SUPREME COURT
SECOND DIVISION

LOPEZ SUGAR CORPORATION,
***Petitioner*,**

-versus-

G.R. No. 148195
May 16, 2005

LEONITO G. FRANCO, ROGELIO R. PABALAN, ROMEO T. PERRIN and EDUARDO T. CANDELARIO,
***Respondents*.**
x----------x

D E C I S I O N

CALLEJO, SR., *J.*:

This is a Petition for Review on Certiorari of the Decision[1] of the Court of Appeals (CA) in CA-G.R. SP No. 49964, which affirmed the decision of the National Labor Relations Commission (NLRC) in NLRC Case No. V-0138-97, which, in turn, reversed the decision of the Labor Arbiter in RAB Case Nos. 06-01-10047-96, 06-64-10164-96 and 06-07-10292-96.

The Antecedents

Private respondents Leonito G. Franco, Rogelio R. Pabalan, Romeo T. Perrin and Eduardo T. Candelario were supervisory employees of the

Lopez Sugar Corporation (the Corporation, for brevity). Franco was barely 20 years old when he was employed in 1974 as Fuel-in-Charge. His co-employee, Pabalan, was about 28 years old when he was hired by the Corporation as Shift Supervisor in the Sugar Storage Department in 1975.[2] On the other hand, Perrin and Candelario were employed in 1975 and 1976, respectively, as Planter Service Representatives (PSRs), who rose from the ranks and, by 1994, occupied supervisory positions in the Corporation's Cane Marketing Section.[3]

Franco supervised the fuel tenders, monitored fuel and lubricant requirements of the central, as well as those of the planters who ordered their requirements from the central. He also ensured the adequate supply of oil products. For his part, Pabalan supervised the delivery of sugar and molasses to and from the storage during his shift; he likewise supervised the regular, contractual and casual employees who were engaged in handling sugar. Perrin and Candelario, on the other hand, were tasked to convince planters to mill their canes using the services of the Corporation, provide technical assistance to planters, and attend to their various needs.[4]

By 1994, the supervisory employees of the Corporation, spearheaded by Franco, Pabalan, Perrin and Candelario, decided to form a labor union called Lopez Sugar Corporation Supervisor's Association. On December 29, 1994, the Department of Labor and Employment (DOLE) in Iloilo City, Regional Office No. VI, issued a Certificate of Registration[5] to the union. During its organizational meeting, Franco was elected president and Pabalan as treasurer. Perrin and Candelario, on the other hand, were among its active members. Out of the 108 members, 105 had agreed to authorize the check-off[6] of union dues against their salaries even before any Collective Bargaining Agreement (CBA) had been executed by the union and management.

In January 1995, the officers of the union and the management held a meeting, which led to the submission of the union's proposals for a CBA on July 24, 1995.[7]

Meantime, on August 8, 1995, the Corporation's president issued a Memorandum[8] to the vice-president and department heads for the

adoption of a special retirement program for supervisory and middle level managers. He emphasized that the management shall have the final say on who would be covered, and that the program would be irrevocable once approved.

In a Letter[9] dated August 14, 1995, the Corporation requested for more time to study the union's proposals for a CBA. The union was made to understand that the management's counter-proposals would be presented during their conference on August 30, 1995.

Perrin and Candelario were on leave when they were invited by Juan Masa, Jr., the head of the Cane Marketing Section, to the Northeast Beach Resort in Escalante, Negros Occidental. The latter informed them that they were all included in the special retirement program and would receive their respective notices of dismissal shortly.[10]

True enough, Masa, Pabalan, Franco, Perrin and Candelario received copies of the Memorandum dated August 25, 1995 from the Corporation's Vice-President for Administration and Finance, informing them that they were included in the "special retirement program" for supervisors and middle level managers; hence, their employment with the Corporation was to be terminated effective September 29, 1995, and they would be paid their salaries until September 27, 1995, thus:

> In line with the memorandum of the President dated August 8, 1995, announcing the adoption of a special retirement program for the supervisors and the middle level managers, and our earlier discussion with you, we wish to formalize our advice that you are one of the employees who will be covered by the Program. Your inclusion in the Program is primarily due to the fact that our study of our current organizational set-up reveals that the organization is presently over-staffed. There are actually duplication of functions and responsibilities, and some duties could actually be performed by just one person. Management therefore had no choice but to reduce the present number of employees and you were selected as among those who will be separated from the service.

