SUPREME COURT
FIRST DIVISION

CARMELCRAFT CORPORATION &/OR CARMEN V. YULO, President and General Manager,
***Petitioners*,**

-versus-

G.R. Nos. 90634-35
June 6, 1990

NATIONAL LABOR RELATIONS COMMISSION, CARMELCRAFT EMPLOYEES UNION, PROGRESSIVE FEDERATION OF LABOR, represented by its Local President GEORGE OBANA,
***Respondents*.**
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D E C I S I O N

CRUZ, *J.*:

The Court is appalled by the degree of bad faith that has characterized the petitioners' treatment of their employees. It borders on pure disdain. And on top of this, they now have the temerity to seek from us a relief to which they are clearly not entitled. The petition must be dismissed.

The record shows that after its registration as a labor union, the Carmelcraft Employees Union sought but did not get recognition from the petitioners. Consequently, it filed a petition for certification election in June 1987. On July 13, 1987, Carmelcraft Corporation, through its president and general manager, Carmen Yulo, announced in a meeting with the employees that it would cease operations on August 13, 1987, due to serious financial losses. Operations did cease as announced. On August 17, 1987, the union filed a complaint with the Department of Labor against the petitioners for illegal lockout, unfair labor practice and damages, followed the next day with another complaint for payment of unpaid wages, emergency cost of living allowances, holiday pay, and other benefits. On November 29, 1988, the Labor Arbiter declared the shutdown illegal and violative of the employees' right to self-organization. The claim for unpaid benefits was also granted.[1] After reviewing the decision on appeal, the respondent NLRC declared:

> WHEREFORE, premises considered, the appealed decision is modified. In addition to the underpayment in their wages, emergency living allowance, 13th month pay, legal holiday pay and premium pay for holidays for a period of three years, the respondents are ordered to pay complainants their separation pay equivalent to one-month pay for every year of service, a fraction of six months or more shall be considered as one (1) whole year.

The rest of the dispositions stand.[2]

We do not find that the above decision is tainted with grave abuse of discretion. On the contrary, it is conformable to the pertinent laws and the facts clearly established at the hearing.

The reason invoked by the petitioner company to justify the cessation of its operations is hardly credible; in fact, it is preposterous when

viewed in the light of the other relevant circumstances. Its justification is that it sustained losses in the amount of P1,603.88 as of December 31, 1986.[3] There is no report, however, of its operations during the period after that date, that is, during the succeeding seven and a half months before it decided to close its business. Significantly, the company is capitalized at P3 million.[4] Considering such a substantial investment, we hardly think that a loss of the paltry sum of less than P2,000.00 could be considered serious enough to call for the closure of the company.

We agree with the public respondent that the real reason for the decision of the petitioners to cease operations was the establishment of respondent Carmelcraft Employees Union. It was apparently unwelcome to the corporation, which would rather shut down than deal with the union. There is the allegation from the private respondent that the company had suggested that it might decide not to close the business if the employees were to affiliate with another union which the management preferred.[5] This allegation has not been satisfactorily disproved. At any rate, the finding of the NLRC is more believable than the ground invoked by the petitioners. Notably, this justification was made only eight months after the alleged year-end loss and shortly after the respondent union filed a petition for certification election.

The act of the petitioners was an unfair labor practice prohibited by Article 248 of the Labor Code, to wit:

> ART. 248. Unfair labor practices of employers. — It shall be unlawful for an employer to commit any of the following unfair labor practice:
>
> (a) To interfere with, restrain or coerce employees in the exercise of their right to self-organization;

More importantly, it was a defiance of the constitutional provision guaranteeing to workers the right to self-organization and to enter into collective bargaining with management through the labor union of their own choice and confidence.[6]

The determination to cease operations is a prerogative of management that is usually not interfered with by the State as no business can be required to continue operating at a loss simply to maintain the workers in employment.[7] That would be a taking of property without due process of law which the employer has a right to resist. But where it is manifest that the closure is motivated not by a desire to avoid further losses but to discourage the workers from organizing themselves into a union for more effective negotiations with the management, the State is bound to intervene.

And, indeed, even without such motivation, the closure cannot be justified because the claimed losses are obviously not serious. In this situation, the employees are entitled to separation pay at the rate of one-half month for every year of service under Art. 283 of the Labor Code.

