 44.
[27] Annex D. Petition; Rollo, 26.
[28] Lopez Sugar Corporation vs. Federation of Free Workers, et al., G.R. Nos. 75700-01, August 30, 1990, 189 SCRA 179.
[29] G.R. No. 99359, September 2, 1992, 213 SCRA 472.
[30] Nestle Philippines, Inc. vs. NLRC, et al., G.R. No. 91231, February 4, 1991, 193 SCRA 504.
[31] Art. 1186, Civil Code.
[32] See Fuentes vs. NLRC, et al., G.R. No. 76835, November 24, 1988, 167 SCRA 767.
[33] G.R. No. 98273, October 28, 1991, 203 SCRA 286.