> As stated in the memorandum, you will be entitled to a separation package equivalent to two months pay for every year of service, in addition to the conversion of your unused/earned sick leave and vacation leave credits and pro-rated 13th month pay. This generous non-precedent setting separation package, which is twice what the law provides, is being offered in consideration of your acceptance of your separation, thereby relieving the company from the trouble of any court litigation.[11]
>
> The private respondents received their respective separation pays and executed their respective Release Waiver and Quitclaim[12] after receiving their clearances from the Corporation.

On August 31, 1995, the management wrote the union that its proposals for a CBA had been referred to its counsel.

Thereafter, the private respondents filed separate complaints against the corporation with the NLRC for illegal dismissal, unfair labor practice, reinstatement and damages.[13]

In their position paper, the private respondents claimed that they were made to understand that their employment was terminated on the ground of redundancy; however, they were not informed of the criteria, guidelines or standard in the implementation of the special retirement program. They were thus led to conclude that their dismissal was capricious. They pointed out that Perrin and Candelario, who had been with the corporation for already 20 years, were included in the special program, while others who had been employed with the corporation for only one to six years had been retained. Moreover, one year before the program was implemented, the Corporation hired two more PSRs, thus increasing their number; and even after the termination of Perrin and Candelario's employment, the Corporation hired two more on a contractual basis. Candelario was then rehired on a contractual basis only until January 1996 when the complaint was filed against the Corporation. Franco, on the other hand, had rejected a similar offer to work on a contractual basis.

The private respondents also alleged that their inclusion in the said program was resorted to in order to intimidate the union and its members from pursuing their objective of institutionalizing a collective bargaining mechanism for supervisory employees in the company, thus, aborting the birth of a labor organization capable of bargaining with the management on the terms and conditions of employment. The complainants averred that for all intents and purposes, "the collective bargaining process was over, having failed to progress beyond the proposal stage, a pathetic end for an enterprise that started with such great enthusiasm from 105 of the 108 supervisors."[14]

They further averred that the connection between the untimely demise of the negotiations and the dismissal of 32 employees, who were officers and members of the union, was too obvious to be ignored considering further that the claim of redundancy was untenable. The complainants also averred that they were all in their late 40s, and had served the petitioner for about 20 years; although still in their productive years, their prospects for other employment were very slim.[15]

In its position paper, the Corporation maintained that the termination of the employment of the complainants was in response to the challenges brought about by the General Agreement on Tariff and Trade (GATT), the AFTA and other international trade agreements, which greatly affected the local sugar industry. The respondent summarized its position, thus:

x x x

> 12.0 Complainants' separation from employment was made pursuant to a legitimate exercise by the Company of its prerogatives to adopt measures to cut cost and to maintain its profitability and competitiveness.
>
> 13.0 The inclusion of the complainants in the special retirement or right sizing program has nothing to do with their exercise of their right to self-organization; hence, there is no unfair labor practice being committed by the Company.

> 14.0 Complainants' separation from service was done in good faith and in complete compliance with procedural and substantive legal requirements; hence, legal and justified.
>
> 15.0 Complainants are barred by the release waiver and quitclaim that they have executed in favor of the Company from further contesting the validity of their separation from service.[16]

The Corporation also averred that in July 1995, it commissioned Sycip, Gorres, Velayo and Company (SGV) to conduct a study of the Corporation and its operations to identify changes that could be implemented to achieve cost effectiveness and global competitiveness.

In their Reply-Affidavit, the complainants averred that they signed their respective Release Waiver and Quitclaim because their employer had driven them to the wall, and found themselves in no position to resist, as they were no longer employed. They insisted that it was "a case of adherence, not of choice." They averred that they did not relent on their claim, nor did they waive any of their rights.