The contention of the petitioners that the employees are estopped from claiming the alleged unpaid wages and other compensation must also be rejected. This claim is based on the waivers supposedly made by the complainants on the understanding that "the management will implement prospectively all benefits under existing labor standard laws." The petitioners argue that this assurance provided the consideration that made the quitclaims executed by the employees valid. They add that the waivers were made voluntarily and contend that the contract should be respected as the law between the parties.

Even if voluntarily executed, agreements are invalid if they are contrary to public policy. This is elementary. The protection of labor is one of the policies laid down by the Constitution not only by specific provision but also as part of social justice. The Civil Code itself provides:

> ART. 6. Rights may be waived, unless the waiver is contrary to law, public order, public policy, morals, or good customs, or prejudicial to a third person with a right recognized by law.
>
> ART. 1306 The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem

> convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.

The subordinate position of the individual employee *vis-a-vis* management renders him especially vulnerable to its blandishments and importunings, and even intimidation's, that may result in his improvidently if reluctantly signing over benefits to which he is clearly entitled. Recognizing this danger, we have consistently held that quitclaims of the workers' benefits will not estop them from asserting them just the same on the ground that public policy prohibits such waivers.

That the employee has signed a 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. A deed of release or quitclaim cannot bar an employee from demanding benefits to which he is legally entitled.[8]

Release and quitclaim is inequitable and incongruous to the declared public policy of the State to afford protection to labor and to assure the rights of workers to security of tenure.[9]

We find also untenable the contention of Carmen Yulo that she is not liable for the acts of the petitioner company, assuming it had acted illegally, because the Carmelcraft Corporation is a distinct and separate entity with a legal personality of its own. Yulo claims she is only an agent of the company carrying out the decisions of its board of directors. We do not agree. Our finding is that she is in fact and legal effect the corporation, being not only its president and general manager but also its owner.[10]

Moreover, and this is a no less important consideration, she is raising this issue only at this tardy hour, when she should have invoked this argument earlier, when the case was being heard before the labor arbiter and later in the NLRC. It is too late now to shunt these responsibilities to the company after she herself had been found liable.

All told, the conduct of the petitioners toward the employees has been less than commendable. Indeed, it is reprehensible. First, the

company inveigled them to waive their claims to compensation due them on the promise that future benefits would be paid (and to make matters worse, there is no showing that they were indeed paid). Second, it refused to recognize the respondent union, suggesting to the employees that they join another union acceptable to management. Third, it threatened the employees with the closure of the company and then actually did so when the employees insisted on their demands. All these acts reflect on the bona fides of the petitioners and unmistakably indicate their ill will toward the employees.

The petitioners obviously regard the private respondents as mere servants simply because they are paid employees. That is a mistake. Laborers are not just hired help to be exploited, without the right to defend and improve their interests. The working class is an equal partner of management and should always be treated as such.

The more labor is prevented from pursuing its legitimate demands for its protection and enhancement, the more it is likely to lose faith in our free institutions and to incline toward ideologies offering a more attractive if deceptive regime. One way of disabusing our working men and women of this delusion is to assure them that under our form of government, the interests of labor deserve and will get proper recognition from an enlightened and compassionate management, no less than the total sympathy of a solicitous State.

WHEREFORE, the petition is **DISMISSED** and the challenged decision is **AFFIRMED**, with costs against the petitioner. It is so ordered.

Narvasa, Gancayco and Medialdea, *JJ.*, concur.
Griño-Aquino, *J.*, is on leave.

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[1] Rollo, pp. 12-13.
[2] Ibid., p. 19.
[3] Id., p. 14.
[4] Id., p. 6.
[5] Id., pp. 26-29.
[6] Art. XIII, Sec. 3. Constitution.

[7] Columbia Development Corp. vs. Minister of Labor and Employment, 146 SCRA 42; LVN Pictures and Workers Association vs. LVN Pictures, 35 SCRA 147; Phil. American Embroideries, Inc. vs. Embroidery & Garment Workers Union, 26 SCRA 634.
[8] Fuentes vs. NLRC, 167 SCRA 767, citing MRR Crew Union vs. PNR, 72 SCRA 88.
[9] Cuales vs. NLRC, 121 SCRA 812.
[10] Rollo, pp. 52-53.