They further emphasized that nowhere in the SGV study was it recommended that they be dismissed from employment, or that their positions be abolished. In the case of the Sugar and Molasses Storage Department (SMSD), for instance, the recommendation to save cost was not implemented; instead Pabalan and another shift supervisor who was also a union officer (Bitera), were dismissed, and replacements were hired on December 1, 1996. As to the Cane Marketing Department where Perrin and Candelario were assigned as PSRs, the study, in fact, recommended the strengthening of the said unit; the respondent dismissed such employees who had been employed from 13 to 25 years. The private respondents pointed out that this was an evidence of the Corporation's intention to contract out the work of the PSRs, considering further that those who had been employed for only one to six years were retained.[17]

On February 26, 1997, the Labor Arbiter rendered judgment in favor of the Corporation and ordered the dismissal of the complainants.

According to the Labor Arbiter, there was a real and factual basis to declare redundancy, thus:

> Based on this study, the position and functions of fuel-in-charge, held by complainant Franco, are basically the same as that of Fuel Tenders and therefore his activities could well be done by existing Fuel Tenders who would be directly under the General Warehouse Supervisor. In the case of complainant Pabalan, whose position was Shift-in-Charge/Supervisor, it was observed that his tasks could be merged in the functions of the Property Warehouse Supervisor. With respect to complainants Perrin and Candelario, who were Planters' Service Representatives, it was observed that the job was more complementary to the marketing aspect, wherein they are tasked to maintain good and harmonious relations with the company's sugar planters, to ensure continued patronage of the mill's services. It was found that these PSR functions could well be handled by agents or consultants, who would be paid on commission basis.[18]

The Labor Arbiter noted that the complainants received their separation pay and other monetary benefits from the Corporation, and thereafter, voluntarily executed their respective Deeds of Release Waiver and Quitclaim[19] in its favor.

The complainants appealed to the NLRC which rendered judgment on December 9, 1997 granting their appeal and reversing the decision of the Labor Arbiter. The NLRC ruled that there was no factual and legal basis for the termination of the employment of the private respondents based on retrenchment or redundancy, and that the Deeds of Release Waiver and Quitclaim executed by the complainants were ineffective. The Corporation filed a motion for reconsideration of the decision, which was denied by the NLRC.

Unsatisfied, the Corporation filed a petition for certiorari with the CA, insisting that:

> PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION WHEN IT SET ASIDE AND OVERRULED THE DECISION OF THE LABOR ARBITER ON THE BASIS OF

COINCIDENCES AND BASELESS ACCUSATION OF BAD FAITH, COMPLETELY MISAPPRECIATING THE SUBSTANTIAL EVIDENCE WHICH SUPPORTED THE LABOR ARBITER'S DECISION.

PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION IN OVERRIDING THE LEGITIMATE EXERCISE BY THE PETITIONER OF ITS MANAGEMENT PREROGATIVE OF REDUCING ITS WORK FORCE TO ADDRESS CURRENT BUSINESS AND ECONOMIC REALITIES.

PUBLIC RESPONDENT COMMITTED GRAVE ABUSE OF DISCRETION IN DISREGARDING BASIC PRINCIPLES OF LAW AND JURISPRUDENCE LAID DOWN BY THE SUPREME COURT TO THE EFFECT THAT:

i. The matter of evaluating the merits of the issues presented in a labor case is primarily addressed to the sound discretion of the Labor Arbiter. Thus, when the decision of the Labor Arbiter is amply supported by substantial evidence, his findings and conclusions should not be disturbed but must be accorded with respect by the NLRC and even by the Supreme Court.

ii. The determination that a position is redundant and therefore legally terminable, is basically an exercise of management prerogative, and for as long as it is done in good faith, the wisdom or soundness thereof is beyond the review power of the Labor Arbiter nor of the NLRC, which by law and jurisprudence are not vested with managerial functions.

iii. Termination on ground of redundancy is anchored on the superfluity of a position and not on the fact that actual loss is incurred by a company.

iv. A waiver and quitclaim, when voluntarily and intelligently executed, is binding upon the employee, more so if he is not just an ordinary employee.[20]

On April 28, 2000, the CA rendered judgment dismissing the petition, on the ground that the NLRC did not commit grave abuse of discretion in rendering judgment against the Corporation. The Corporation's motion for reconsideration thereof was, likewise, denied by the CA.

The Corporation, now the petitioner, assails the ruling of the CA, contending that the decision of the Labor Arbiter should prevail, as it is supported by substantial evidence and the law. The petitioner, thus, maintains that the Labor Arbiter correctly ruled that –

(1) the separation of the Respondents from employment was for a valid and authorized cause;

(2) the positions of the Respondents were redundant;

(3) there was a real and factual basis to declare redundancy;

(4) there is no evidence to show that the right sizing program was deliberately intended to stifle union activities;

(5) the confluence of events was just a coincidence;

(6) there is no evidence of deviousness in the right sizing program;

(7) the Respondents received their individual separation benefits, and there is no evidence that either moral or physical compulsion or both made them accept the benefits offered; and

(8) Petitioner Company has complied with the legal requisites of terminating the employment of the Respondents.[21]

The petitioner further argues that the decision of the NLRC is essentially flawed because the private respondents were terminated on the ground of redundancy, and not retrenchment which is an entirely different concept. There is absolutely no evidence on record, save the bare allegations of the private respondents that they were

singled out as victims of retrenchment. The other redundant positions were, likewise, eliminated. It insists that unlike retrenchment, redundancy does not require business losses to be an authorized cause for dismissal. Moreover, the law does not give any criteria, guidelines or standard for the selection of employees who are to be dismissed on the ground of redundancy. It insists that Article 283 of the Labor Code merely requires that "in case of termination due to the installation of labor-saving devices or redundancy, the worker affected thereby shall be entitled to a separation pay equivalent to at least his one (1) month pay or to, at least, one (1) month pay for every year of service, whichever is higher."

The petitioner further posits that the law does not require a corporation to adopt radical cost-cutting measures prior to a termination on the ground of redundancy. It avers that the mere fact that the termination took place at a time when the private respondents had just organized the union does not automatically render their termination invalid. It theorizes that the union could have been organized as leverage to the implementation of the redundancy program which the supervisory employees knew was forthcoming. It further claims that it is clearly not within the discretion of the NLRC to say that the termination was "prematurely resorted to," as such determination was clearly within the business discretion of the petitioner corporation. It adds that, as evidenced by the generous separation packages given to the private respondents, their welfare was amply considered by it.

Thus, the petitioner concludes, there was patent partiality and bias on the part of the NLRC when it sweepingly declared that the dismissal of the private respondents "was illegal and without valid and authorized cause."[22]

The Ruling of the Court

The petition is denied for lack of merit.

In the main, the issues in this case are factual. Under Rule 45 of the Rules of Court, only questions of law may be raised in this Court; such factual issues may be considered and resolved only when the findings

of facts and the conclusions of the Labor Arbiter are inconsistent with those of the NLRC and the CA.

Nevertheless, we have meticulously reviewed the records in this case and find that the NLRC did not commit any grave abuse of its discretion amounting to lack or excess of jurisdiction in rendering its decision in favor of the private respondents. The CA acted in accord with the evidence on record and case law when it dismissed the petitioner's petition for certiorari and affirmed the assailed decision and resolution of the NLRC.

We reiterate that it is the burden of the petitioner, as employer, to prove the factual and legal basis for the dismissal of its employees on the ground of redundancy.

In Asian Alcohol Corporation vs. National Labor Relations Commission,[23] the Court ruled that redundancy exists when the service capability of the work force is in excess of what is reasonably needed to meet the demands on the enterprise. The Court proceeded to expound, as follows:

> A redundant position is one rendered superfluous by any number of factors, such as over-hiring of workers, decreased volume of business, dropping of a particular product line previously manufactured by the company or phasing out of a service activity priorly undertaken by the business. Under these conditions, the employer has no legal obligation to keep in its payroll more employees than are necessary for the operation of its business.[24]

Contrary to the petitioner's claim, the employer must comply with the following requisites to ensure the validity of the implementation of a redundancy program: (1) a written notice served on both the employees and the Department of Labor and Employment at least one month prior to the intended date of retrenchment; (2) payment of separation pay equivalent to at least one month pay or at least one month pay for every year of service, whichever is higher; (3) good faith in abolishing the redundant positions; and (4) fair and reasonable criteria in ascertaining what positions are to be declared redundant and accordingly abolished.[25]

The Court emphasized in the earlier case of Panlilio vs. National Labor Relations Commission[26] that it is imperative for the employer to have fair and reasonable criteria in implementing its redundancy program, such as but not limited to (a) preferred status; (b) efficiency; and (c) seniority.[27]

The general rule is that the characterization by an employer of an employee's services as no longer necessary or sustainable is an exercise of business judgment on the part of the employer. The wisdom or soundness of such characterization or decision is not, as a general rule, subject to discretionary review on the part of the Labor Arbiter, the NLRC and the CA.[28] Such characterization may, however, be rejected if the same is found to be in violation of the law or is arbitrary or malicious.[29]

In Dangan vs. National Labor Relations Commission,[30] the Court ruled that the hiring, firing or demotion of employees is a management prerogative, but is subject to limitations stated in the collective bargaining agreement, if any, or general principles of fair play and justice. Indeed, the Court will not hesitate to strike down a redundancy program structured by a corporation to downsize its personnel, solely for the purpose of weakening the union leadership, thereby preventing it from securing reasonable terms and conditions of employment in their CBA with the employer.

In this case, we agree with the ruling of the CA that the petitioner illegally dismissed the private respondents from their employment by including them in its special retirement program, thus, debilitating the union, rendering it pliant by decapacitating its leadership. As such, the so-called "downsizing" of the Cane Marketing Department and SMSD based on the SGV Study Report was a farce – capricious and arbitrary.

The Court agrees with the private respondents' averments in their position paper, as follows:

> Complainants are not in a position to anticipate how respondent will present its case for redundancy particularly because no standard, criteria or guidelines for the selection of

dismissed employees was made known to them, and all that they were told was that "you were selected as among those who will be separated from the service;" nonetheless, this early, it is possible to point out certain facts which throw light on the plausibility or want of it, of the ground relied upon.

1. No contingency has occurred, of the kind mentioned by the Supreme Court in the Wiltshire case, (over-hiring of workers, decreased volume of business or dropping of a particular service line) which would explain the dismissal on the ground of redundancy; over-hiring of workers cannot conceivably occur in the level of the supervisors; on the other hand, it would have required an event of cataclysmic proportion to justify the dismissal for redundancy of a full one-third of the supervisors in an establishment, and if such an event were to occur it would have resulted in tremendous losses which is not true here because the dismissal is not on account of or to prevent losses;

2. In no other category of employees did positions suddenly become redundant except among the supervisors who have just organized themselves into a labor union and were working for their first-ever CBA in the establishment;

3. The dismissal came at the precise time when the Lopez Sugar Central Supervisors Association (LSCA) had presented its CBA proposals and was expecting the company's reply as mandated by law; in fact, the reply was overdue, being required to be submitted by management within ten (10) days from receipt of the union proposal; there is no better proof that the dismissals have served their hidden purpose than that the CBA negotiation has ended to all intents and purpose, before management could even present its counterproposal. Certainly, it would be farfetched to say that the remaining union officers and members have abandoned its objective of having a CBA for reasons other than the fear of suffering the fate of those who had been dismissed.

The absence of criteria, guidelines, or standard for selection of dismissed employees renders the dismissals whimsical, capricious and vindictive; in the case of the complainants Franco and Pabalan, who are the Union President and Treasurer, respectively, the reason for their inclusion is obvious. Additionally, it must be mentioned that in the case of Pabalan, there were three shift supervisors, one for each 8-hour shift before the "program" was implemented, namely, Pabalan, Bitera and Lopez; Pabalan and Bitera (a union director) were terminated, leaving Lopez alone, who worked on 12-hour shift duty with Henry Villa, department head who was forced to perform the work of shift supervisor; Pabalan was offered to be rehired as an employee of BUGLAS, a labor-only contractor but he refused; an employee, Eugenio Bolanos was assigned from another department to do the work of shift supervisor and three of them (Lopez, Villa and Bolanos) now divide shift duties among themselves. There is no explanation why among the shift supervisors it was Pabalan and Bitera who were included in the program.

In the case of complainants Perrin and Candelario, both Planter Service Representatives, the manipulation is even more apparent; one year before the "program" was instituted, two new PSRs were hired (Labrador and Cambate) bringing to six the total number of PSRs; after the termination of Perrin and Candelario, who have served for nearly 20 years, two new PSRs were hired (Oropel and Jeres) on contractual basis and whose compensation is based on pakiao; additionally, Candelario was hired after his dismissal under the same arrangement as Oropel and Jeres, which lasted only up to January 1996 when management learned of the filing of the first of these cases; Perrin, on his part, was offered the same arrangement but he refused.

4. The rehiring of dismissed employees through a labor-only contractor exposes the "program" as a circumvention of the law. This is true in the case of the following supervisors who were terminated with complainant but were

subsequently employed to do exactly the same work, but as employees of BUGLAS, a labor-only contractor which supplies laborers to respondent LSC:

A. Juanito Lanos, Supervisor, Electrical Department.

B. Raymundo Llenos, Community Development Officer.

C. Joseph Nicolas, Supervisor, Refrigeration and Air Conditioning.

The above re-hiring in addition to other circumstances earlier mentioned, such as the hiring of 2 men PSRs after Candelario and Perrin were terminated; the short-lived rehiring of the former and the offer to hire the latter which he refused, all indicate that there was no redundancy.

None of the work has been phased out or rendered obsolete by any event that took place. As to duplication of functions, it must be mentioned that the positions of complainants have existed for a long time judging from their years of service with respondent; the observation of the Supreme Court in the Wiltshire case to the effect that in a well-organized establishment, duplication of functions is hardly to be expected is pertinent.[31]

Foremost, the petitioner failed to formulate fair and reasonable criteria in ascertaining what positions were declared redundant and accordingly obsolete, such as preferred status, efficiency or seniority. It, likewise, failed to formulate fair and reasonable parameters to determine who among the supervisors and middle-level managers should be “retired” for redundancy. Using the SGV report as anchor, the petitioner came out with a special retirement program for its 108 supervisors and middle-level managers, making it clear that its decision to eliminate them was final and irrevocable. Moreover, the private respondents were not properly apprised of the existence of the special retirement program, as well as the criteria for the selection of the supervisors to be “retired,” and those to be retained or transferred or demoted.

Contrary to its submissions, the petitioner downsized the Cane Marketing Department by eliminating private respondents Perrin and Candelario; and Franco and Candelario from the Sugar and Molasses Storage Department, respectively, without due regard to the SGV report. The following recommendations relating to the Sugar and Molasses Storage Department were made:

RECOMMENDATIONS

2.4. Sugar and Molasses Storage.

2.4.1 Renovate old bulk warehouse to improve ventilation, lighting and raw sugar handling.
2.4.2 Install a conveyor/scale before bag sewing of refined sugar to check weight conformity.
2.4.3 Renovate bagging room of refined sugar to enforce strict hygiene/sanitation.
2.4.4 Install a marking mechanism that would indicate production date on bagged refined sugar.
2.4.5 Conduct weekly checks and adjustment on the bag sewing and conveyor equipment.[32]

The downsizing of personnel was not among the foregoing recommendations, and yet this was what the petitioner did, through its special retirement program, by including private respondents Franco and Pabalan, thereby terminating their employment. It is too much of a coincidence that the two private respondents were active members of the union.

On the other hand, the following recommendations were made relating to the Cane Marketing Department:

CANE MARKETING AND TRANSPORT

1.0. Cane Marketing

1.1.1 Expand SC's farm leasing operations (by 6,292 hectares).
1.1.2 Establish cane supply planning system.

1.1.3 Beef up SC's cane marketing efforts by hiring more effective PSRs to replace ineffective PSRs.
1.1.4 Acquire 6 motorcycles instead of second-hand jeeps
1.1.5 Apply marketing techniques used by other companies/industries.[33]

As can be gleaned from the above, the report recommended the beefing up of the petitioner's planter service representative force, while eliminating those who were ineffective. There is no showing in the record that respondents Perrin and Candelario were eliminated solely because they were inefficient. Neither is there any substantial evidence on record that the private respondents' performance had been deteriorating; on the contrary, they had been so far so efficient that they had been given promotions from time to time during their employment. Yet, the petitioner eliminated private respondents Perrin and Candelario and retained three PSRs, namely, Danilo Villanueva, Roberto Combate and Danilo Labrador, who were employed with the petitioner from one to three years and transferred Raymundo de la Rosa, who had been working there for only six years.[34] Again, it is too much of a coincidence that Franco and Pabalan, the President and Treasurer, respectively, of the union, were included in the special retirement program.

We agree with the findings of the CA that the private respondents were unilaterally included in the said program for the following reasons:

> As evidenced by various documents attached to the affidavit of Leonito Franco and Rogelio Pabalan, as well as supporting affidavits of complainants, the supervisory employees of LSC organized a labor union called Lopez Sugar Corporation Supervisor's Associations which was issued a certificate of registration by the DOLE Regional Office No. VI, Iloilo City on December 29, 1994. Complainant Franco was elected President and complainant, Pabalan, Treasurer, during the organizational meeting. Complainants Perrin and Candelario are active union members. Management was duly informed about this fact and in January 1995 a conference was conducted between the union and management where the status of the union was clarified and some problems in the workplace were discussed. The

management was also informed subsequently that 105 out of 108 supervisory employees have joined the union and authorized check-off of the union dues starting March 1995. The check-off was effected.

On July 24, 1995, the union formally submitted its CBA proposal to respondent with request for a reply in ten (10) days pursuant to the Labor Code. The management in a letter expressed willingness to meet the union panel on August 30, 1995, which the latter understood to mean that the management would present its counter-proposal during the said conference.

To the surprise of the complainants, they received instead on August 26, 1995 a letter of termination stating that, in accordance with the "special retirement program" of respondent, their services will be terminated effective September 27, 1995. The letter also stated that according to a study conducted by the respondent of its organizational set-up, it is over-staffed and there are duplications of functions which left it no choice but to reduce personnel.

As to the CBA counter-proposal, the management wrote the union on August 31, 1995 that the matter was referred to its external counsel for appropriate disposition "in the light of the recent development in this company."

The special retirement program affected 32 employees or roughly one-third of the supervisory personnel. They included the union President and Treasurer and majority of the Board of Directors and active union members. No clarification was made as to how the terminated employees were chosen, and no guidelines, criteria or standard was shown to lend coherence to the program.

As may be expected, the dismissals generated a general perception that management was sending a strong message that all employees hold their position at its pleasure, and that it was within its power to dismiss anyone anytime. With the dismissal of the union officers and with the membership now effectively

> threatened, the union virtually collapsed as an organization. Out of fear, no one would even assume the position of union President. An indication of this sad state of affairs into which the union has fallen is that nothing came out of its CBA proposal. It has been a year and three months as of this writing since the respondent informed the union that its proposal had been referred to the company's external counsel, but no counter-proposal has been submitted and no single conference has been held since then.[35]

While it may be true that the private respondents signed separate Deeds of Release Waiver and Quitclaim and received separation pay, nonetheless, we find and so hold that the NLRC did not err in nullifying the decision of the Labor Arbiter, thus:

> The Release Waiver and Quitclaim were not verified by the complainants. "Under prevailing jurisprudence, the fact that an employee has signed a satisfaction receipt of his claims does not necessarily result in the waiver thereof. The law does not consider as valid any agreement whereby a worker agrees to receive less compensation than what he is entitled to recover. A deed of release or quitclaim cannot bar an employee from demanding benefits to which he is legally entitled. We have herefore (sic) explained that the reason why quitclaims are commonly frowned upon as contrary to public policy and why they are held to be ineffective to bar claims for the full measures of the workers' legal rights is the fact the employer and the employee obviously do not stand on the same footing. The employer drove the employees to the wall. The latter must have to get hold of the money. Because out of job, they had to face the harsh necessities of life." (Marcos vs. NLRC, G.R. No. 111744, September 8, 1995)[36]

Private respondents Franco and Pabalan protested the termination of their employment. Private respondents Candelario and Perrin were shocked when, although they were on leave, they were invited to the Northeast Beach Resort by Juan Masa, Jr., the head of the Cane Marketing Department, on August 25, 1996, only to be told that, after spending a considerable number of years under the petitioner's employ, they were suddenly out of jobs. The private respondents had

no other recourse but to execute the said Release Waiver and Quitclaim because the petitioner made it clear in its Memorandum dated August 8, 1995 that it had the final say on who would be included in its special retirement program. Their dismissal from the petitioner corporation was a fait accompli, solely because they organized a union that would bargain for reasonable terms and conditions of employment sought to be included in a CBA. In fine, the private respondents were left to fend for themselves, with no source of income from then on; prospects for new jobs were dim. Their backs against the wall, the private respondents were forced to sign the said documents and receive their separation pay.

IN LIGHT OF ALL THE FOREGOING, the petition is **DENIED** for lack of merit.

SO ORDERED.

PUNO, *J.*, *(Chairman)*, AUSTRIA-MARTINEZ, TINGA, and CHICO-NAZARIO, *JJ.*, concur.

A T T E S T A T I O N

I attest that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

(SGD.)
REYNATO S. PUNO
Associate Justice
Chairman, Second Division

C E R T I F I C A T I O N

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairman's Attestation, it is hereby certified that the conclusions in the above decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

(SGD.)
HILARIO G. DAVIDE, JR.
Chief Justice

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[1] Penned by Associate Justice Romeo A. Brawner (now Presiding Justice), with Associate Justices Fermin A. Martin, Jr. (retired) and Andres B. Reyes, Jr., concurring; Rollo, pp. 82-88.
[2] CA Rollo, p. 217.
[3] Id. at 86-87.
[4] Id.
[5] CA Rollo, p. 220.
[6] Id. at 221.
[7] Id. at 222.
[8] Id. at 299.
[9] CA Rollo, p. 223.
[10] Id. at 429-430.
[11] CA Rollo, p. 224.
[12] Id. at 156-179.
[13] Rollo, p. 204.
[14] CA Rollo, p. 92.
[15] Id. at 92-93.
[16] CA Rollo, p. 75.
[17] CA Rollo, pp. 207-208.
[18] CA Rollo, p. 108.
[19] Id. at 156-163.
[20] CA Rollo, pp. 16-17.
[21] Rollo, pp. 39-40.
[22] Rollo, pp. 61-62.
[23] G.R. No. 131108, 25 March 1999, 305 SCRA 416.
[24] Id. at 432-433.
[25] Capitol Wireless, Inc. vs. Confesor, G.R. No. 117174, 13 November 1996, 264 SCRA 68, cited in Asian Alcohol Corporation vs. NLRC, supra.
[26] G.R. No. 117459, 17 October 1997, 281 SCRA 53.
[27] Id. at 57.
[28] Golden Thread Knitting Industries, Inc. vs. NLRC,G.R. No. 11957, 11 March 1999, 304 SCRA 568.
[29] Wiltshire File Co., Inc. vs. NLRC, G.R. No. 82249, 7 February 1991, 193 SCRA 665.
[30] G.R. Nos. 63127-28, 20 February 1984, 127 SCRA 706.
[31] CA Rollo, pp. 89-92.
[32] CA Rollo, pp. 144-145.
[33] Id. at 139.
[34] CA Rollo, p. 216.

[35] CA Rollo, pp. 87-89.
[36] Rollo, pp. 255-256.